

Business Insurance

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$4

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NAIC to boost ease of doing cat bond deals

By MEG FLETCHER

The National Assn. of Insurance Commissioners wants to make it easier for U.S. insurers to use on-shore capital markets instruments for their catastrophe exposures.

The NAIC's Insurance Securitization Working Group is pushing

NAIC hard to provide the market with clarification of accounting and other guidelines surrounding risk securitization by the start of the 1999 hurricane season.

The association says the effort is driven by a desire to give U.S. companies broader options for improving their financial security without having to go offshore and use special-purpose reinsurers.

The move to improve U.S. regulation of risk securitization deals ultimately will benefit insurance buyers, one analyst says.

NAC Re called a 'good fit' for XL

2 companies in discussions

By GAVIN SOUTER

GREENWICH, Conn.—XL Capital Ltd.'s possible purchase of NAC Re Corp. would give the expanding Bermuda company a firm position in the U.S. casualty reinsurance market, brokers say.

XL and NAC Re acknowledged in a joint statement last week that they are in negotiations, but neither would discuss details.

The deal also would give XL a significant book of facultative business, brokers say. XL's reinsurance unit, XL Mid Ocean Reinsurance Ltd., writes

This "evolutionary, alternative risk transfer mechanism" should be important to sophisticated risk managers, because they will soon be able to transfer their risks via such transactions, said Alan Levin, managing director of Standard & Poor's Corp.'s Insurance Rating Service in New York.

Under a typical risk securitization transaction, an insurer would cede a portfolio of catastrophe risks to a special-purpose reinsurer, which then issues bonds to third-party investors to spread the risk of catastrophic losses. Special-purpose reinsurers currently are created offshore, in essentially tax-favored jurisdictions, for the sole purpose of securitizing the exposure.

Payment to the investors is contingent upon the occurrence or non-occurrence of an event, such as a hurricane, to which the insurer is exposed to loss under policies

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only treaty business.

And NAC Re would add to XL's operations at Lloyd's of London.

"NAC Re does all the things that XL doesn't do," said Willis King, vice chairman at Guy Carpenter & Co. Inc. in New York. "It's a good fit."

XL has written a substantial amount of property catastrophe reinsurance since its purchase of Mid Ocean Reinsurance Ltd. in 1998 and GCR Holdings Ltd. in 1997.

And while the company writes a large amount of excess liability business for U.S. poli-

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Judge dismisses damage claims linked to Year 2000 compliance

SANTA CLARA, Calif.—A California judge has dismissed all of the damage claims against Intuit Inc. in connection with three class-action lawsuits alleging that the company's products are not Year 2000-compliant.

While Santa Clara County Superior Court Judge Robert Baines said he would allow plaintiffs' attorneys in *Issokson vs. Intuit* to amend their complaint, he rejected the primary complaint that Intuit's customers already had suffered losses and were owed

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Chubb to acquire Executive Risk

By GAVIN SOUTER

SIMSBURY, Conn.—Chubb Corp.'s offer of \$850 million to acquire Executive Risk Inc. would bring significant benefits to both organizations, brokers and analysts agree.

The deal would allow Executive Risk to access Chubb's extensive distribution system and broader range of property and casualty insurance products, while Chubb would consolidate its position as a leader in directors and officers liability and

executive protection insurance.

The deal would also allow Executive Risk to take advantage of Chubb's substantial capital and buy less reinsurance, therefore increasing profits.

But, as with consolidation in general, policyholders would have fewer insurers to choose from and, with a significant D&O competitor out of the market, insurers could perhaps increase premiums.

"It's a full price for a uniquely compelling strategic fit," according to Ron W. Frank, an analyst at Salomon Smith Barney

in New York.

D&O is one of Chubb's most profitable lines of commercial insurance, and the acquisition would substantially increase its share of that market, he said.

Chubb also would be acquiring a profitable company that employs many talented people, Mr. Frank added.

The price offered may be "a little bit rich," but it is still a good deal for Chubb, agreed Michael A. Smith, an analyst at Bear, Stearns & Co. in New York.

See Chubb on page 59

Enhancing executive protection

Chubb's proposed buyout of executive risk at a glance



Executive Risk

Chubb - Executive Risk

Gross premiums	\$6 billion	\$516.3 million	\$6.52 billion
Net premiums	\$5.5 billion	\$283.7 million	\$5.78 billion
Net income	\$707 million	\$43.4 million	\$750.4 million
Executive protection business*	\$1.2 billion	\$516.3 million	\$1.72 billion
Employees	9,500	600	10,100

*Executive protection business consists of: D&O, E&O, employment practices liability, and fiduciary and fidelity coverages. Figures are for 1998.

Health group to encourage coverage of clinical trials

By SALLY ROBERTS

WASHINGTON—Health plan denials of coverage for participation in clinical trials that experiment with new medical treatments and drugs soon may be a thing of the past.

Under an agreement reached between the National Institutes of Health and the American Assn. of Health Plans, the AAHP said it will encourage its member health plans to increase their own and

their patients' participation in NIH-sponsored clinical trials. It also will encourage AAHP member plans to reimburse the routine patient-care costs associated with the trials, provided those costs are not substantially higher than the costs a plan would incur in the course of standard treatment by an in-network plan provider.

The voluntary agreement could be formally signed as early as this week.

Because the costs of care for patients in clinical trials will be essentially the same as the costs for patients receiving standard therapies, and because only a small percentage of total enrollees actually participate in trials, health plans will not see an increase in overall costs, the AAHP anticipates.

However, if clinical trials are especially costly, the NIH has agreed to work with the health

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compensation.

The judge's decision was the second victory for the Mountain View, Calif.-based software maker over Year 2000 compliance. In December, a New York Supreme Court judge dismissed *Chilelli vs. Intuit*, a similar class action, according to Intuit attorney Claude M. Stern, a partner at Fenwick & West in Palo Alto, Calif.

He said Intuit had tendered a claim for defense costs with its insurer but had not yet been paid. He declined to name the insurer.

Earnings tumble at CNA

CHICAGO—CNA Financial Corp.'s net income plunged last year to \$282 million from \$966 million in 1997, a 70.8% drop.

The company also reported a \$147 million net loss for the fourth quarter, compared with \$279 million in net income for the fourth quarter a year ago.

The 1998 results reflect \$169 million in aftertax restructuring and other related charges posted last year in connection with a new strategic plan (*BI*, July 28, 1998).

The company also said the change in 1998 aftertax results when compared with 1997 are principally attributable to the unfavorable development of about \$270 million in prior years' reserves, increased catastrophe losses of \$140 million, and decreased investment income of \$40 million.

The company also completed its previously announced management changes, with Bernard L. Hengesbaugh, former executive vp and chief operating officer, elected chairman and chief executive officer (*BI*, Dec. 7, 1998). He replaces Dennis H. Chookasian, who was elected chairman of CNA's executive committee.

Mr. Hengesbaugh said in a statement that, while CNA expects the difficult market environment to continue, "we will vigorously pursue improved results by focusing on the fundamentals of our business. These actions include the continuation of best-in-class initiatives designed to make CNA a low-cost provider in our chosen markets and exiting non-core businesses."

Listeria prompts 2 more recalls

WHITE BEAR LAKE, Minn.—Thousands of cartons of milk products recalled this month because of new listeria contamination fears have not yet been associated with consumer illness, a spokeswoman for the manufacturer says.

White Bear Lake, Minn.-based Kohler Mix Specialties, a subsidiary of Michael Foods Inc., last week broadened its recall of various milk, half-and-half and whipping cream products to include such brands as Land O' Lakes, Muller Pinehurst, Oak Grove, Perkins, Roundy's and Wendy's.

The listeria bacteria can cause meningitis and potentially can be fatal, especially for those with weakened immune systems.

In another recall, Springfield, Ark.-based Tyson Foods Inc. said 78,000 chicken burritos prepared by a Chicago subsidiary, Culinary Foods, are at risk for the listeria germ. The burritos were received by American Airlines until Dec. 18, but it is unknown how many of them actually were served, a Tyson spokesman said last week. No health problems have been reported due to the burritos, he said.

A Michael Foods spokeswoman would not supply any information on insurance coverages.

Tyson has "a very formal, comprehensive insurance program," the company's spokesman said, declining to elaborate.

Chicago-based Sara Lee Corp. recalled about 15 million pounds of hot dogs and packaged lunch meat in December after an outbreak of listeria traced to its Zeeland, Mich., plant. Eleven adult deaths and five miscarriages have been attributed to Sara Lee products (*BI*, Feb. 8).

Philip Morris to appeal

SAN FRANCISCO—Philip Morris Cos. will seek to overturn a \$51.5 million jury award to a California woman suffering from lung cancer.

Last week's award to Patricia Henley is the largest in a lawsuit filed by an individual smoker. The San Francisco County Superior Court jury awarded the 52-year-old former smoker \$1.5 million in compensatory damages and \$50 million in punitive damages.

The punitive award is "absurd and grossly disproportionate to the compensatory award," Gregory Little, associate general counsel of Philip Morris, said in a written statement. "We will ask the court to set aside both damage awards. We do not believe they will survive on appeal."

A spokesman for Philip Morris would not say whether the tobacco company has insurance coverage to pay an award if one is upheld.

GRE dropping marine coverage

LONDON—Guardian Royal Exchange P.L.C., the U.K. multiline insurer being acquired by AXA Group, is withdrawing from the London marine insurance market.

Guardian Insurance, which operates GRE's marine business, said last week it would immediately cease writing hull, cargo and excess-of-loss marine business, and that existing business will go into runoff. GRE's marine business had been writing around £60 million (\$97.6 million) in annual premiums.

Guardian Insurance said in a statement that the decision, which follows its withdrawal last November from energy business, has nothing to do with GRE's pending takeover by AXA. It said the decision was made "in the light of the continuing poor results over recent years and the lack of any clear indication of rates and terms in the marine market improving to a level that would allow satisfactory results to be achieved."

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Express Scripts set to grow with buy of SmithKline PBM

By ROBERT KAZEL

ST. LOUIS—Express Scripts Inc.'s planned purchase of rival Diversified Pharmaceutical Services Inc. could result in a stronger independent player in the prescription benefit management marketplace better able to pass on savings to employers, some benefit managers say.

But some express concern that bigger won't necessarily be better

in a field of companies that is shrinking due to consolidation.

St. Louis-based Express Scripts, already the largest PBM not owned by a drug maker or retail pharmacy chain, solidified that position last week when it announced it would pay \$700 million in cash to acquire Edina, Minn.-based DPS from SmithKline Beecham, the British drug producer that had purchased Diversified in 1994 for \$2.3 billion.

The deal is expected to close in the second quarter.

Certain drug companies have acquired PBMs as a way to shield themselves from the effect of managed care on drug prices. But the DPS sale is further evidence that this strategy has largely failed and proved wildly expensive, said Andrea O'Boyle, benefit consultant with Buck Consultants Inc. in New York.

See PBM on page 55

Patient dumping liability

California considers whether damages cap applies to hospitals

By ROBERTO CENICEROS

SAN FRANCISCO—A California court case that could expand the liability of hospitals for so-called patient dumping is being closely watched by health care risk managers nationwide.

The case now before the California Supreme Court revolves around whether a state tort reform that limits economic damage awards against hospitals is preempted by a 1986 federal law pro-

hibiting the release or transfer of patients who are not medically stable.

The conflict is becoming a growing issue for hospitals, which find themselves caught between the federal law and managed care plans that may deny payment for the treatment of patients who seek medical care at non-network facilities or without prior authorization.

Courts in other states have recently taken up the same issue as

the California case, according to John O'Hagan, vp-clinical and legal affairs for the Idaho Hospital Assn. in Boise, Idaho, and the chairman of an American Society for Healthcare Risk Management committee that focuses on the federal dumping law.

The Emergency Medical Treatment and Active Labor Act, enacted by Congress in 1986, prohibits patient dumping at hospitals that participate in the federal

See Dumping on page 57

Proposed IRS rules target eligibility**COBRA cut back for FSAs**

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service's new COBRA regulations would cut back on how long employers have to extend coverage for beneficiaries enrolled in flexible spending accounts, reducing employers' exposure to COBRA claims.

Under a proposed provision of the regulations, an employer generally would have to extend

COBRA coverage for an FSA only for the plan year that the beneficiary becomes eligible for COBRA. That would mean that—depending on when during a plan year an FSA participant became eligible for COBRA coverage—COBRA would have to be offered for a maximum of 12 months or as little as one month.

By contrast, current IRS regulations permit FSA partici-

pants—depending on the event that qualifies them for COBRA—to receive COBRA coverage for their FSAs for up to 36 months.

"This was a matter of significant concern to employers," said Henry Saveth, an attorney with William M. Mercer Inc. in New York.

As benefit experts dig deeper into the regulations, published

See COBRA on page 58

How many suits from Y2K?

By MARK A. HOFMANN

WASHINGTON—Whether or not the Year 2000 computer problem will cause a flood of litigation depends on who's talking.

Lawyers and industry experts who appeared on two panels disagreed as to the amount and nature of lawsuits likely to come as a result of the Y2K problem as they discussed the issue at the Center for Strategic and International Studies in Washington last week.

"The biggest challenge is one of leadership. Leaders must avoid complacency, but they must



avoid panic," said Sam Nunn, chairman of the CSIS Y2K Risk Assessment Task Force and a former U.S. senator from Georgia.

"I assume there's going to be a lot of litigation," said Ernest Patrikis, special adviser to the chairman of New York-based American International Group Inc. But, he said, "reputation risk," whereby a company loses customers because of Y2K, is a bigger risk for some companies than litigation is. He urged his audience to engage in comprehensive risk management by looking at reputation risk and operation risk as well as legal risk.

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Inside

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- A new Standard & Poor's Corp. report says protection & indemnity clubs are under growing pressure to consolidate. **PAGE 53**

- The National Committee for Quality Assurance unveils a draft of its new HEDIS 2000 health plan performance measures for comment. **PAGE 57**

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Self-insurance: Property/Casualty Employee Benefits

Captives driving growth in self-insurance vehicles

By MICHAEL BRADFORD

Self-insurance is not for everyone. With commercial insurance prices still a bargain, organizations need a very good reason to retain the risk and the expense of claims administration. Insurers are handing out such good deals that many risk managers are content to let them have the whole risk-financing headache.

In the old days of predictable insurance market cycles, employers could quickly conclude in many cases that stable insurance costs and control over their programs were powerful incentives to self-insure.

These days, with most market predictions keeping the insurance cycle in its current trough for the foreseeable future, that motivation usually isn't enough.

"Until the soft market starts turning, we won't see a lot of activity," said Andre Lefebvre, consulting actuary at Arthur Andersen L.L.P. in Atlanta. The commercial

market is "so cheap," he noted, that employers are "making decisions based on price, and they're not going into the alternative market."

"My expectation is that we're not going to see much growth in alternative markets," agreed Mary Ann Godbout, assistant vp at Conning & Co., a Hartford, Conn.-based insurance research firm. "The soft insurance market means there is no reason for companies to turn to self-insurance. They're doing very nicely in the insurance market right now."

The growth that is occurring in the alternative market primarily is coming in the area of captives.

Mr. Lefebvre said the continuing growth of captives in a soft market is an interesting phenomenon. "The traditional thought is to set up captives in a hard market," he said.

But new captives continue to be formed—305 last year in domiciles tracked by the 1999 Captive Insurance Company Directory published by Tillinghast-Towers Perrin.

See Captives on next page

Captive insurance company growth

Year	New captives licensed	Captives removed	Net gain in captives	Estimated premiums in billions
1994	311	122	189	\$15
1995	278	111	167	\$18
1996	290	102	188	\$19
1997	294	139	155	\$18
1998	305	154	151	\$21.3

Source: Tillinghast Towers-Perrin

Rising health costs spur interest in self-funding

By JOANNE WOJCIK

The surge in HMO premiums is prompting more employers to self-insure their health risks, just as they did in the early 1980s, when indemnity rates soared.

Some employers—especially those with younger, healthier populations—are choosing to self-insure their health plans because they think community rates charged by most HMOs force them to subsidize other employers with less-healthy workers.

But while the chief reason for self-funding is still to save money, more and more employers also are going that route because of the flexibility it offers—it is now possible for employers to self-insure not only indemnity plans but also preferred provider organizations, point-of-service plans and even health maintenance organizations.

In fact, according to the 1998 Mercer/Foster Higgins National Survey of Employer-Sponsored Plans, 68% of large employers—those with at least 500 employees—that have traditional indemnity plans self-insured those indemnity plans; 73% of large employers with PPOs self-insured their

PPO plans; 53% of large employers with POS plans self-insured them; and 10% of large employers with HMOs self-insured their HMOs.

The recent surge in premiums for fully insured HMO and POS plans has caused many employers to rethink their health care financing strategies, according to Eileen Raney, national director of Deloitte & Touche L.L.P.'s Integrated Health Group in Los Angeles.

Employers think insured managed care is not living up to its promise of reducing health care costs while at the same time increasing benefits and improving quality, she said. They also are getting a lot of complaints from employees about accessibility.

"Employers are trying to strike a balance between their organizations' need to manage health care costs while meeting employee demands for provider access and choice," she said.

Mike Crawford, president of Crawford & Crawford, a benefit consulting firm in San Francisco, agrees. "Because of (HMO) rates going up, I think a lot of companies will go back to self-funding," he predicts.

John Erb, area vp in Boca Raton, Fla., for See Self-fund on page F

Smaller TPAs facing tough market demands

By MICHAEL PRINCE

For claims administration companies, survival is not only for the fittest but also for the biggest.

For large third-party administrators, opportunities abound in providing employee benefit and property/casualty claims services for self-insurers and insurers.

"I think the TPA marketplace, looking to the future, is very strong," said James Kinder, chief executive officer of the Self-Insurance Institute of America in Santa Ana, Calif.

For smaller TPAs, however, the environment may be more difficult. For example, a lack of capital to invest in computer systems has limited smaller companies' growth, forcing many to sell.

Times are bad "if you are a local or

regional TPA dependent upon local risk management accounts for growth," said Jeffrey Ward, chairman and CEO of Ward North America Inc., a TPA headquartered in San Diego.

"The future is pretty dismal for the smaller TPAs to compete if they don't have some financial partner or strategic partnership with someone with money," said Gordon Gray, chairman and CEO of TotalPlan Services Inc., a small TPA in Portland, Maine. He predicts that many small TPAs will be forced to sell in the next three to four years.

The need to invest in costly technology has been one of the greatest drivers of the TPA consolidation movement, consultants say.

"The clients want quick and easy access to information," which requires sophisticated technology, said Larry Chase, vp-process management for See TPAs on page 18

Top 10 claims administrators

based on claims paid for self-insurers

Company	1998 claims paid for self insurers	1998 estimated gross revenues from claims services	1998 self-insured clients
ESIS Inc.	\$2,806,947,262	\$78,000,000	213
Sedgwick Claims Management	\$2,556,452,000	\$97,920,000	712
Harrington Benefit Services	\$2,250,000,000	\$100,000,000	275
RSKCo	\$1,965,000,000	\$191,700,000	1,121
Gallagher Bassett Services Inc.	\$1,916,420,000	\$169,204,992	2,015
The TPA Inc.	\$1,860,000,000	\$72,000,000	1,000
Crawford & Co.	\$1,800,000,000	\$192,000,000	5,268
CoreSource Inc.	\$1,623,300,000	\$106,825,000	1,401
Brokerage Concepts Inc.	\$1,412,000,000	\$47,886,000	975
GAB Robins North America Inc.	\$1,000,000,000	\$95,000,000	1,200

Source: BI Survey

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Spotlight Editor: Michael Bradford

Captives

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There were 154 captives removed from the domiciles' rolls, leaving a net gain of 151 in 1998. That compares with 294 new formations in 1997 and a net gain of 155 that year.

And captives are writing more business—an estimated \$21.3 billion in 1998, according to figures compiled by Tillinghast's Captive Insurance Company Reports. That's up from around \$18 billion in 1997.

Mr. Lefebvre said some captives' owners are putting them in place in anticipation of a market turn. That will help them avoid any spikes in the price of coverage written in the traditional market, he said. Others, he said, are putting the insurers together as a way to finance specialty coverages.

He said that banks are showing a lot of interest in captives as a way to fund private mortgage insurance. "Changes in banking regulations let them insure it through a captive."

Corrine Ramming, editor of the Tillinghast-Towers Perrin directory, said captives have been formed in Vermont and Maine to write private mortgage insurance. And, she pointed out, "There is a trend, especially in Cayman and also in Bermuda, of more captives being formed for advanced, sophisticated risk financing purposes."

Cayman has been the domicile of choice for some innovative catastrophe bond deals. Several special-purpose vehicles have been set up to securitize risk and provide reinsurance in the deals that provide catastrophe property coverages.

D. Hugh Rosenbaum, a principal with Tillinghast-Towers Perrin in

London, said it is likely that captives will continue to show premium growth over the next few years.

"The leap from '97 to '98 surprised me," he said, adding that the increase in premium writings is occurring as captives take on new kinds of risk financing.

If owners continue to add new lines to captives apart from the traditional property/casualty risks, and if the advanced risk financing techniques showing up in captives continue, writings growth likely will remain strong, Mr. Rosenbaum noted.

"It wouldn't surprise me if that goes on into 2000 or 2001," he said of captives' growing premium volume.

The premium volume figures are CICR's best estimates but should be viewed in light of the fact that they are "highly dependent on information, or the lack of it, from some large domiciles," Mr. Rosenbaum advised.

Some domiciles, for example, report figures that are a year behind.

Companies also are turning to risk retention groups as a way to launch new risk financing programs.

"There's an interesting trend" of risk retention groups forming to cover the contractual liability of automotive service contracts, said Karen Cutts, publisher of The Risk Retention Reporter in Pasadena, Calif. "There are now four in this area."

The groups write coverage for claims under extended warranties sold by new and used car dealers. Dealers sell the warranties, keeping some of the profits and also sending premiums to the risk retention groups.

Car dealers would find themselves in a regulatory quagmire trying to offer such coverage without risk retention groups to write it, Ms. Cutts noted. Without the federal 1986 Liability

Risk Retention Act, "these kinds of coverages would run into state regulations," she said, adding that the act makes it easier for dealers to put these programs together.

Legislative changes in Vermont and Hawaii have encouraged the formation of reciprocal risk retention groups in those domiciles. These groups offer certain tax advantages not available under the structure of traditional RRGs. Last November, Virginia's largest integrated health care system, Inova Health System Foundation, formed a Vermont-domiciled reciprocal RRG. The fourth reciprocal formed under Vermont's 1997 law, it will provide primary and excess professional liability coverage to the five Inova health care systems that offer medical care services.

The number of groups formed since the risk retention act was enacted has held at near the current figure. There are 68 groups operating now, according to The Risk Retention Reporter. Altogether, 131 have been formed. But 17 of those never became operational, seven were reorganized and operate in another form, 25 voluntarily ceased operations, 11 were declared insolvent and placed in liquidation and three were placed in rehabilitation.

Vermont remains the domicile of choice for risk retention groups, with 34. Hawaii has 10, and Tennessee, seven. Eleven other domiciles account for the remaining 17.

Self-insurance, while not offering the same benefits during a soft market cycle as in a hard one, is still the preferred way to fund risk for some. Workers compensation is an area in which some companies have decided to take inexpensive coverage in the commercial market, though others have opted to keep self-insurance programs in place.

Staying or leaving often "depends on the industry you're in and the percentage of premium compared to payroll," explained O.L. Anderson, vp at Crawford & Co., an Atlanta-based third-party administrator.

He said a Crawford & Co. client recently made the decision to stick with a self-insured workers comp program after considering those factors and deciding to stay rather than choose a guaranteed cost program.

Many choose to remain self-insured because they enjoy the flexibility and control they can have within their programs with the help of a TPA, Mr. Anderson noted.

But some organizations opt to assume administrative duties themselves.

"We do not use TPAs," said Warren R. Privette, corporate manager of human resources and government affairs at Roy O. Martin Lumber Co. in Alexandria, La. "We deal with everybody; we have eye-to-eye contact."

Mr. Privette's company self-insures its workers comp exposures, and it makes use of high deductibles and a Cayman Islands captive as self-insurance mechanisms for other risks.

Mr. Privette said taking on the administrative duties of the workers comp program means the lumber company is able to work closely with injured employees.

"We administer a self-insurance program. Consequently, without TPAs, our management is involved in the claim, from the immediate supervisor" to upper levels of the corporate structure, he said.

"We have the computer-generated reports through our (preferred provider organization). We have direct contact with legal counsel, and we're cutting the checks."

"Now that we are in a soft market, a lot of insurance companies want to do workers comp, and they are," said Gary Patureau, executive director of the Louisiana Assn. of Self Insured

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Capital, Alternative Markets Approached in Retrocessional Deal

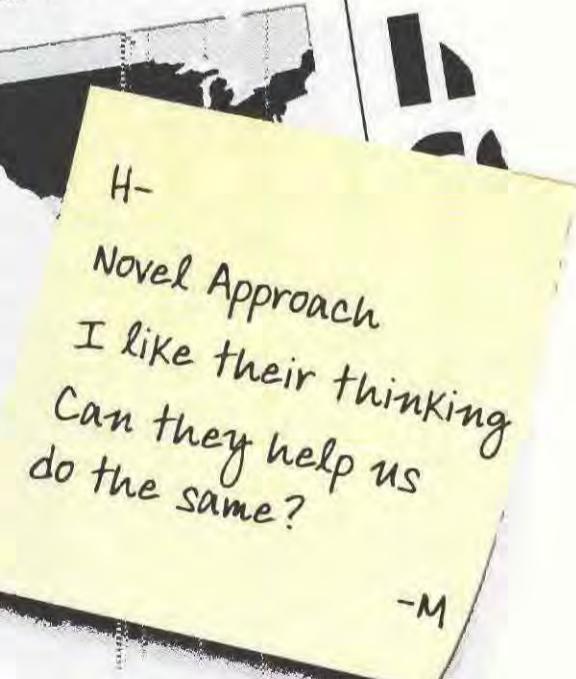
BY CHARLES HOLMES

Staff Reporter of THE INSURANCE WORLD NEWS



HAMILTON, Bermuda -- XL Mid Ocean Re announced the completion of a \$200 million retrocessional reinsurance deal. Unique in the transaction was the way in which it was put together, using a bid process involving capital markets, non traditional reinsurers as well as traditional reinsurers. Capital market investors were offered a "swap" transaction instead of a bond, as time constraints did not allow for a more traditional bond offering to be put together.

XL Mid Ocean Re, formed through the merger of XL Global Re with Mid Ocean Re, sought to secure the retrocessional coverage as soon as possible before the looming hurricane season. "We are delighted with the outcome of this innovative transaction", said Henry Keeling, President and CEO of XL Mid Ocean Re. "The speed with which the capital and alternative market reinsurers responded demonstrates the effectiveness of such strategies".



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Captives

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Employers in Baton Rouge.

"But that runs in cycles," he said of insurers' interest in writing the coverage. Employers that choose to self-insure rather than opt for today's low premiums "are actually controlling what's going on" in their programs, he added. "And they feel like they have better coverage."

Mr. Patureau said evidence that not all companies are leaving self-insurance is seen in his association's numbers. LASIE, started in 1991, has grown to about 250 members and is expected to reach 300 by the end of this year, he said.

Often, self-insurance makes an organization better at loss control.

In Texas, where employers can choose to opt out of the state's work-

ers comp system and self-insure, taking on the risk and giving up liability protections means an employer has to keep a sharp eye on worker safety.

"We've become much more safety-conscious," said Eddie Crawford, risk manager for Brookshire Grocery Co. in Tyler, Texas. More money and attention to safety programs has led to a reduced number of losses, he noted.

The number of workers comp claims is down about 35% to 40% since the company began self-insuring its comp exposure in Texas in 1991, and claims costs are half what they were then, Mr. Crawford said.

Those same figures apply to workers comp claims and claims costs for the company's operations in Louisiana, where it began self-insuring the exposure in 1992, and in Arkansas, where the company began self-insuring in 1993.

Many organizations that have

made the decision to self-insure aren't looking back, said Joseph M. Buono, senior vp with Willis Corroon Corp. of New York.

"I think most of the folks who have been in self-insurance are pretty much keeping the status quo," Mr. Buono said. "It took capital to get into the self-insurance market," he said, so companies need to consider their investment in self-insurance programs.

For the time being, there probably won't be a lot of companies abandoning traditional insurance, either, Mr. Buono added. Not only is the pricing of the soft market keeping risk managers with their insurers, but breaking up with an insurance company can be hard to do for other reasons, he said.

Companies can develop strong relationships with insurers, and it is "kind of a challenge to terminate those situations," Mr. Buono pointed out. **BI**

Self-fund

Continued from page 3

Gallagher Benefit Services, joined the choir.

"I think we're at a kind of watershed in self-insurance," he said.

In some ways, the emergence of the capitated HMO stymied the growth of self-insurance, according to Mr. Erb.

In the late 1980s and early 1990s, when the percentage hikes in indemnity premiums were in the double digits, many employers began offering fully insured HMOs because they limited their exposure through capitation.

Then point-of-service plans started to take off because employers wanted to self-insure their HMOs in order to have more control over the way their health care dollars were being spent.

"Employers essentially forced

HMOs to offer point-of-service because they couldn't self-insure HMOs" in many states, Mr. Erb explained.

Plus, POS plans offered more choice by also giving employees an out-of-network benefit, said Don Gasparro, managing director of Apex Management Group, a benefit consultant in Princeton, N.J.

It was the best of both worlds: self-insurance and managed care.

The growth in POS self-insurance is illustrated by the Mercer/Foster Higgins survey. In 1998, 53% of large employers that had POS plans self-funded them, up from 46% in 1997.

But "now we're seeing the erosion of HMOs and POS and growth in PPOs," said Mr. Erb, pointing to the recent findings of the yet another Mercer survey, this one measuring health care costs.

The survey found the beginning of a new "reverse" migration, in which employees are leaving HMOs and POS plans to enroll in PPOs (**BI**, Jan. 25).

In some cases, PPO enrollment growth may be attributable to the fact that more employers are offering the option today, according to Mr. Erb.

He explained that some states, particularly those in the Northeast, have only recently permitted PPOs to negotiate discounts with hospitals. For years some states, such as New York, New Jersey and Connecticut, set hospital rates by statute and permitted discounts only to provider-owned PPOs, he explained.

But other industry observers say it's the growth in self-insurance overall that is driving the growth in PPO enrollment.

"The most cost-effective way to deliver health care is through a PPO," because administrative costs in such an arrangement are about half that of HMOs and POS plans, according to Mr. Crawford of Crawford & Crawford.

The less managed the plan is, the less it costs to administer, agreed Art Dickerson, principal and Houston practice leader for benefit consultant William M. Mercer Inc.

Point-of-service plans are the most complicated to operate, with administrative costs ranging from \$30 to \$45 per employee per month, he said. HMOs are the second-most expensive, with administrative costs ranging from 12% to 18% of each member's monthly premium.

By contrast, PPOs cost just \$15 per member per month to administer, plus a nominal network access fee. Indemnity plans also cost about \$15 per member per month to administer, according to Mr. Dickerson.

Employers are finding out that "the real savings in managed care are the discounts, not the management of care," said Gallagher Benefit Services' Mr. Erb. This is partly because any savings achieved through managed care are generally eaten up by its additional administrative costs.

Indeed, because "the price point differential between POS and PPOs, relative to HMOs, has narrowed...the PPO is resurrected and HMOs are teetering," said Ms. Raney of Deloitte & Touche.

Mike Lichman, senior vp-benefits and New York area benefit practice leader at Willis Corroon Corp., illustrated the situation with the following scenario: Say an employee pays 20% of the \$150 monthly HMO premium vs. 20% of the \$180 PPO premium. If HMO rates climb 10% to \$165 and PPO rates increase 5% to \$189, the employee's HMO premium goes up \$3 for a payment of \$33, while the PPO premium climbs just \$2 to \$37.80.

And because there's a smaller cost differential between the two types of plans, "they may choose the PPO, which could lead to growth of the

See **Self-fund** on page 12

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Opinions

Overdue IRS rules welcome

BETTER LATE THAN NEVER.

If there ever was a case where that saying applies, the Internal Revenue Service's long-awaited regulations for administering COBRA health care continuation coverage is it.

The IRS regulations released last month arrive 13 years after the Consolidated Omnibus Budget Reconciliation Act was enacted. That broad budget law contains provisions to allow employees and their dependents to retain group health care coverage for a limited time after certain events, such as the loss of a job, death, divorce or marital separation.

We don't know why it took tax regulators so long to come up with guidance for employers to follow in administering these benefits. Although the IRS did publish regulations about a year after COBRA's passage that provided limited guidance, many employers' requests for guidance had gone unanswered until the regulations were issued.

To be sure, some of the problems employers have had in complying with COBRA have been the result of later amendments to the law, such as an extension of coverage for beneficiaries who are disabled.

Even allowing for time to analyze the more recent changes, the IRS has taken an embarrassingly long time to develop comprehensive regulations for employers.

Given its obvious difficulties and tardiness in producing the COBRA regulations, we hope the IRS now will be more understanding when employers say they need more realistic deadlines to comply with the new regulations.

Despite the delay, we'd be remiss if we didn't commend the IRS for what appears—at least at first glance—to be well-crafted and well-reasoned regulations.

As we report this week, the IRS has largely and quite properly closed a longstanding loophole that allowed employees with flexible spending accounts to abuse their right to COBRA coverage.

Many other provisions in the regulations will be welcomed by employers, because the IRS has provided clear answers to COBRA coverage to important questions raised by the often-ambiguous law.

Employers now know, for example, that a third



party, such as a deceased beneficiary's estate, can pay COBRA premiums for a beneficiary and that beneficiaries that first lose group coverage because of a reduction in hours and then lose their jobs can't "stack" these COBRA qualifying events to double the period of time they are eligible to receive COBRA coverage.

The publication of these regulations is perhaps an appropriate time to reflect on COBRA and what the law has meant to employers and employees over the past decade.

Looking back to when COBRA first became law, some of the provisions that struck us as outrageous and impractical at the time seem no less offensive today. These include the almost instant compliance deadline set by Congress and an initial penalty—later repealed—of loss of the tax deduction for all employer health care expenses for even an inadvertent COBRA violation.

That said, we today believe more than ever that the law's objective of protecting employees' health care coverage without unreasonably burdening employers is sound and a goal that has been met.

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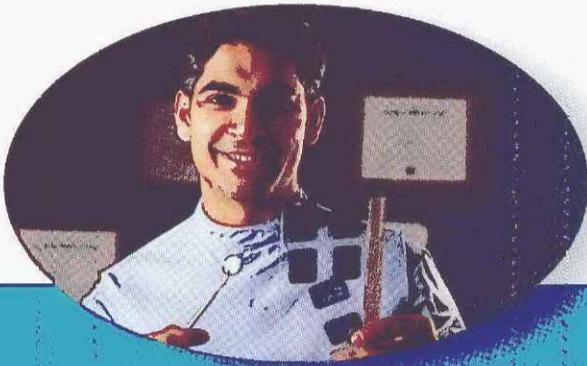
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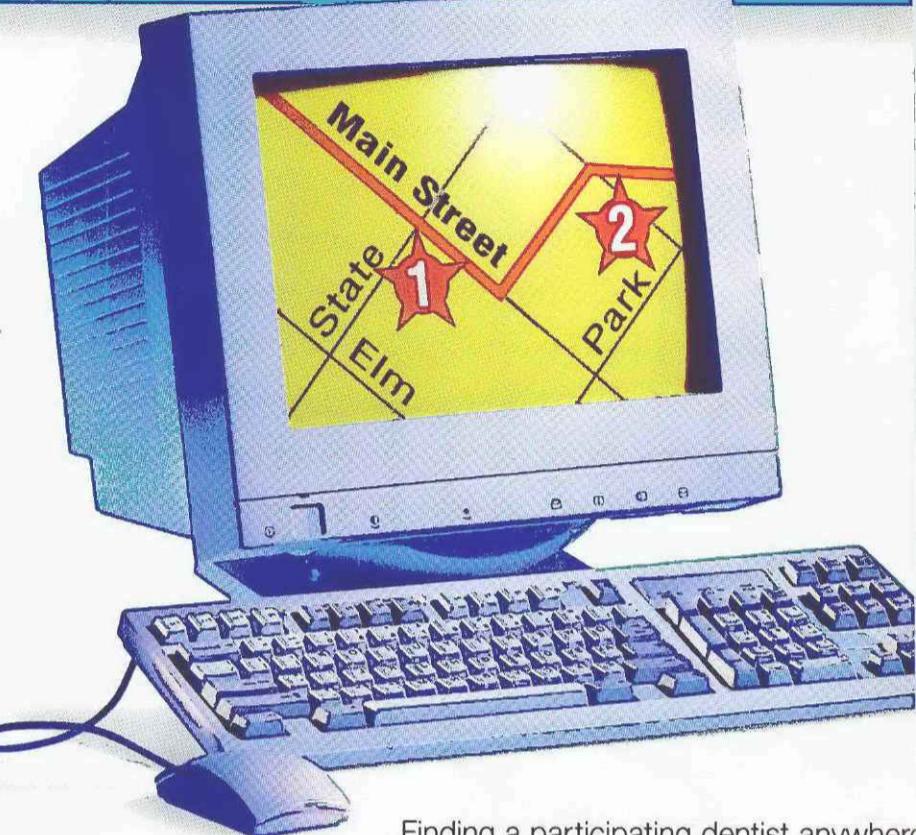
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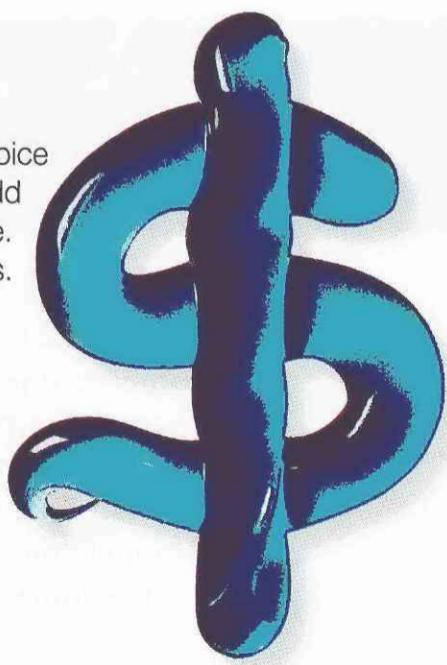
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Self-fund

Continued from page 3

number of employees in the self-insured product," Mr. Lichman said.

In some cases, employers with younger, healthier populations are choosing to self-insure to avoid paying community rates charged by most fully insured HMOs.

"If an employer has better claims experience than average, I don't want them to get into a contract with those who have worse experience," said Mr. Crawford.

"For years that wasn't a problem because of rate caps, but now, with double-digit rate hikes, lumping everybody together is not always such a good deal," he said.

But employers that switch to self-insurance may have a hard time getting claims data from the HMOs,

consultants warn.

"An HMO doesn't want to give up information on healthy groups if it means they're likely to pull out," said Willis Corroon's Mr. Lichman.

Ironically, it may be this migration to self-insurance that is partially feeding the increases in HMO premiums, according to Mr. Lichman.

"Employers in the Northeast, especially, believe insurance companies are making a profit on insured business. But how close to reality is this perception? If you look at HMOs in the aggregate, they're pricing close to the bone."

"Still, employers that think their group is healthier will consider self-insurance," he said.

Besides experience rating, self-insuring health benefits provides numerous other advantages to employers:

- Employers avoid paying premi-

um taxes, which vary by state but range from 1% to 3.5%.

- They improve their cash flow because they can maintain their own reserves and pay claims as they come in.

- They develop more control over plan design.

- They get a pre-emption, under the Employee Retirement Income Security Act of 1974, from offering state-mandated benefits.

The city of Pembroke Pines, Fla., had yet another reason for self-funding—to ensure that their employees' health claims were being paid on time.

"We did it because we could get the payments out quicker," said Sheila Paruch, director of risk management.

Under the triple-option plan insured by Miami-based Neighborhood Health Plan, employees complained they were receiving collec-

tion notices from their doctors because of the insurer's slow payment practices, she explained.

Fortunately, the transition from fully insured to self-insured was relatively easy for the city, which has 1,100 workers, according to Ms. Paruch.

In July 1998, the Division of Risk Management prepared the request for proposals that included both insured and self-funded options. In August, after reviewing the responses, the city administration chose to self-fund, and the plan was assembled and ready for open enrollment by Oct. 1.

"One of the reasons it went so smoothly was that everyone understood it," she said. Her department conducted regular meetings and communicated continuously with city employees through their department heads.

"The only problem was getting the cards printed correctly," she recalled.

Now the city has a self-insured POS plan with an exclusive provider organization to provide in-network services rented from United Healthcare. The city also purchased specific and aggregate stop-loss insurance from the managed care company to pay individual claims that exceed \$75,000 and aggregate claims that top \$2.2 million.

Under the plan, an employee pays a \$200 deductible, then 10% of the cost of in-network care and 30% of the cost of non-network services.

Medical stop-loss pricing heading upwards

By JUDY GREENWALD

Self-funded employers that purchase medical stop-loss coverage face double-digit premium increases this year after several years of a soft, intensely competitive market.

But managed care rates are rising also, and some believe this will lead even more employers to self-insurance as a way to better manage their health care expenses.

Reinsurers, in particular, are driving the increases in the stop-loss market. The market's problems may be illustrated by the experience of Swiss Reinsurance Co., which withdrew from the North American health reinsurance market last year after suffering large losses (BI, Nov. 9, 1998).

Joseph McErlane, president of Minneapolis-based National Benefit Resources Inc., a reinsurance underwriter, said he estimates that underwriting losses in the stop-loss market over the past three years amount to half a billion dollars.

"There's no doubt we have been, for some number of years, in an underpriced market that has been saturated with capacity," said Mr. McErlane.

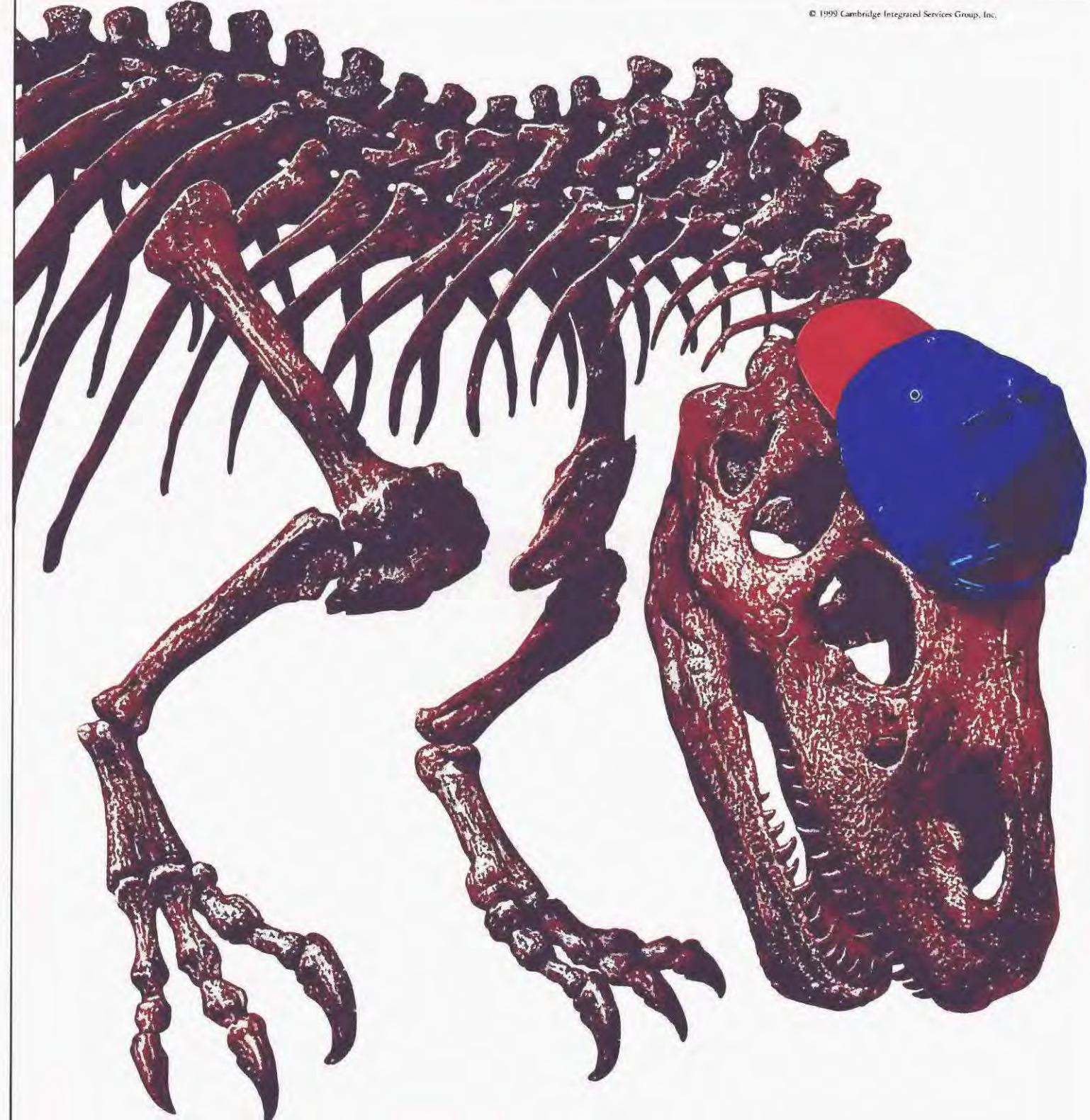
Insurers are embarking on a two-pronged effort: raising rates for specific stop-loss insurance and increasing attachment points for aggregate coverage.

Lower attachment points on aggregate stop-loss business have led to disproportionately high losses for the coverage, which has an average annual premium per policy of about \$5,000. Aggregate stop-loss coverage accounts for 8% to 10% of total stop-loss premium volume.

Aggregate attachment points should be set at 125% of expected claims, said Jim Halloran, second vp-group operations at Stamford, Conn.-based Cologne Life Reinsurance Co. The coverage is intended, he said, to be "sleep tight" insurance, to be called upon only in a particularly horrendous year.

But in the recent intensely competitive environment, attachment points were being set lower—sometimes even below expected claims—by brokers and managing general underwriters that often did not assume any of the risk, said Mr. Halloran.

See Stop-loss on page 16



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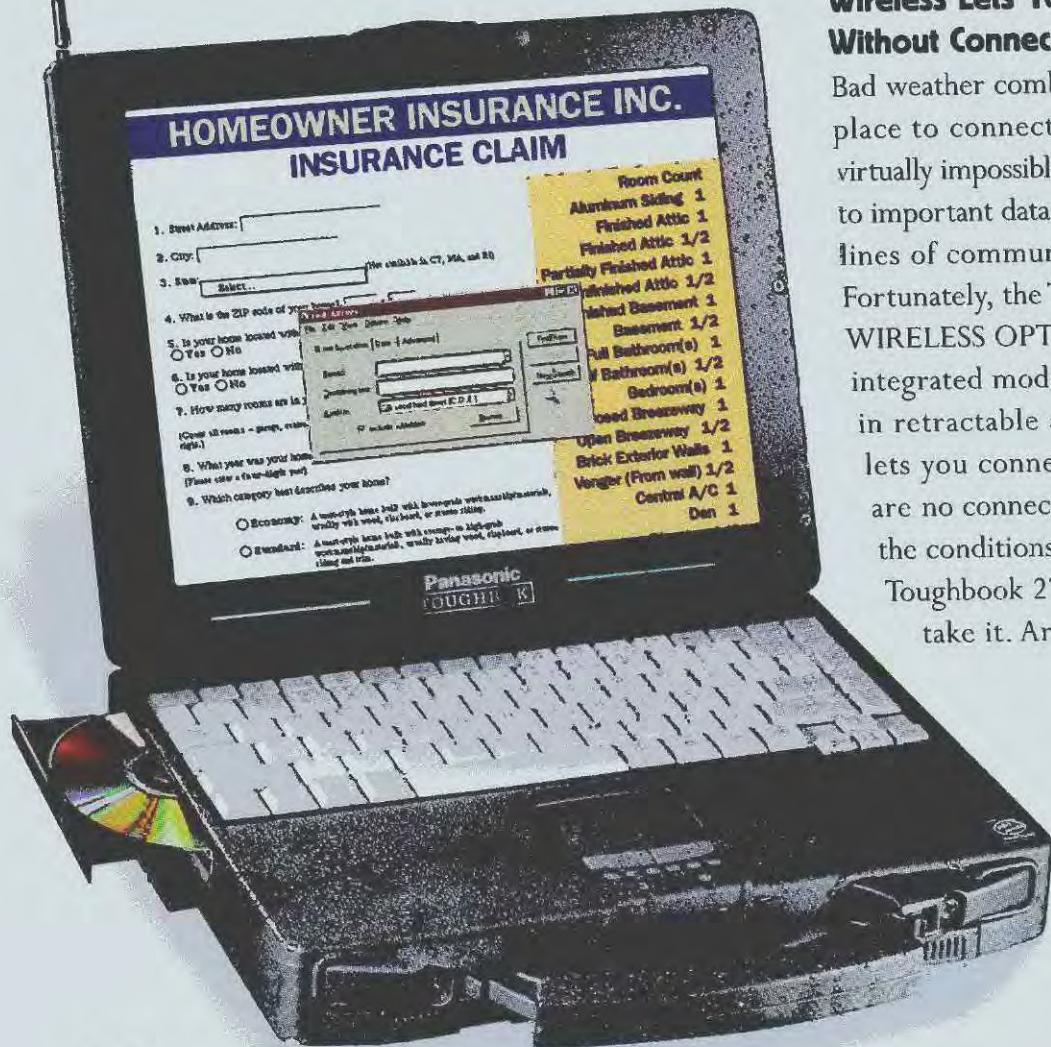
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Stop-loss

Continued from page 12

Unfortunately, some brokers "have educated the employer to expect reimbursement on their aggregate covers as a normal event," said Mr. Halloran, who added that employers must now be re-educated on this issue.

For their specific stop-loss coverage, employers "should be looking at a minimum increase of 12% to 15%, and, on average, probably in the low 20s," said Ed Ueeck, managing director of Fountain Valley, Calif.-based Pacific Risk Management Services, a unit of PM Group. PM Group sells stop-loss coverage to employers.

"The rates have been suppressed for the last few years, so there's this upward spiral now as the market

starts to harden a little bit," Mr. Ueeck said.

"I think this is the first year in several that rates have clearly gone up across the board, and the competition is not nearly as fierce as it has been historically," said Jim Dostad, a consultant at Merrill Lynch/Howard Johnson & Co. in Seattle.

"The industry's lost a lot of money the last couple of years because there's too much capacity and there's been very little pricing discipline, but I think that's starting to change," said Scott Taylor, vp of Seattle-based SAFECO Life Insurance Co., a major stop-loss insurer. The message now is that "we need to get back to pricing and underwriting discipline," he said.

Judy Tilber, vp of Integrated Medical Solutions at Hartford Life Insurance Co., another major stop-

loss insurer, agrees. "I think people have drawn a line in the sand and have said: 'Time out. We need, as an industry, to rethink how we want things to go,'" said Ms. Tilber. "Certainly, I think for the next couple of years, we're going to see increases," she added.

"I think this is going to continue for a while," said Larry Dlugolenski, vp-underwriting, for Wayne, N.J.-based Duncanson & Holt, a reinsurance managing general underwriter.

Some observers say buyers are accepting the rates. "Our experience in getting the rate increases so far this year has been pretty good, and I think, in general, from what I'm hearing from my peers in the industry, they're getting better-than-expected luck in getting clients to renew at the higher rates," said Pacific Risk Management's Mr. Ueeck.

"I think any employer is going to understand there's going to be rate increases from time to time," said Brian Bark, associate benefit consultant with Buck Consultants Inc. in Baltimore. The key is that hikes not be out of line with costs and that they not make the self-insured route untenable, he said.

However Pat Compola, president of Miami-based stop-loss insurer Alden Risk Management Services, said, "Severe pressures exist in the market to keep rates suppressed, and the jury's still out on whether the rate increases we're achieving will be sufficient to cover the deficits that have existed for the last two years." Alden Risk Management is a unit of John Alden Insurance Co.

Mr. Compola said the push for increases is coming not just from reinsurers but also from direct writers

such as John Alden. He said John Alden does not reinsurance its business.

"Renewal increases of 15% to 20%, at a minimum, are necessary in order to achieve underwriting profits," said Mr. Compola. But, he said, "we still are not there, and, most likely, rate increases of 7% to 10% are now achievable for specific stop-loss coverage at the present conditions."

Referring to reports of new entrants into the business, Mr. McErlane of National Benefit Resources said the success of higher rate introduction also "will depend on the number of new entrants and any new capacity that is brought in that is not as seasoned and experienced as it ought to be."

Bruce Carlson, assistant vp at stop-loss insurer Allianz Insurance Group in Minneapolis, concurs. "A lot depends on what happens in the reinsurance market and whether or not additional 'naive' capacity comes in to support some of those players who have lost their existing reinsurance," he said.

Meanwhile, he added, established U.S. reinsurers are "holding the line, demanding compliance with tougher underwriting standards and price mechanisms to bring some stability back."

A rate increase, though, means employers face the test of determining the level at which they should set their stop-loss coverage, said Tim Borchert, a benefits consultant with Lincolnshire, Ill.-based Hewitt Associates L.L.C.

To avoid paying more, for instance, employers whose coverage currently begins at a \$100,000 deductible may consider increasing it to \$150,000, said Mr. Borchert. "That way they reduce their overall premium, but they have a corresponding increase in the risk they're accepting under their plan."

Even with the stop-loss rate increases, managed care rate hikes are making self-insurance more attractive to employers, say observers.

With HMO rates increasing and the surviving HMOs becoming more administratively cumbersome, so that they "don't work quite as well," some employers are considering unbundling their health plans and moving to self-insurance as a way to manage their major health care expenses, said Karin Landry, New England group health care practice leader for Watson Wyatt Worldwide. She is based in Wellesley Hills, Mass.

"We do see more and more employers wondering whether a fully insured HMO or managed care product is really the right option," she said.

Hartford's Ms. Tilber also predicted a movement toward self-insurance. While it is hard to discern whether it has already started, she said, "I think it really would be a wave over the next 12 to 14 months."

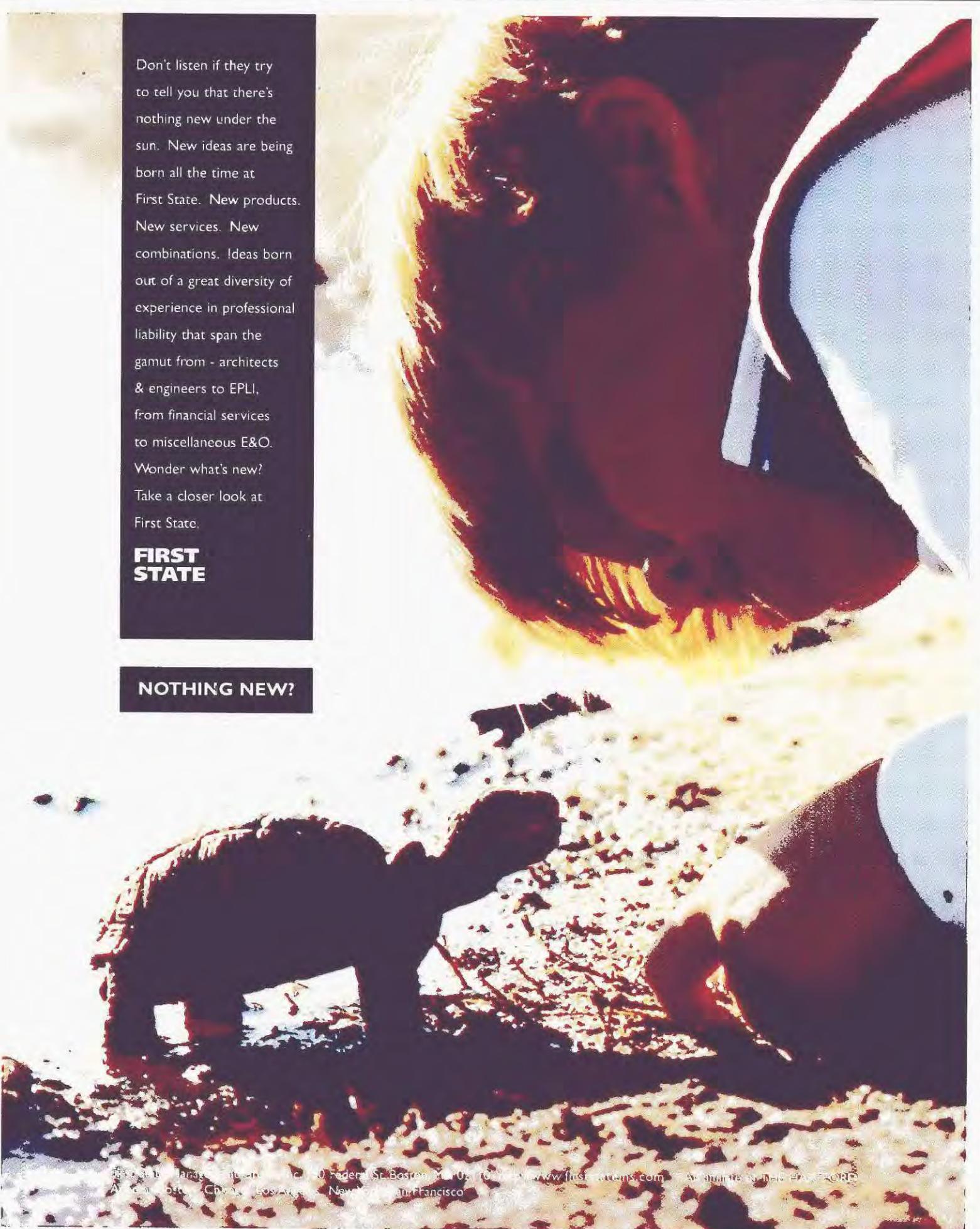
"I think that as people react to some of the mergers going on involving some of the fully insured plans that they've come to know and love, and as the backlash to HMOs and stronger forms of managed care continues, then you're going to see people reconsidering the self-funding alternative," said Ms. Tilber.

Buck's Mr. Bark, however, said he has not seen signs of this trend, at least so far. "I really don't see employers getting out of managed care to go that route if they're already into managed care," he said. But, he said, it wouldn't take a lot of years for managed care rates to get so out of line that employers would start to look at self-insurance again.

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NOTHING NEW?



Self-insurers taking aim at managed care legislation

Patients' rights proposals discourage sponsorship of benefit plans, employers say

By MARK A. HOFMANN

Self-insured employers fear that legislative efforts to regulate managed care are aiming at the wrong target.

By training their fire on alleged abuses of managed care plans rather than attempting to make health care coverage more widely available, lawmakers could seriously wound—if not ultimately slay—the employer-based health care system, warn employers and third-party administrators.

In fact, by focusing on so-called "patients' rights" rather than on ways to increase access to health coverage, they caution that so-called reforms could backfire and actually increase the number of the country's uninsured.

"In a general way, anything Congress does to make health insurance more expensive is the heart of the problem," said Tom Emerick, vp-benefits for Wal-Mart Stores Inc. in Bentonville, Ark.

Self-insurers, as a result, are fighting back.

"We've beefed up our operations in D.C. substantially and added three more staff people," said James Kinder, chief executive officer of the Santa Ana, Calif.-based Self-Insurance Institute of America Inc.

"Our elected leaders have a direct conflict with themselves. On the one hand, they have an interest in expanding the availability of coverage to the uninsured and, on the other hand, they're making it more difficult for employers to provide coverage," Mr. Kinder said.

A patients' bill of rights "ultimately increases the cost of care by imposing additional regulations and additional liabilities on the entities that provide care," said Bryan Davenport, the SIIA's general counsel.

"That cost gets passed on to employees, either directly or indirectly in lowering their pay or decreasing the amount of benefits they receive. If you substantially increase the cost of providing the benefits, I think there's a strong possibility that you will substantially increase the number of people without benefits," said Mr. Davenport, who practices law in Franklin, Ind.

The principal managed care proposals that have been introduced thus far in Congress, or that are likely to be introduced soon, are:

- The Access to Quality Care Act of 1999, H.R. 216, sponsored by Rep. Charles Norwood, R-Ga. This measure, which closely resembles Rep. Norwood's earlier Patient Access to Responsible Care Act, would amend the Employee Retirement Income Security Act to allow lawsuits in state court for damages associated with the administration of health plans, including lawsuits against the employers that sponsor the plans.

- The Patients' Bill of Rights Act of 1999, sponsored by Senate Minority Leader Tom Daschle, D-S.D., in the Senate as S. 6 and by Rep. John D. Dingell, D-Mich., in the House as H.R. 358. Like the Norwood legislation, this measure

also would amend ERISA to permit lawsuits in state courts for damages associated with the administration of health care plans created under the 1974 benefits law. Once again, employers could be sued.

• The Promoting Responsible Managed Care Act of 1999, S. 374, sponsored by Sen. John Chafee, R-R.I., and a group of moderates from both parties. This bill would also amend ERISA to permit state court suits but would prohibit the award of punitive or non-economic damages.

certain lines of business on which they made money because of concerns over liability. Therefore, it's not crying 'wolf' to say that a lot of companies will think twice before sponsoring a health plan which, by definition, costs them money if they're going to subject themselves to unlimited state law costs of action," Mr. Klein pointed out.

He added that both bills would expose individual corporate benefit administrators, as well as their employers, to liability.

"Our greatest concern is the po-

'In a general way, anything Congress does to make health insurance more expensive is the heart of the problem,' says Wal-Mart Stores Inc.'s Tom Emerick.

- The Patients' Bill of Rights-Plus Act, S. 300, sponsored by virtually every Republican senator, would subject plans to certain mandates and would require some external review mechanism for coverage disputes but would not expand liability.

- The Patient Protection Act, H.R. 448, sponsored by Rep. Michael Bilirakis, R-Fla., and backed by the House Republican leadership, also would subject health care plans to mandates but would not expand employer or plan liability.

- An "Employee Empowerment" Act is likely to be introduced in the near future by conservative GOP members. Such a bill would make employer-provided health care plans less attractive by modifying their tax advantages and giving individuals tax breaks to fund their own coverage.

The prospect of expanded employer liability, such as that called for in both the Norwood and Democratic patients' bill of rights legislation, causes the most concern among employers that self-insure.

"From my perspective, probably the biggest challenge we have on the legislative front is the liability issues under (Rep. Norwood's legislative proposal). It comes from not a fear that we don't do things right; the concern is the added expense for defending against frivolous suits," according to James Hippler, SIIA president and senior vp of Boyd Gaming Corp. in Las Vegas.

"Our incentive is to meet the needs of our employees. If anything, we go over backwards the other way. If we make an error, we'll make an error on the side of the employee. We have self-funded our benefits since 1982 and self-administered since 1987, and it works extremely well for us. It works extremely well for our employees."

James Klein, president of the Assn. of Private Pension & Welfare Plans in Washington, called the potential impact of the Norwood and patients' bill of rights bills "extraordinarily serious."

"Particularly with respect to the provisions on employer liability, there are a lot of companies in this country that have gotten out of

Mr. Davenport said, transferring the responsibility for obtaining coverage to individuals could encourage fraud due to the complexity of benefits administration.

Individuals would not have the leverage that employers have in coverage disputes, Mr. Davenport pointed out.

"The problem with it is, if it's oversimplified, it will really do more damage than good, because it would terribly weaken the employer-based system," said Mr. Ueeck.

He said that the adoption of a radical plan that shifted coverage decisions to individuals would have a "drastic effect" on TPAs because their services simply would no longer be in demand.

But the idea of changing the tax treatment of health benefits bought by individuals does not draw a blanket condemnation from self-insurers, provided that it does not undercut the employer-based system.

"If there is a better way to do things, then we need to look at it. If there's a possibility of individual tax credits supplementing or augmenting the employer-based system, then we need to look at it," said Boyd Gaming's Mr. Hippler.

"I think there are some possibil-

ties with the individual credits that would make the whole financing system better, but you need to get input from all sides," he said.

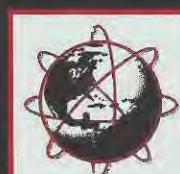
Such proposals "deserve a real close look," said Wal-Mart's Mr. Emerick. "I have a lot of confidence that if our associates at Wal-Mart were given choices, we think they'd do a pretty good job of picking their own health insurance."

While much of self-insurers' attention is focused on Washington, the SIIA is also becoming more active at the state level, said Ron Woods, chairman of the SIIA and president and CEO of HealthCare Solutions Group in Muskogee, Okla.

In Wisconsin, the SIIA has formed a state organization that acts as a branch of the SIIA to educate employers about ERISA and self-funding. Mr. Woods said that SIIA members hope to form four or five more such state organizations by the end of the year.

"It's all serious business, because there is such confusion going on in D.C. from a legislative perspective. We're trying to help our constituency on the state level," he said.

According to Mr. Kinder, the effort will involve educational and grass-roots lobbying efforts. The first program is planned to take place March 11 in suburban Milwaukee.



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TPAs

Continued from page 3

Crawford & Co. in Atlanta.

Technology is taking on a more significant role for TPAs, especially as clients demand more services, agreed Lyn Bovinet, benefit consultant with The Segal Co. in Atlanta.

A second technology factor that small TPAs face is the Year 2000 computer problem.

"A lot of TPAs have homegrown computer systems that are not Y2K-compliant," said David Ives, president of Northshore International Insurance Services Inc. in Salem, Mass.

Rather than make the necessary investment in new systems, many small TPAs have been selling to larger regional and national firms, he said.

Mr. Ives said other possible factors driving the acquisition of small TPAs include human resources issues.

"Some key TPA acquisitions are being motivated by the decision to buy management talent," he said.

In some cases, the people who built their businesses in the 1970s and '80s are "looking for an exit strategy," as they near retirement age, he added.

Among the larger TPAs that remain, not only does increased size help pay for new technology, but it also allows them to offer a broader array of services. In particular, many TPAs are competing with HMOs to offer managed care services increasingly demanded by self-insured employers.

These managed care services include utilization review, demand management and disease manage-

ment programs, said Barry Barnett, a principal with PricewaterhouseCoopers in Fort Lee, N.J.

For TPAs that administer workers compensation claims, the soft

wider array of services, said Jim Walter, CEO of ManagedComp, a managed care and workers comp TPA in Waltham, Mass.

In this environment "it's difficult to make money as a pure TPA," without also performing managed care services, Mr. Walter said. Fortunately, he said, there is strong demand for programs that add a managed care element to workers comp and other services that control costs or improve outcomes.

Other companies in the property/casualty industry have consolidated, and "it only makes sense that the TPA marketplace would follow that," Mr. Ward said.

Mr. Ward's firm in December purchased Scott Wetzel Services Inc. of Tampa, Fla., which had filed for bankruptcy.

Small TPAs see "little growth op-

'It's difficult to make money as a pure TPA,' without also performing managed care services, says Jim Walter.

property/casualty market has hurt business. Low workers comp rates have led many employers to buy workers comp insurance rather than self-insure the coverage.

To offset lost business, workers comp TPAs also need to offer a

portunity," as the self-insured market is shrinking, Mr. Ward said. "So we approach these firms to join us."

He predicts the consolidation will continue for the next two years. His firm continues to look at smaller TPAs, those with \$3 million to \$10 million in annual revenues.

Another example of consolidation in the TPA market is Aon Group Inc.'s 1998 integration of its various claims management units—many of which came as part of Aon's acquisitions—into one company, called Cambridge Integrated Services Group Inc. (BI, Oct. 26, 1998).

Despite consolidation, not everyone is sounding the death knell for small TPAs.

"The mom-and-pop TPAs are not going away," said Drew Maenza, vp and director of marketing for Crawford. "There is always a significant number of organizations that still choose to self-insure," he said.

The pace of acquisitions will slow somewhat as "the obvious acquisitions have probably taken place," Ms. Bovinet said.

Mr. Kinder of the SIIA concurs. Although he does not have exact figures, he said the pace of consolidation among TPAs in 1998 was somewhat slower than in previous years.

Those TPAs that survive the consolidation movement can expect to grow in a number of fields. One growth area lies with serving provider-sponsored health plans, said Mark Rucci, a principal with Apex Management Group Inc. in Princeton, N.J. Providers establish these plans and contract directly with employers. Since they lack the organization that HMOs have, they need TPAs to provide them with administrative services.

"They become an HMO and, therefore, have all the same needs an HMO would. And TPA service would be one of them," Mr. Rucci said.

Providers that take risk from HMOs, such as those with capitation agreements, also have unmet administrative needs. For example, often the HMO doesn't provide accurate or timely information on claims or can't provide the type of information the provider needs. That's where a TPA comes in.

"It's a growing trend," Mr. Rucci said. "As groups take on more and more risk, they look to have their own information capabilities."

For example, to distribute the profits within a provider group, the group needs data on each provider in the group to determine how much of the profits each deserves.

The soft property/casualty market has forced insurers to seek ways to save money. One way is to outsource the claims administration of the business, thus creating more demand for TPA services, Mr. Ward said.

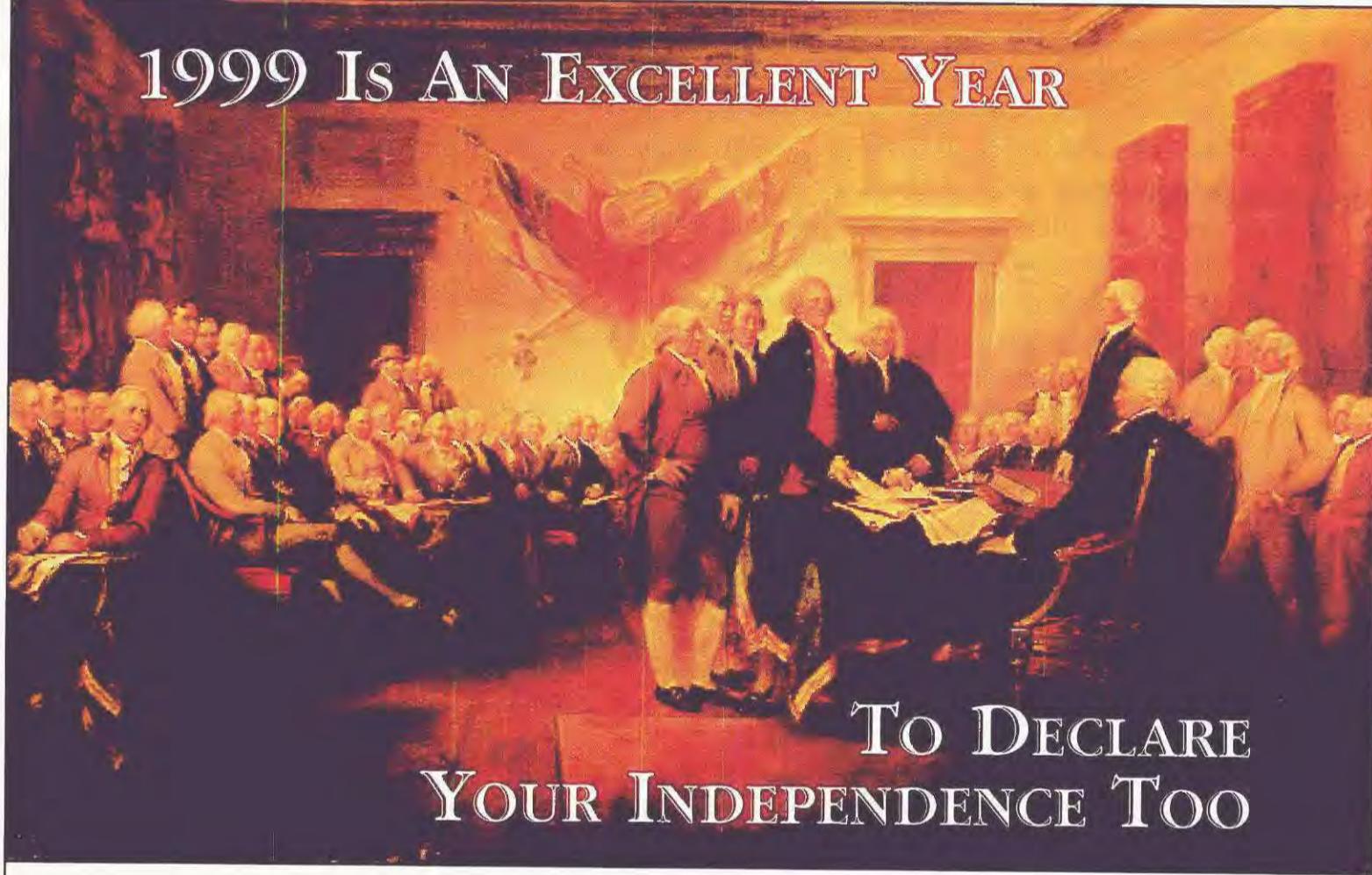
Also, there is growth in program business, where an insurer or managing general agent gets together with a reinsurer to create an insurance program for an industry and uses a TPA for its claims administration.

TPAs are also expanding by administering the growing number of work/life programs offered by employers, said Ms. Bovinet of Segal.

"There are work/life programs that require administration that TPAs are in a good position to capture," she said. Ms. Bovinet explained that these include any programs where employees submit claims for reimbursement from employers.

"I believe that's the next growth area for TPAs," she said.

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PROPERTY & CASUALTY

1998 revenues	
Total	\$270,000,000
Claims revenue	\$37,000,000
Claims administration	86%
Claims adjusting	14%
Claims business by type	
Automotive	20%
General liability	16%
Workers compensation	64%
Claims business by volume	
Administration claims paid	\$384,000,000
Number of claims adjusted	500
Clients	
Total	2,003

Corporations	2000
Public/government ent ties	3
Staff	
Total	
Total	3,193
Claims services since: 1978.	
Parent: American International Group Inc.	
Charges: Administration: fee per claim, \$115 to \$775. Adjusting: per hour, \$68 to \$85.	
Branch offices: Sales offices in: Los Angeles; Chicago; New York; Cleveland; Philadelphia; Dallas.	
Officers: Anthony Galioto, president; William Bergs, executive vp; Scott McAlindin, senior vp-operations.	
Contact: Stephanie Frelick, director-communications, 212-770-6173.	

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PROPERTY & CASUALTY

1998 revenues	
Total	\$4,500,000
Claims revenue	\$4,000,000
Claims administration	35%
Claims adjusting	25%
Claims auditing	5%
Other services	5%
Claims business by type	
Automotive	10%
General liability	20%
Workers compensation	65%
Other	5%
Other includes: products liability.	
Claims business by volume	
Administration claims paid	\$60,000,000
Number of claims adjusted	10,000
Auditing projects conducted	3
Clients	
Total	235
Association plans	5
Corporations	200
Public/government entities	30
Staff	
Total	100
Claims services	80

Claims services since: 1952.

Charges: Administration: annual fee or percent of premium. Adjusting: fee per case or percent of premium. Auditing: hourly or negotiated fee.

Branch offices: Administrative offices in: Grand Rapids and Livonia, Mich.; Edina, Minn. Sales offices in: Okemos, Mich.; Edina, Minn.

Officers: Larry Musser, president; Mike Wood, treasurer; April Zelinski, secretary.

Contact: Robert Showers.

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EMPLOYEE BENEFITS

1998 revenues	
Total	\$34,810,000
Claims revenue	\$24,500,000
Claims administration	100%
Claims business by type	
Disability	1%

Flex compensation	3%
Health insurance	80%
Employees covered	380,000
Dependents covered	617,000

Pensions

Other

Other includes: retiree phone bill processing.

Claims business by volume

Administration claims paid

\$609,105,896

Clients

Total

385

Association plans

Corporations

Multiemployer plans

MEWAs

Public/government entities

Union-sponsored plans

Staff

Total

652

Claims services since: 1976.

Parent: Acordia Inc.

Charges: Administration: per employee per month, \$5 to \$30.

Officers: Richard H. Legg, senior vp/COO; Beverly Burdette, vp-claims; John Thomas, vp-information services; Marcia Nutter, vp-technical services; Martha Feazell, vp-financial services.

Contact: Richard H. Legg.

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EMPLOYEE BENEFITS

1998 revenues	
Total	\$59,650,000
Claims revenue	\$33,442,000
Claims administration	90%
Other services	10%

Claims business by type	
Disability	3%
Health insurance	80%
Employees covered	300,000
Dependents covered	750,000
Life	5%
Pensions	10%
Other	2%
Other includes: collections, enrollment and eligibility services.	

Claims business by volume

Administration claims paid

\$350,000,000

Clients

Total

42

Association plans

Corporations

Multiemployer plans

MEWAs

Public/government entities

Union-sponsored plans

Staff

Total

500

Claims services

130

Claims services since: 1943.

Parent: Alico Services Corp.

Charges: Administration: per employee per month.

Branch offices: Administrative offices in: Boston; Salem, N.H.; New York. Sales offices in: New York.

Officers: Richard C. Koven, president; Deanna Lang, executive vp; Miriann Lee-Yoo, assistant vp.

Contact: John Richel, director of sales/marketeting, 212-539-5656.

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777 Davis St., San Francisco, Calif. 94111; 415-986-6276

EMPLOYEE BENEFITS

1998 revenues	
Total	\$4,000,000
Claims revenue	\$1,500,000
Claims administration	30%
Claims adjusting	10%
Claims auditing	5%
Other services	55%

Claims business by type

Disability

5%

Flex compensation

5%

Health insurance

90%

Employees covered

10,000

Dependents covered

25,000

Claims business by volume

Administration claims paid

\$20,000,000

Clients

Corporations

5

Multiemployer plans

20

Public/government entities

1

Staff

Total

40

Claims services

10

Claims services since: 1953.

Charges: Administration: per employee per month, or per project. Adjusting: Per employee per month, or per project. Auditing: per employee per month, or per project.

Branch offices: Administrative offices in: San Diego and San Francisco.

<p

**For 15 years
he's looked after
children in
your company's
daycare center.
Too bad no one
was looking after**

The issues are unresolved. But one thing is certain: if your company isn't insured against the possibilities, watch out.



HE MAY BE AMONG YOUR MOST TRUSTED employees. But it can happen, and it's being alleged to have happened in alarming numbers. What's more, if a child is sexually molested or physically abused in your company's daycare center, even if it's run by an outside firm, your company may be liable. Chances are now great that you could lose a substantial sum in a lawsuit—not to mention the expense of defending it—unless you're insured by Lexington's *Sexual Misconduct Liability coverage*.

We understand what others don't.

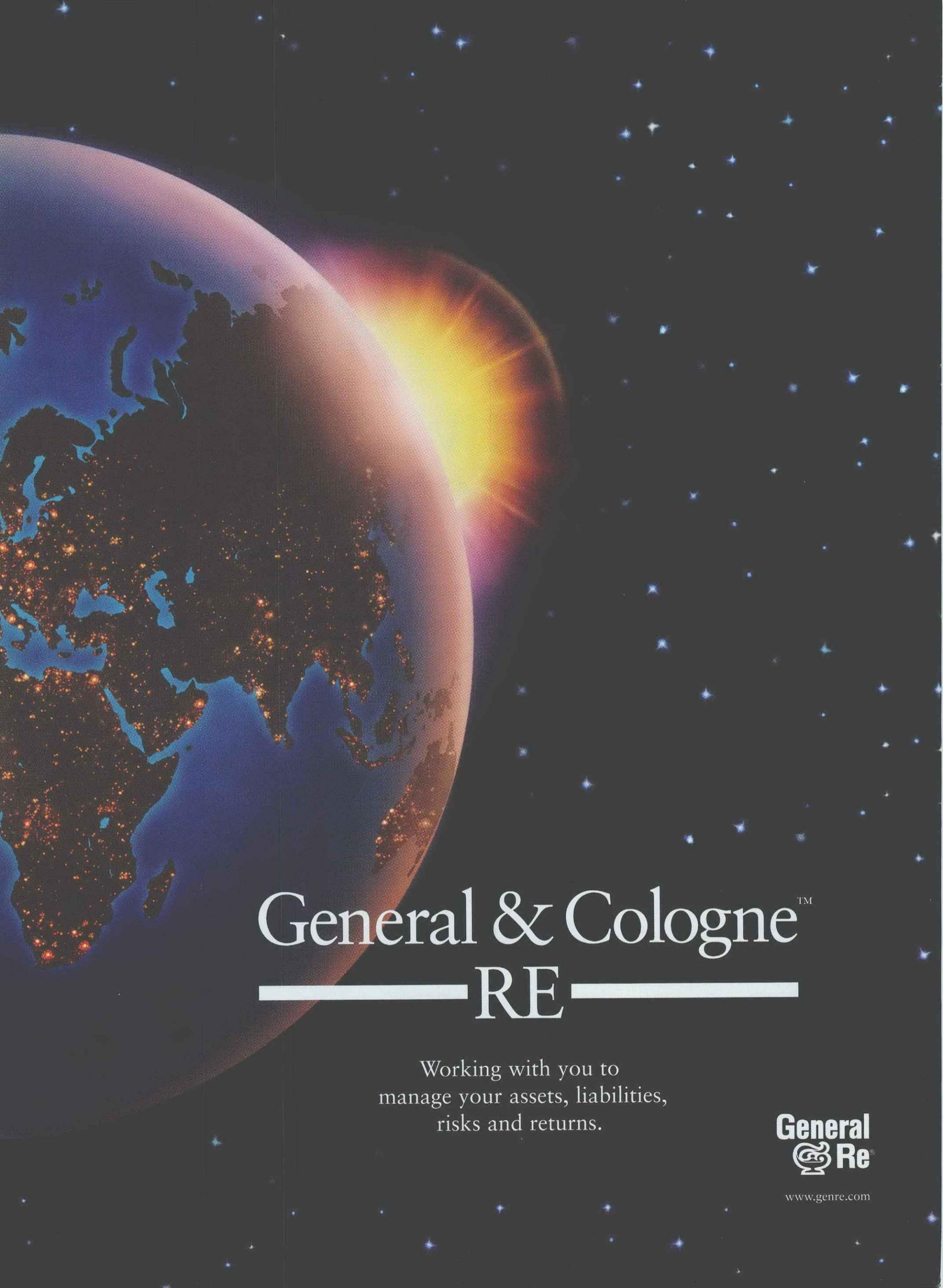
We've created coverage designed to protect organizations with child care facilities. And like all the coverage we provide, Sexual Misconduct Liability coverage can be tailored to fit your company's specific needs. To help protect you against surprises that can negatively impact your bottom line, a 12-point loss control program is available. It can even help you avoid the risks, with a program administered by Child Safe

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Continued from page 20

Allied Benefit Systems

208 S. LaSalle St.,
Chicago, Ill. 60604;
312-906-8080; fax: 312-906-8443
www.alliedbenefit.com

EMPLOYEE BENEFITS

1998 revenues	
Total	\$6,500,000
Claims revenue	\$5,675,000
Claims administration	80%
Other services	20%
Claims business by type	
Flex compensation	5%
Health insurance	80%
Employees covered	39,500
Dependents covered	49,375
Other	15%
Claims business by volume	
Administration claims paid	\$104,000,000
Clients	
Total	178
Corporations	165
Multiemployer plans	1
Public/government entities	12
Staff	
Total	101
Claims services	78

Claims services since: 1980.
Charges: Administration: capitated, \$2.75 to \$19.50. Adjusting: capitated, \$105 per hour.

Officers: Laurence Wilneff, CEO; Ben Schenker, executive vp; Mitchell Wilneff, president; Bob Valerious, senior vp.

Allied Claim Services Inc.

372 Ellen Drive, P.O. Box 488, Buffalo, N.Y. 14225-0488; 716-631-9505; fax: 716-631-0226

PROPERTY & CASUALTY

1998 revenues	
Total	\$1,278,747
Claims revenue	\$630,000
Claims administration	61%
Claims adjusting	38%
Claims auditing	1%
Claims business by type	
Automotive	17%
General liability	51%
Property damage	7%
Workers compensation	25%
Claims business by volume	
Administration claims paid	\$4,615,000
Clients	
Total	45
Association plans	4
Corporations	24
Public/government entities	17

Staff

Total 26

Claims services 14

Claims services since: 1959.

Charges: Administration: \$100 to \$300 per claim. Adjusting: \$33.95 per hour/flat contract. Auditing: flat contract per diem.

Officers: Gregory J. Dendler, president; Paul J. Nowak, vp/workers compensation manager; Patrick H. Dendler, vp/claims manager.

Contact: Gregory J. Dendler, Patrick H. Dendler.

American Heritage Life Insurance Co.

1776 American Heritage Life Drive, Jacksonville, Fla. 32224; 904-992-1776; fax: 904-992-2658

EMPLOYEE BENEFITS

1998 revenues	
Total	\$29,764,631
Claims revenue	\$24,654,658
Claims administration	100%
Claims business by type	
Flex compensation	1%
Health insurance	99%
Employees covered	75,677
Dependents covered	105,257

Claims business by volume

Administration claims paid \$235,733,325

Clients

Total 67

Corporations 64

Public/government entities 1

Union-sponsored plans 2

Staff

Total 162

Claims services 112

Claims services since: 1957.

Charges: Administration: per employee per month, \$8 to \$16.

Branch offices: Administrative offices in: Jacksonville, Fla. Sales offices in: Jacksonville, Fla.; Atlanta; Charlotte, N.C.

Officers: James H. Baum, senior vp; K. Pearl Harrison, Robert J. Young, vps; John D. Cox, Sharon A. Nevins, assistant vps.

Contact: Robert J. Young.

American Insurance Administrators

3415 S. Sepulveda Boulevard, Suite 200, Los Angeles, Calif. 90034; 310-390-7900; fax: 310-398-6105

EMPLOYEE BENEFITS

1998 revenues	
Total	\$4,500,000

Claims revenue	\$1,500,000
Claims administration	90%
Claims adjusting	5%
Claims auditing	5%
Claims business by type	3%
Flex compensation	3%
Health insurance	95%
Employees covered	4,000
Dependents covered	10,000
Other	2%
Claims business by volume	\$6,000,000
Administration claims paid	\$6,000,000
Clients	
Total	14
Corporations	11
Public/government entities	3
Staff	
Total	38
Claims services	14
Claims services since: 1977.	
Parent: Management Applied Programming.	
Charges: Administration: per employee per month, \$7 to \$10.	
Branch offices: Administrative offices in: Orange, Calif.	
Officers: F. N. Dastur, president; Herbert Schaffer, executive vp; P. H. Dalal, CFO; H. P. Dalal and Wayne Hays, vps.	
Contact: Herbert Schaffer.	

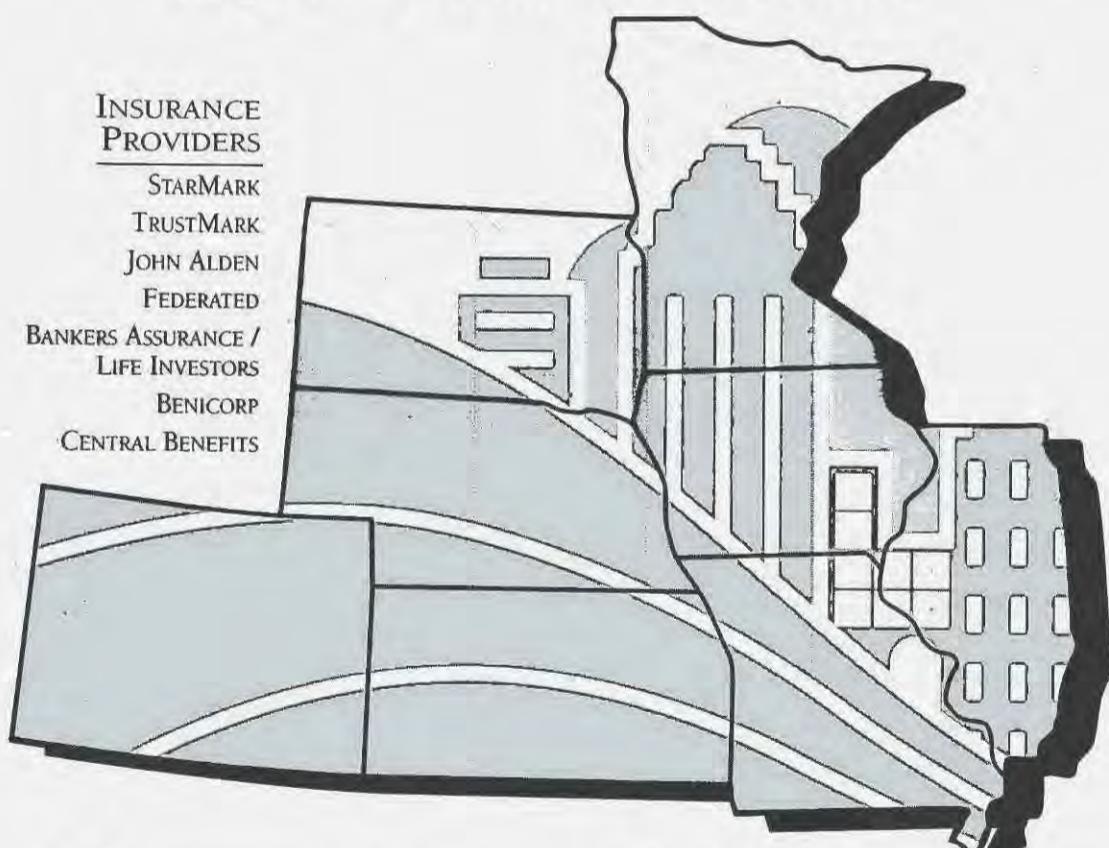
Continued on page 26

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The annual directory of third-party administrators lists companies that generate at least \$500,000 of their gross revenues from handling claims for self-insured clients. Companies were required to report their gross revenues in order to be included in the directory.

Organizations are asked to use the following definitions when reporting information: claims **administration** includes overseeing the control of claims files, directing adjusters and paying claims; **adjusting** includes investigating claims and making recommendations to claims administrators but does not include paying claims; **auditing** includes reviewing the overall integrity of the claims file operations, verifying the accuracy and direction of claims payments and recommending solutions to claims administration problems.

Individual listings begin with the company name; address; phone; fax number; home page address; the year claims **services began**; and, if applicable, parent company. Following is a heading that indicates what type of claims the company specializes in handling: employee benefits, property/casualty, or both.

Financial/statistical information is listed next. This section includes: total 1998 gross revenues; revenue generated by claims services for self-insured clients in 1998; and the percent breakout for claims administration, adjusting and auditing for self-insured clients.

Other information in this section includes claims **business by type**, a percent breakout of total claims dollars handled in 14 categories. If health plan administration is a large percent of a company's business, the number of employees and dependents covered is listed. Next is **claims business by volume**, including the dollar amount of claims paid and the number of auditing projects conducted in 1998.

Clients includes the number of administration, adjusting and auditing clients in 1998. Total staff figures are given in full-time equivalents and contain the number of total employees and employees assigned to self-insured claims services.

The next section of each listing includes **compensation**; **branch offices**, including administrative and sales offices; and **officers**. Finally, a **contact** for readers seeking additional information is listed.

Information reported is based on each company's response to a *Business Insurance* questionnaire. Although every effort is made to publish complete and accurate listings, *B/I* is unable to verify all information.

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Continued from page 24

American Medical & Life Insurance Co.

35 Broadway,
Hicksville, N.Y. 11801;
516-822-8700; fax: 516-931-1010

EMPLOYEE BENEFITS

1998 revenues
Total \$16,000,000
Claims revenue \$1,200,000
Claims administration 100%

Claims business by type
Health insurance 90%
Employees covered 250,000
Dependents covered 400,000

Life 10%
Claims business by volume
Administration claims paid \$25,000,000

Clients
Total 36
Association plans 1
Multiemployer plans 35

Staff
Total 60
Claims services 12

Claims services since: 1966.
Branch offices: Administrative offices in: Hicksville, N.Y. Sales offices in: Hicksville, N.Y.

Officers: Jules V. Lane, president; Lawrence Schwartz, executive vp; Norman Beckoff, CFO; Loraine Classi, vp-operations; Craig Greenfield, vp-legal. **Contact:** Lawrence Schwartz.

Schwartz, executive vp; Norman Beckoff, CFO; Loraine Classi, vp-operations; Craig Greenfield, vp-legal. **Contact:** Lawrence Schwartz.

AmeriHealth Administrators

720 Blair Mill Road,
Horsham, Pa. 19044;
800-984-5933; fax: 215-657-3436
www.amerihealth-tpa.com

EMPLOYEE BENEFITS

1998 revenues
Total \$27,800,000
Claims revenue \$27,230,000

Claims business by type
Flex compensation 4%
Health insurance 96%
Employees covered 130,000
Dependents covered 140,000

Claims business by volume
Administration claims paid \$170,733,719

Clients
Total 135

Corporations 110
Public/government entities 20
Union-sponsored plans 5

Staff
Total 292
Claims services 108

Claims services since: 1988.**Parent:** AmeriHealth Inc.**Charges:** Administration: per employee per month.

Branch offices: Administrative offices in: Horsham and Media, Pa. Sales offices in: Wilmington, Del.; Jacksonville, Fla.; Alpharetta, Ga.; Iselin and Mount Laurel, N.J.; Elmsford, N.Y.; Horsham, Pa.; Houston.

Officers: George W. Gannon, president/CEO; George W. Grimes, vp/CFO; Daniel H. Graf, vp-claims/managed care; Charles A. Brower Jr., vp/chief marketing executive; Lee G. Watt, vp-information systems.

Contact: Charles A. Brower Jr., 215-830-2550.

AmFed Cos. L.L.C.

1 Paragon Centre,
576 Highland Colony Parkway,
Suite 300, Ridgeland, Miss. 39157;
601-853-4949; fax: 601-853-2727
www.amfed.com

PROPERTY & CASUALTY

1998 revenues
Total \$9,774,468

Claims administration 100%

Claims business by type
Automotive 10%
Inland marine 2%

Property damage 3%**Workers compensation** 85%**Claims business by volume**
Administration claims paid \$29,532,474**Clients**
Association plans 4**Staff**
Total 80

Claims services 25

Claims services since: 1993.**Parent:** AmFed Holding Co. Ltd.

Branch offices: Administrative offices in: Ridgeland, Miss.

Officers: J. William Roberts, president; James M. Anderson, secretary/general counsel; Michael G. Richardson and Brenda Thornton, executive vps; Russ Gatlin, CFO.

Contact: Jim Anderson.

Aon Select Inc.

110 Gibraltar Road,
Horsham, Pa. 19044;
215-443-0404; fax: 215-674-5226

EMPLOYEE BENEFITS

1998 revenues
Total \$13,000,000

Claims revenue \$7,000,000

Claims administration 54%**Other services** 46%**Claims business by type**

Disability 2%

Flex compensation 7%

Health insurance 91%

Employees covered 60,000

Dependents covered 78,000

Claims business by volume
Administration claims paid \$200,000,000**Clients**

Total 72

Association plans 1

Corporations 59

Public/government entities 12

Staff

Total 250

Claims services 52

Claims services since: 1983.**Parent:** Aon Corp.**Charges:** Administration: per employee per month, \$8 to \$22.**Branch offices:** Administrative offices in: Rochester, Mich.; Collingswood, N.J.; Winston-Salem, N.C.; Horsham, Pa.; Florence, S.C.; Houston. Sales offices in: Horsham, Pa.**Officers:** Michael J. Sweeney, president; Deborah Taylor, Mark Dallas, Sandra Miele, Trish DePetris, associate vps.**Contact:** Michael J. Sweeney or Mark Dallas.**Applied Risk Management**

2101 Webster St.,
Suite 900, Oakland, Calif. 94612;
510-452-9300; fax: 510-452-1479
www.appliedrisk.com

PROPERTY & CASUALTY**1998 revenues**

Total \$33,000,000

Claims revenue \$30,500,000

Claims administration 63%

Claims adjusting 10%

Claims auditing 12%

Other services 15%

Claims business by type

General liability 1%

Professional liability 10%

Workers compensation 89%

Claims business by volume

Administration claims paid \$143,830,340

Auditing projects conducted 50

Clients

Total 30

Staff

Total 250

Claims services 240

Claims services since: 1980.**Charges:** Administration: cost-based, various.

Adjusting: hourly, \$150 to \$170. Auditing: hourly, \$150 to \$170.

Branch offices: Administrative offices in: Davis, Los Angeles, Oakland, Orange, Pleasanton, Rancho Cordova, Sacramento, San Diego, San Francisco, Stockton and Ventura, Calif. Sales offices in: Oakland, Calif.**Officers:** Irvin D. Nicholas, president/CEO; Jay Ayala, Dan Nicholson, executive vps; Janet Calhoun, senior vp/CFO.**Contact:** Peggy Eller.**Assured Benefits Administrators**

4100 Rio Bravo, Suite 211,
El Paso, Texas 79902;
915-532-2100; fax: 915-532-1772

EMPLOYEE BENEFITS**1998 revenues**

Total \$1,700,000

Claims revenue \$1,500,000

Claims administration 95%

Other services 5%

Claims business by type

Health insurance 100%

Claims business by volume

Administration claims paid \$18,000,000

Clients

Total 50

Corporations 50

Staff

Total 28

Claims services 22

Claims services since: 1985.**Charges:** Administration: per employee per month, \$4.50 to \$13.50.**Officers:** Joseph Halow, president; Lorri Halow, executive vp; Eddie Garcia, vp; Sueann Austin, director-marketing.**Contact:** Joseph Halow.*Continued on next page*

Property damage 3%
Workers compensation 85%

Claims business by volume

Administration claims paid \$29,532,474

Clients

Association plans 4

Staff

Total 80

Claims services 25

Claims services since: 1993.**Parent:** AmFed Holding Co. Ltd.**Branch offices:** Administrative offices in: Ridgeland, Miss.**Officers:** J. William Roberts, president; James M. Anderson, secretary/general counsel; Michael G. Richardson and Brenda Thornton, executive vps; Russ Gatlin, CFO.**Contact:** Jim Anderson.**Aon Select Inc.**

110 Gibraltar Road,
Horsham, Pa. 19044;
215-443-0404; fax: 215-674-5226

EMPLOYEE BENEFITS

1998 revenues
Total \$13,000,000

Claims revenue \$7,000,000

Claims administration 54%**Other services** 46%**Claims business by type**

Disability 2%

Flex compensation 7%

Health insurance 91%

Employees covered 60,000

Dependents covered 78,000

Claims business by volume

Administration claims paid \$200,000,000

Clients

Total 72

Association plans 1

Corporations 59

Public/government entities 12

Staff

Total 250

Claims services 52

Claims services since: 1983.**Parent:** Aon Corp.**Charges:** Administration: per employee per month, \$8 to \$22.**Branch offices:** Administrative offices in: Rochester, Mich.; Collingswood, N.J.; Winston-Salem, N.C.; Horsham, Pa.**Officers:** Michael J. Sweeney, president; Deborah Taylor, Mark Dallas, Sandra Miele, Trish DePetris, associate vps.**Contact:** Michael J. Sweeney or Mark Dallas.**LeBoeuf, Lamb, Greene & MacRae, L.L.P.****Global Presence - Local Solutions****Fortunately, we're there.****www.llgm.com**

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Automated Benefit Services Inc.

8220 Irving,
Sterling Heights, Mich. 48312;
810-826-4300; fax: 810-826-4820

EMPLOYEE BENEFITS

1998 revenues
Total \$9,000,000
Claims administration 85%
Claims adjusting 10%
Claims auditing 5%

Claims business by type

Health insurance 100%
Employees covered 40,000
Dependents covered 60,000

Claims business by volume

Administration claims paid \$300,000,000

Clients

Total 73
Corporations 65
Multiemployer plans 1

MEWAs 3
Public/government entities 3

Other 1

Other includes: professional employee organization.

Staff

Total 142

Claims services 50

Claims services since: 1986.

Charges: Adjusting: per employee per month, \$8 to \$18.

Branch offices: Administrative offices in: Oak Park and Sterling Heights, Mich.; Toledo, Ohio. Sales offices in: Sterling Heights, Mich.; Toledo, Ohio.

Officers: Dan Gorczyca, president; Louis Lapiana, vp; John O'Brien, CFO.

Contact: Louis Lapiana.

B**BPS Inc.**

145 N. Church St.,
Suite 300, Spartanburg, S.C. 29306;
864-585-4338; fax: 864-573-7709
www.suite1.hht.com/bps/

EMPLOYEE BENEFITS

1998 revenues
Total \$2,725,408
Claims revenue \$1,791,515

Claims administration 65%
Other services 35%

Claims business by type

Disability 4%

Flex compensation 1%

Health insurance 90%

Employees covered 18,000

Dependents covered 14,500

Other 5%

Claims business by volume

Administration claims paid \$33,200,000

Number of claims adjusted 170,450

Clients

Total 43

Corporations 40

MEWAs 2

Public/government entities 1

Staff

Total 33

Claims services 15

Claims services since: 1985.

Charges: Administration: per employee per month, \$7 to \$15.

Branch offices: Administrative offices in: Spartanburg, S.C. Sales offices in: Spartanburg, S.C.

Officers: Robert J. Dickey, president; James E. Williams, executive vp/COO; Susan S. Dickey, vp-corporate secretary; Tammie Burrell, assistant vp-claims/auditing

Benefit Administration Corp.

770 E. Shaw, Suite 200,
Fresno, Calif. 93710;
559-225-3030; fax: 559-225-6837

EMPLOYEE BENEFITS**1998 revenues**

Total \$2,200,000

Claims revenue \$800,000

Claims administration 50%

Other services 50%

Claims business by type

Flex compensation 5%

Health insurance 50%

Employees covered 10,000*

Dependents covered 30,000*

Other 45%

Claims business by volume

Administration claims paid \$30,000,000*

Clients

Association plans 2

Corporations 180

Multiemployer plans 8

Public/government entities 10

Staff

Total 36

Claims services 28

Claims services since: 1953.

Charges: Administration: per employee per month, \$10 to \$15.

Branch offices: Administrative offices in: Fres-

no, Calif. Sales offices in: Fresno, Calif.

Officers: Robert J. Cardinal, chairman; Randolph A. Buresh, president; Mirth Lundal, Nancy Yanko, vps.

Contact: Randolph A. Buresh.

*Estimate

Benefit Administrative Systems Ltd.

17475 Jovanna Drive, Suite 1B,
Homewood, Ill. 60430;
708-799-7400; fax: 708-799-4061
www.benadmsys.com

EMPLOYEE BENEFITS**1998 revenues**

Total \$9,400,000

Claims revenue \$9,400,000

Claims administration 100%

Claims business by type

Flex compensation 5%

Health insurance 95%

Employees covered 44,800

Dependents covered 116,200

Claims business by volume

Administration claims paid \$116,000,000

Clients

Total 194

Association plans 2

Corporations 185

Union-sponsored plans 7

Staff

Total 75

Claims services 61

Claims services since: 1983.

Charges: Administration: per employee per month, \$9 to \$16.

Branch offices: Administrative offices in: Munster, Ind.; Sales offices in: Princeton, Ill.

Officers: Michael R. Elliott, CEO; M.W. Joseph, president; Joseph A. Toscano, vp-operations.

Contact: M.W. Joseph.

Benefit Services Inc.

3636 Copley Road,
P.O. Box 4138, Copley, Ohio 44321;
330-666-0337; fax: 330-666-6685

EMPLOYEE BENEFITS**1998 revenues**

Total \$8,200,000

Claims revenue \$8,060,000

Claims administration 97%

Other services 3%

Claims business by type

Flex compensation 6%

Health insurance 88%

Employees covered 48,000

Life 2%

Pensions 4%

Claims business by volume

Administration claims paid \$157,046,271

Clients

Total 121

Association plans 1

Corporations 73

Multiemployer plans 7

MEWAs 2

Public/government entities 38

Staff

Total 128

Claims services since: 1993.

Charges: Administration: per employee per month.

Branch offices: Administrative offices in: Miami and Tampa, Fla.; Akron, Ohio. Sales offices in: Los Angeles; Miami and Tampa, Fla.; Charlotte, N.C.; Akron, Ohio; Philadelphia; Milwaukee.

Officers: Connie M. Frazier, president; Jerome F. Newbauer, COO; Richard Evans, vp-MIS; Robert C. Frazier Jr., vp-national sales; William Camp, vp.

Contact: Jerome F. Newbauer.

Benefit Systems & Services Inc.

760 Pasquinelli Drive, Suite 320,
Westmont, Ill. 60559-5555;
630-789-2082; fax: 630-789-2093
www.ctbnk.com/bssi

EMPLOYEE BENEFITS**1998 revenues**

Total \$5,098,000

Claims revenue \$3,360,000

Claims administration 66%

Claims adjusting 3%

Other services 31%

Claims business by type

Disability 4%

Flex compensation 8%

Health insurance 88%

Employees covered 27,600

Dependents covered 32,400

Claims business by volume

Administration claims paid \$74,520,000

Number of claims adjusted 4,550,000

Clients

Total 76

Corporations 49

Multiemployer plans 1

Public/government entities 26

Staff

Total 68

Claims services 57

Continued on page 30

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Continued from previous page

Claims services since: 1986.

Charges: Administration: per employee per month, \$1.65 to \$16. Adjusting: per employee per month, \$5 to \$7.50.

Branch offices: Administrative offices in: Westmont, Ill. Sales offices in: Westmont, Ill.

Officers: David H. Lloyd, president; Carment J. Morreale, executive vp; Roy Wapienik, vp; Jacqueline D. Wenzel, Pamela A. Martin, assistant vps.

Contact: David H. Lloyd.

Berkley Risk Administrators Co.

920 Second Ave. South, Suite 700, Minneapolis, Minn. 55402-4023; 612-376-4200; fax: 612-376-4299

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues	
Total	\$50,000,000
Claims revenue	\$18,000,000
Claims administration	35%
Other services	65%
Claims business by type	
Automotive	9%
Flex compensation	1%

General liability	10%
Health insurance	6%
Inland marine	1%
Professional liability	3%
Property damage	11%
Workers compensation	59%
Claims business by volume	
Administration claims paid	\$300,000,000
Auditing projects conducted	20
Clients	
Association plans	20
Corporations	85
Public/government entities	99
Staff	
Total	630
Claims services	300
Claims services since: 1973.	
Parent: W.R. Berkley Corp.	
Charges: Administration: annual fee, 5 to 35%. Adjusting: per claim, \$100 to \$1,500. Auditing: time and expense, \$75 to \$225.	
Branch offices: Administrative offices in: Phoenix and Tucson, Ariz.; Larkspur, Calif.; Denver; Farmington, Conn.; Des Moines, Iowa; Wichita, Kan.; Minneapolis, St. Paul and Golden Valley, Minn.; Las Vegas; Somerset, N.J.; Tulsa, Okla.; Pierre, S.D.	
Officers: Lou Golinvaux, chairman; Mark Tansey, president; Lee Johnson, Ken Hopkins, Bruce Medvec, senior vps.	
Contact: Ken Hopkins.	

Berkley Risk Managers

270 Davidson Ave. P. O. Box 6753, Somerset, N.J. 08873-6753; 732-302-2400; fax: 732-302-2440 www.berkleyrisk.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues	
Total	\$6,000,000
Claims revenue	\$5,000,000
Claims administration	64%
Claims adjusting	10%
Claims auditing	5%
Other services	21%
Claims business by type	
Automotive	5%
Disability	15%
Flex compensation	3%
General liability	5%
Health insurance	25%
Employees covered	40,000
Dependents covered	17,000
Life	1%
Professional liability	2%
Property damage	3%
Workers compensation	41%
Claims business by volume	
Administration claims paid	\$90,000,000
Clients	
Association plans	4
Corporations	56

Multiemployer plans 8
Public/government entities 60

Staff Total 61

Claims services 50

Claims services since: 1975.

Parent: W. R. Berkley Corp.

Charges: Administration: per claim, \$450 to \$750. Adjusting: per claim, \$60 to \$100. Auditing: per claim, \$60 to \$100.

Branch offices: Administrative offices in: Wilmington, Del.; Mays Landing and Somerset, N.J.; Philadelphia. Sales offices in: Mays Landing and Somerset, N.J.

Officers: Roger Eiler, president; Jackie Margadonna, vp; Jeri Lynn Kedersha, secretary.

Contact: Roger Eiler.

Gregory B. Bragg & Associates Inc.

1 Sierra Gate Plaza, Suite 250 B, Roseville, Calif. 95678; 916-783-0100; fax: 916-783-0338 www.gbragg.com

PROPERTY & CASUALTY

1998 revenues	
Total	\$6,180,000
Claims revenue	\$4,449,600
Claims administration	100%

Claims business by type	
Automotive	10%
General liability	30%
Professional liability	3%
Property damage	7%
Workers compensation	50%
Claims business by volume	
Administration claims paid	\$28,000,000
Clients	
Total	153
Corporations	7
Public/government entities	146
Staff	
Total	75
Claims services	45
Claims services since: 1986.	
Charges: Administration: flat rate/time and expense, varies. Adjusting: flat rate, time and expense, varies.	
Branch offices: Administrative offices in: Chico, Fairfield, Redding, Roseville, Sacramento Stockton and Walnut Creek, Calif.. Sales offices in: Roseville, Calif.	
Officers: Greg Bragg, president; Lee Collins, senior vp; Ralph Matthews and Jeff Kimball, vps.	
Contact: Greg Bragg.	
Brokerage Concepts Inc.	
651 Allendale Road, King of Prussia, Pa. 19406; 610-337-2600; fax: 610-491-4990	
EMPLOYEE BENEFITS	

1998 revenues	
Total	\$55,870,000
Claims revenue	\$47,886,000
Claims administration	75%
Claims adjusting	6%
Claims auditing	4%
Other services	15%

Claims business by type	
Disability	15%
Flex compensation	8%
Health insurance	77%
Employees covered	156,000
Dependents covered	390,000

Claims business by volume

Administration claims paid \$1,412,000,000

Number of claims adjusted 1,412,000,000

Clients	
Total	975
Corporations	910
Public/government entities	31
Union-sponsored plans	34

Staff	
Total	456
Claims services	287

Claims services since: 1977.

Branch offices: Administrative offices in: Baltimore, Waltham, Mass.; King of Prussia, Philadelphia and Warminster, Pa.. Sales offices in: Madison, Conn.; Dover, Del.; Miami, Fla.; Waltham, Mass.; Baltimore; Red Bank, N.J.; King of Prussia, Philadelphia, Pittsburgh and Warminster, Pa.; Reston, Va.

Officers: Arnold Katz, president; Mike Shine, director-operations; Aaron Singer director-finance.

Contact: Mike Shine, 610-491-4804.

Brokerage Services Inc.	
P. O. Box 11020, Albuquerque, N.M. 87192; 505-292-5533; fax: 505-293-7725	
EMPLOYEE BENEFITS	

1998 revenues	
Total	\$6,000,000
Claims revenue	\$3,600,000
Claims administration	60%
Other services	40%

Claims business by type

Health insurance 100%

Employees covered 22,000

Dependents covered 21,100

Claims business by volume

Administration claims paid \$24,501,000

Clients	
Total	56
Corporations	56

Staff	
Total	85
Claims services	9

Claims services since: 1977.

Parent: Group Brokerage Inc.

Charges: Administration: per employee per month, \$8 to \$12.

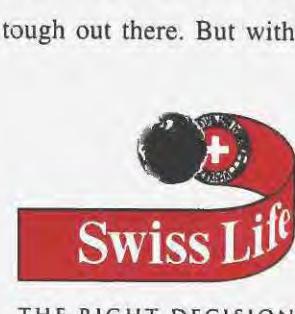
Officers: Tim Fischer, chairman; Jim Healy, president; Sherry Butler, vp-operations; Joe Hock, vp-marketing.

Contact: Jim Healy.

Continued on next page

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THE RIGHT DECISION

Continued from previous page

**The CEI Group Inc.**

928 Jaymor Road, Suite B-150,
Southampton, Pa. 18966;
215-364-5600; fax: 215-364-2557
www.ceinetwork.com

PROPERTY & CASUALTY**1998 revenues**

Total	\$49,000,000
Claims revenue	\$36,000,000
Administration	90%
Claims adjusting	2%
Claims auditing	5%
Other services	3%
Claims business by type	
Automotive	100%
Claims business by volume	
Administration claims paid	\$36,000,000
Number of claims adjusted	3,000
Clients	
Total	167
Association plans	2
Corporations	163
Other	2
Other includes: non-profit organizations	
Staff	
Total	190
Claims services	60
Claims services since: 1983.	
Parent: The CSI Holdings Inc.	
Charges: Administration: per employee per month, \$10. Adjusting: per employee per month, \$18.	
Officers: T. Michael Francis, president; H. Gene Thornton, secretary/treasurer; Larry D. Felton, vp.	
Contact: T. Michael Francis.	

Cambridge Integrated Services Group Inc.

8 Centre Drive,
Jamesburg, N.J. 08831;
800-662-1170; fax: 609-655-0503

EMPLOYEE BENEFITS/PROPERTY & CASUALTY**1998 revenues**

Total	\$75,000,000
Claims revenue	\$30,000,000
Claims administration	80%
Claims adjusting	5%
Claims auditing	10%
Other services	5%
Claims business by type	
Automotive	10%
General liability	10%
Health insurance	20%
Inland marine	5%
Professional liability	20%
Property damage	5%
Workers compensation	30%
Claims business by volume	
Administration claims paid	\$36,000,000
Number of claims adjusted	3,000
Clients	
Total	167
Association plans	2
Corporations	163
Other	2
Other includes: non-profit organizations	
Staff	
Total	190
Claims services	60
Claims services since: 1983.	
Parent: The CSI Holdings Inc.	
Charges: Administration: per claim, \$25 to \$105. Adjusting: per claim, \$45 to \$125. Auditing: per claim, \$45 to \$52.	
Officers: Tracy A. Carragher, CEO; Stephen A. Eisenmann, president; Jean L. Kaufmann, executive vp; Keith W. Zimmermann, executive vp.	
Contact: Tim Maloney; 1550 Valley Center Parkway, Suite 180, Bethlehem, Pa. 18017.	

Administration claims paid \$276,000,000
Auditing projects conducted 25

Clients

Association plans	15
Corporations	64
Public/government entities	28

Staff

Total	870
Claims services	430

Claims services since: 1998.

Parent: Aon Corp.

Charges: Administration: various. Adjusting: time and expense. Auditing: various.

Branch offices: Sales offices in: Fort Lauderdale, Fla.; Chicago; Omaha, Neb.; Jamesburg, N.J.; Bethlehem and Horsham, Pa.; Providence, R.I.; Dallas.

Officers: Tracy A. Carragher, CEO; Stephen A. Eisenmann, president; Jean L. Kaufmann, executive vp; Keith W. Zimmermann, executive vp.

Contact: Tim Maloney; 1550 Valley Center Parkway, Suite 180, Bethlehem, Pa. 18017.

Cannon Cochran Management Services Inc.

2 E. Main St., Towne Centre Building, Danville, Ill. 61832;
217-446-1089; fax: 217-443-0927
www.ccmsi.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY**1998 revenues**

Total	\$22,436,379
Claims revenue	\$22,210,156
Claims administration	70%
Claims adjusting	10%
Claims auditing	10%
Other services	10%

Claims business by type

Automotive	1%
General liability	5%
Health insurance	10%
Employees covered	14,405
Dependents covered	36,000

Property damage	4%
Workers compensation	80%

Claims business by volume

Administration claims paid	\$200,000,000
----------------------------	---------------

Clients

Total	206
Association plans	40
Corporations	159
Public/government entities	7

Staff

Total	289
Claims services	91

Claims services since: 1978.

Charges: Administration: per employee per month, \$7 to \$20.

Branch offices: Administrative offices in: Scottsdale, Ariz.; Little Rock, Ark.; Lake Mary and

Margate, Fla.; Atlanta; Oak Brook, Ill.; Des Moines, Iowa; Fenton, Mich.; Kansas City and St. Louis, Mo.; Camp Hill, Pa.

Officers: G. Bryan Thomas, director; Steven F. Lubbert, director; Rodney J. Golden, director; Samuel P. Cannon, director; Frederick J. Jarosz, director.

Contact: Annie Mariage, 800-252-5059 ext. 1200.

Caronia Corp.

200 Broadhollow Road, Suite 300,
Melville, N.Y. 11747;
800-227-6642; fax: 516-385-4802
www.caronia.com

PROPERTY & CASUALTY**1998 revenues**

Total	\$8,000,000
Claims revenue	\$7,500,000
Claims administration	50%
Claims adjusting	30%
Claims auditing	15%
Other services	5%

Claims business by type

General liability	10%
Professional liability	80%
Other	10%
Other includes: product liability.	

Continued on next page

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EMPLOYEE BENEFITS

1998 revenues

Total	\$542,800
Claims revenue	\$542,800
Claims administration	20%
Claims adjusting	60%
Other services	20%

Claims business by type

Health insurance	100%
Employees covered	1,517
Dependents covered	2,248

Claims business by volume

Administration claims paid	\$5,448,200
Number of claims adjusted	18,852

Clients

Association plans	1
Corporations	7

Staff

Total	6
Claims services</td	

Continued from previous page

Claims business by volume
 Administration claims paid..... \$96,000,000
 Number of claims adjusted..... 8,000
 Auditing projects conducted..... 90

Clients
 Total..... 190
 Association plans..... 25
 Corporations..... 133
 Public/government entities..... 22
 Other..... 10

Other includes: captives and RRGs.

Staff
 Total..... 85
 Claims services..... 75

Claims services since: 1969.**Parent:** CNA.

Charges: Administration: fixed annual fee, fee per file, time and expense, \$65 to \$100 per hour. Adjusting: fixed fee per file or time and expense, \$65 per hour. Auditing: per file, fixed fee or time and expense, \$75 to \$125 per hour.

Branch offices: Administrative offices in: 24 locations nationwide. Sales offices in: Washington, D.C.; West Palm Beach, Fla.; Melville, N.Y.

Officers: Charles McGill, president/CEO; Jim Page, Kathleen Conway, Alan Landberg, vps.

Contact: Charles McGill.**Centra L.L.C.**

Centra Plaza, 3101 E. George Bush Highway, Richardson, Texas 75082; 972-301-8000; fax: 972-301-8044

EMPLOYEE BENEFITS**1998 revenues**

Total..... \$45,000,000
 Claims revenue..... \$32,000,000
 Claims administration..... 0%

Claims business by type

Disability..... 1%
 Flex compensation..... 1%
 Health insurance..... 93%
 Employees covered..... 450,000
 Dependents covered..... 575,000
 Other..... 5%

Claims business by volume

Administration claims paid..... \$1,000,000,000

Clients

Total..... 85
 Corporations..... 80
 Multiemployer plans..... 2
 Public/government entities..... 3

Claims services since: 1970.**Parent:** Health Plan Services.

Branch offices: Administrative offices in: Duncan, Okla.; Richardson, Texas; Lynnwood, Wash.; Charleston, W.Va. Sales offices in: Columbus,

Ohio; Richardson, Texas; Lynnwood, Wash.; Charleston, W.Va.

Officers: Robert Parker, CEO; Norm Storbakken, president; Patrick J. Earley, vp-sales/marketing; Cassie Stennett, director-client services.

Claims Administrative Services Inc.

501 Shelley Drive, Tyler, Texas 78701; 903-509-8484; fax: 903-509-1888

EMPLOYEE BENEFITS/PROPERTY & CASUALTY**1998 revenues**

Total..... \$8,400,000
 Claims revenue..... \$8,300,000
 Claims administration..... 100%

Claims business by type

Health insurance..... 30%
 Workers compensation..... 70%

Claims business by volume

Administration claims paid..... \$28,773,513

Clients

Total..... 374
 Association plans..... 4
 Corporations..... 2
 Public/government entities..... 368

Staff

Total..... 72
 Claims services since: 1990.

Branch offices: Administrative offices in: Tyler, Texas. Sales offices in: Amarillo, Dallas, Houston, Laporte and Longview, Texas.

Officers: Barry Jones, president; Wesley Slade, senior vp-operations; Billy Hibbs, CEO; Billy Hibbs Jr., executive vp; Mary Smith, secretary/treasurer.

Contact: Barry Jones.**Claims Management Services Inc.**

P.O. Box 1447, Roswell, Ga. 30077-1447; 770-998-7411; fax: 770-594-9752

PROPERTY & CASUALTY**1998 revenues**

Total..... \$1,500,000
 Claims revenue..... \$1,400,000
 Claims administration..... 90%

Claims adjusting..... 5%
 Claims auditing..... 5%

Claims business by type

Automotive..... 25%
 General liability..... 20%
 Professional liability..... 5%
 Workers compensation..... 50%

Claims business by volume

Administration claims paid..... \$75,000,000

Auditing projects conducted..... 1

Clients

Total..... 5
 Association plans..... 2
 Corporations..... 3

Staff
 Total..... 19

Claims services..... 19

Claims services since: 1984.

Charges: Administration: percentage of revenue, flat charge. Adjusting: percentage of revenue/per claim/hour, \$60. Auditing: per hour, \$125.

Branch offices: Administrative offices in: Duluth, Ga.

Officers: Gene L. Jones, CEO/president; Neill G. Stevens, vp/treasurer; Barry L. Lamanno, assistant vp.

Contact: Gene L. Jones.**ClaimsCo International Inc.**

304 S. Barrington Road, Wauconda, Ill. 60084; 847-358-8008; fax: 847-358-9987

PROPERTY & CASUALTY**1998 revenues**

Total..... \$766,328
 Claims revenue..... \$696,210

Claims administration..... 90%
 Claims auditing..... 2%

Other services..... 8%

Claims business by type

Automotive..... 26%
 General liability..... 58%
 Inland marine..... 2%
 Property damage..... 6%
 Workers compensation..... 8%

Claims business by volume

Administration claims paid..... \$5,400,000
 Auditing projects conducted..... 2

Clients

Total..... 5
 Association plans..... 2
 Corporations..... 3

Staff

Total..... 9
 Claims services..... 8

Claims services since: 1988.

Charges: Administration: per claim, \$190 to \$310. Adjusting: hourly, \$55. Auditing: hourly, \$40 to \$100.

Branch offices: Administrative offices in: Los Angeles.

Contact: Michael F. Harris, president.**Colonial HealthCare Inc.**

P.O. Box 827, Lanham, Md. 20703-0827; 301-306-3020; fax: 301-459-5405

EMPLOYEE BENEFITS/PROPERTY & CASUALTY**1998 revenues**

Total..... \$3,600,000
 Claims revenue..... \$2,400,000

Claims administration..... 66%
 Other services..... 34%

Claims business by type

Health insurance..... 55%
 Employees covered..... 10,000
 Dependents covered..... 15,000
 Workers compensation..... 45%

Claims business by volume

Administration claims paid..... \$36,000,000

Clients

Association plans..... 1
 Corporations..... 59
 Public/government entities..... 3

Staff

Total..... 55
 Claims services..... 17

Claims services since: 1980.

Charges:

Branch offices: Administrative offices in: Lanham, Md.; Norristown, Pa.. Sales offices in: Pittsburgh.

Officers: William G. Franey, CEO; Patricia M. Biederman, executive vp; Richard Slater executive vp; Frank W. Neubauer, CFO; Jim Fleming, executive vp.

Contact: Patricia M. Biederman.**Commercial Risk Management Inc.**

P.O. Box 18366, Tampa, Fla. 33679; 813-289-3900; fax: 813-289-3771

PROPERTY & CASUALTY**1998 revenues**

Total..... \$1,100,000
 Claims revenue..... \$1,100,000

Claims administration..... 100%

Claims business by type

Workers compensation..... 100%

Claims business by volume

Administration claims paid..... \$10,000,000*

Clients

Total..... 21
 Corporations..... 18
 Public/government entities..... 3

Staff

Total..... 29
 Claims services..... 24

Claims services since: 1976.

Charges: Adjusting: percent of premium.

Branch offices: Administrative offices in: Tampa, Fla.. Sales offices in: Tampa, Fla.

Officers: John J. Shear, president; Susan E. Theis, executive vp; Robert F. Widmer, Sharon Anderson, vps.

Contact: Robert F. Widmer.

*Estimate

Continued on next page

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Wm. H. McGee

Underwriting Managers

Continued from previous page

Comprehensive Care Services Inc.

1200 Yankee Doodle Road, P.O. Box 64668, St. Paul, Minn. 55164-0668; 651-456-5950; fax: 651-683-2159

EMPLOYEE BENEFITS

1998 revenues	\$11,600,000
Claims revenue	\$7,200,000
Claims administration	48%
Claims adjusting	6%
Claims auditing	6%
Other services	40%

Claims business by type

Disability	1%
Health insurance	99%
Employees covered	54,250
Dependents covered	124,715

Claims business by volume

Administration claims paid	\$361,135,900
----------------------------	---------------

Clients

Total	62
Corporations	52
Multiemployer plans	3
Public/government entities	7

Staff

Total	105
-------	-----

Claims services	28
-----------------	----

Claims services since	1982
-----------------------	------

Parent	Blue Cross & Blue Shield of Minnesota.
Charges	Administration: per employee per month. Auditing: hourly or per project.

Officers	Chris Aasland, president; Karen Holt, vp-marketing/finance; Dawn Hanson, vp-claims/customer service; Patrick Dado, vp-information systems.
----------	--

Contact	Tony Weber.
---------	-------------

Constitution State Service Co.

1 Tower Square, 7 PB, Hartford, Conn. 06183; 860-277-8500; fax: 860-277-2558 www.constitution-states.com

PROPERTY & CASUALTY

1998 revenues	\$90,000,000*
Claims revenue	\$60,000,000*
Claims administration	100%

Claims business by type

Automotive	12%
General liability	13%
Workers compensation	75%

Claims business by volume

Administration claims paid	\$1,000,000,000
----------------------------	-----------------

Clients

Total	550
Corporations	525
Public/government entities	25

Staff

Total	5,750
-------	-------

Claims services since	1980.
-----------------------	-------

Parent	Travelers Property Casualty Corp.
--------	-----------------------------------

Charges	Administration: flat fee, percentage of adjusting fee. Adjusting: per claim/per claimant.
---------	---

Branch offices	Administrative offices in: 50 locations nationwide. Sales offices in: Los Angeles and Walnut Creek, Calif.; Hartford, Conn.; Atlanta; Chicago; Fort Lee, N.J.; Dallas.
----------------	--

Officers	Stanton F. Long, chairman; Bernard T. Scheidweiler, CEO; Andrew J. Apicella, president; J. David Gibbs, executive vp; James M. Michener, director.
----------	--

*Estimate	
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CoreSource Inc.

400 Field Drive, Lake Forest, Ill. 60045; 800-832-3332; fax: 847-615-3900

EMPLOYEE BENEFITS

1998 revenues	\$106,825,000
Claims revenue	\$106,825,000
Claims administration	95%
Claims adjusting	4%
Claims auditing	1%

Claims business by type

Disability	5%
Flex compensation	15%
Health insurance	80%
Employees covered	2,209,055
Dependents covered	3,092,677

Claims business by volume	
---------------------------	--

Administration claims paid	\$1,623,300,000
----------------------------	-----------------

Clients

Total	1,401
Association plans	25
Corporations	1,214
Public/government entities	162

Staff

Total	1,447
-------	-------

Claims services	1097
-----------------	------

Claims services since	1975.
-----------------------	-------

Parent	Trustmark Insurance Co.
--------	-------------------------

Branch offices	Administrative offices in: Tucson, Ariz.; Clearwater, Fla.; Matteson, Ill.; Anderson, Ind.; Kansas City, Kan.; Baltimore; Brookly Center and Jackson, Minn.; Charlotte and Raleigh, N.C.; Columbus, Ohio; Lancaster and Wayne, Pa. Sales offices in: Los Angeles; San Francisco; Clearwater, Fla.; Atlanta; Lake Forest and Matteson, Ill.; Anderson, Ind.; Kansas City, Kan.; Baltimore; Boston; Minneapolis; Newark, N.J.; Charlotte and Raleigh.
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N.C.; Columbus, Ohio; Lancaster and Wayne, Pa. Officers: Rod Farmer, president/CEO; Mark W. Schmidt, COO/senior vp; Barb Wurfel, senior vp; Richard Moxley, senior vp; Fred Kinsler, senior vp. Contact: Mark Schmidt.

Corporate Diversified Services Inc.

P.O. Box 2835, 2401 S. 73rd. St., Suite 1, Omaha, Neb. 68103-2835; 402-393-3133; fax: 402-398-3773

EMPLOYEE BENEFITS

1998 revenues	\$1,847,261
Claims revenue	\$1,418,747
Claims administration	100%

Claims business by type

Flex compensation	22%
Health insurance	78%
Employees covered	14,047

Claims business by volume

Administration claims paid	\$34,916,082
----------------------------	--------------

Clients

Total	71
Corporations	62
Public/government entities	7
Union-sponsored plans	2

Staff

Total	105
-------	-----

Claims services	28
-----------------	----

Claims services since	1982.
-----------------------	-------

Parent	Blue Cross & Blue Shield of Minnesota.
--------	--

Charges	Administration: per employee per month. Auditing: hourly or per project.
---------	--

Officers	Chris Aasland, president; Karen Holt, vp-marketing/finance; Dawn Hanson, vp-claims/customer service; Patrick Dado, vp-information systems.
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Contact	Tony Weber.
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Total 66

Claims services 33

Claims services since: 1983.

Parent: Blue Cross & Blue Shield of Nebraska.

Charges: Administration: per employee per month.

Officers: Richard L. Guffey, president; Cheri L. Kowal, executive vp/COO; David Realp, treasurer; Sue Schneiderwind, secretary; Pam Silverman, vp-operations.

Contact: Cheri L. Kowal.

Corporate Plan Management Inc.

2900 S.W. Wanamaker Drive, Topeka, Kan. 66614-4191; 785-273-8398; fax: 785-273-6850

EMPLOYEE BENEFITS

1998 revenues	\$1,200,000
Claims revenue	\$842,000

Claims administration	50%
-----------------------	-----

Claims adjusting	5%
------------------	----

Claims auditing	5%
-----------------	----

Other services	40%
----------------	-----

Claims business by type

Disability	1%
------------	----

Flex compensation	4%
-------------------	----

Health insurance	95%
------------------	-----

Claims business by volume

Administration claims paid	\$7,094,332
----------------------------	-------------

Clients

Total	101
-------	-----

Corporations	78
--------------	----

Public/government entities	23
----------------------------	----

Staff

Total	54
-------	----

Claims services	40
-----------------	----

Claims services since	1980.
-----------------------	-------

Charges	Administration: per employee per month, \$7.50 to \$12. Adjusting: by claim. Auditing: per hour, \$35.
---------	--

Officers	Thomas H. Repass, president/CEO; Susan Towner, COO; David H. Graizer, vp-administration; Paul Knapp, vp-marketing; Diana Pearce, vp-group administration; Stephen Zappardo, vp-management information systems.
----------	--

Contact	Thomas H. Repass.
---------	-------------------

Employees covered 5,500

Dependents covered 6,200

Claims business by volume

Administration claims paid \$8,300,000

Clients

Corporations	51
--------------	----

Public/government entities	12
----------------------------	----

Staff

Total	18
-------	----

Claims services	7
-----------------	---

Claims services since	1990.
-----------------------	-------

Charges	Administration: per employee per month, \$7 to \$15.
---------	--

Officers	Michael R. Falley, president/CEO; Tim Carson, vp-administration; Jean Bass, secretary/treasurer; John Malone, vp-marketing; Dan Escale, vp-claims administration.
----------	---

Contact	Tim Carson.
---------	-------------

Claims administration 80%

Other services 20%

Claims business by type

Disability	5%
------------	----

Flex compensation	5%
-------------------	----

Health insurance	80%
------------------	-----

Employees covered	25,000
-------------------	--------

Dependents covered	42,500
--------------------	--------

Life	5%
------	----

Workers compensation	5%
----------------------	----

Claims business by volume	
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Administration claims paid	\$70,000,000
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Clients

Total	101
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Corporations	78
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Public/government entities	23
----------------------------	----

Staff

Continued from previous page

Other services	10%
Claims business by type	
Disability	5%
Flex compensation	5%
Health insurance	90%
Employees covered	40,000
Dependents covered	80,000
Claims business by volume	
Administration claims paid	\$100,000,000
Number of claims adjusted	500,000
Clients	
Corporations	300
Public/government entities	20
Union-sponsored plans	10
Staff	
Total	75
Claims services	55
Claims services since: 1977	
Parent: Safeco Life	
Branch offices: Administrative offices in: Appleton and Milwaukee, Wis.	
Officers: Bruce Flunker, president; John Feith, Tim Hussey and Allen Czarnecki, vps.	

Employee Benefit Management Corp.

4789 Rings Road,
Dublin, Ohio 43017;
614-766-5800; fax: 614-766-0901

EMPLOYEE BENEFITS

1998 revenues	
Total	\$7,200,000
Claims revenue	\$5,000,000
Claims administration	70%
Other services	30%
Claims business by type	
Disability	5%
Flex compensation	5%
Health insurance	90%
Employees covered	42,000
Dependents covered	110,000
Claims business by volume	
Administration claims paid	\$145,000,000
Clients	
Total	73
Corporations	68
Multimillion plans	1
MEWAs	4
Staff	
Total	138
Claims services	75
Claims services since: 1979	
Charges: Administration: per employee per month.	

Branch offices: Administrative offices in: Dublin, Ohio. Sales offices in: Dublin, Ohio.

Officers: Thomas C. Jack, president/CEO; Bill Weatherholt, David Coleman, vps; Terry Carano, vp; Christopher Wroblewski, director-claim operations.

Contact: David Coleman, vp-client development/compliance services.

Employee Benefit Management Services Inc.

P. O. Box 21367,
Billings, Mont. 59104;
406-245-3575; fax: 406-652-5380
www.ebms@mcn.net

EMPLOYEE BENEFITS

1998 revenues	
Total	\$5,400,000
Claims revenue	\$5,400,000
Claims administration	70%
Other services	30%
Claims business by type	
Flex compensation	7%
Health insurance	88%
Employees covered	32,000
Dependents covered	78,000
Pensions	5%
Claims business by volume	
Administration claims paid	\$84,000,000
Clients	
Association plans	4
Corporations	110
Multimillion plans	1
Public/government entities	65
Staff	
Total	95
Claims services	30
Claims services since: 1980	
Charges: Administration: per employee, per month, \$8 to \$30.	

Branch offices: Administrative and sales offices in: Billings, Mont.; Portland, Ore.; Salt Lake City.

Officers: Rick Larson, president; Nicki Larson, vp; Scott Asay, COO.

Contact: F. H. Larson, operations manager.

Employee Benefit Services Inc.	
4801 Chastain Ave., Charlotte, N.C. 28217; 704-522-1855; fax: 704-944-2413	
EMPLOYEE BENEFITS/PROPERTY & CASUALTY	
1998 revenues	
Total	\$12,000,000
Claims revenue	\$12,000,000
Claims administration	90%
Other services	10%
Claims business by type	
Disability	5%
Flex compensation	5%
Health insurance	90%
Employees covered	50,000

Dependents covered	125,000
Claims business by volume	
Administration claims paid	\$586,000,000
Clients	
Corporations	275
Public/government entities	10
Staff	
Total	175
Claims services	50
Claims services since: 1989.	
Branch offices: Administrative offices in: Charlotte, N.C.; Sales offices in: Charlotte, N.C.	
Officers: Larry R. Dust, CEO; Nancy Blough, COO; Mark McLean, vp-marketing.	
Contact: Wallace T. Gray.	

Employers Risk Services

1240 Fairway St.,
Bowling Green, Ky. 42102;
502-782-7678; fax: 502-782-7654

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues	
Total	\$5,000,000
Claims revenue	\$2,000,000
Claims administration	5%
Claims adjusting	35%
Other services	60%
Claims business by type	
General liability	5%

Health insurance	5%
Workers compensation	90%
Claims business by volume	
Administration claims paid	\$120,000,000
Clients	
Association plans	3
Corporations	10
Other	5
Staff	
Total	50
Claims services	25
Claims services since: 1994.	
Charges: Adjusting: percentage of premium and per claim.	
Branch offices: Administrative offices in: Lexington, Ky.; Oklahoma City; Nashville, Tenn.	
Officers: Don Turner, Pat Parsons, vps.	
Contact: Don Turner.	

Employers Service Corporation

P. O. Box 3389, 426 Broad St.,
Charleston, W. Va. 25333;
304-556-1100; fax: 304-556-1165
www.empserv.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues	
Total	\$9,000,000

Claims revenue	\$4,700,000
Claims administration	50%
Claims auditing	50%
Claims business by type	
Disability	2%
Workers compensation	88%
Other	10%
Other includes: federal black lung.	
Claims business by volume	
Administration claims paid	\$120,000,000
Clients	
Total	233
Association plans	2
Corporations	225
Public/government entities	6
Staff	
Total	155
Claims services	43
Claims services since: 1946.	
Charges: Administration: per claim, depends on state.	
Branch offices: Administrative offices in: Lexington, Ky.; Washington, Pa.; Abingdon, Va.; Charleston, W. Va. Sales offices in: Lexington, Ky.; Washington, Pa.; Richmond, Va.	
Officers: H. Herchel Sims Jr., president; Gary A. Waskey, vp-client relations/marketing; Robert T. Ramsburg, vp-finance; Michael Keener, vp-operations; Kim McNeer, vp-personnel/administration.	

The EPOCH Group L.C.

1079 Watson Road, St. Louis, Mo. 63127; 314-821-3957; fax: 314-821-4349	
EMPLOYEE BENEFITS/PROPERTY & CASUALTY	
1998 revenues	
Total	\$22,947,000
Claims revenue	\$19,380,000
Claims administration	79%
Claims adjusting	6%
Other services	15%
Claims business by type	
Disability	1%
Flex compensation	2%
Health insurance	95%
Employees covered	237,300
Dependents covered	403,410
Workers compensation	2%
Claims business by volume	
Administration claims paid	\$426,000,000
Number of claims adjusted	129,000
Clients	
Total	283
Association plans	2
Corporations	262
Multimillion plans	9
Public/government entities	7
Union-sponsored plans	3

Continued on next page

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Continued from previous page

Staff
 Total 385
 Claims services 320
 Claims services since: 1974.
 Parent: Alliance Blue Cross/Blue Shield and Blue Cross/Blue Shield of Kansas City.
Charges: Administration: per employee per month, varies. Adjusting: per employee per month.
Branch offices: Administrative offices in: Louisburg and Overland Park, Kan.; St. Louis. Sales offices in: Waterloo, Iowa; Overland Park, Kan.; St. Louis.
Officers: Thomas Sax, president/CEO; Eileen Hutchinson, vp-finance; Mark Williams, Steve Disch and Pat DuFaux, vps.
Contact: Thomas Sax.

Essential Services & Programs Inc.

159 Great Neck Road, P. O. Box 910, Great Neck, N.Y. 11021; 516-487-0432; fax: 516-487-0498

PROPERTY & CASUALTY

1998 revenues
 Total \$750,000
 Claims revenue NA
 Claims administration 50%
 Claims adjusting 50%
Claims business by type
 General liability 100%
Claims business by volume
 Administration claims paid \$10,000,000
 Number of claims adjusted 408
Clients
Staff
 Total 11
 Claims services 9
 Claims services since: 1988.
Charges: Administration: per hour, \$50. Adjusting: per hour, \$50.
Contact: Gary Ricker, senior president.

E. C. Fackler Insurance Services Inc.

20 N. Wacker Drive, Suite 1600, Chicago, Ill. 60606; 312-629-0888; fax: 312-629-2506

PROPERTY & CASUALTY

1998 revenues
 Total \$4,300,000
 Claims revenue \$4,200,000
 Claims administration 90%
 Claims adjusting 5%
 Claims auditing 5%

Claims business by type

Workers compensation 100%

Claims business by volume

Administration claims paid \$6,500,000

Clients

Total 16

Association plans 13

Corporations 2

Public/government entities 1

Staff

Total 36

Claims services since: 1991.

Branch offices: Administrative offices in: Chicago; Dearborn, Mich.; Golden Valley, Minn. Sales offices in: Portland, Ore.

Officers: Ernest C. Fackler, president; Carl D. Link, senior vp/CFO; David Monteau, vp.

Contact: David Monteau.

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2601 Cattleman Road, Sarasota, Fla. 34232-6249; 800-226-3243; fax: 941-378-2513
www.fccigroup.com

PROPERTY & CASUALTY

1998 revenues
 Total \$300,000,000
 Claims revenue \$1,321,300
 Claims administration 25%
 Claims adjusting 25%
 Claims auditing 25%
 Other services 25%

Claims business by type

Automotive 1%

General liability 3%

Property damage 2%

Workers compensation 94%

Claims business by volume

Administration claims paid \$70,000,000

Clients

Total 87

Association plans 3

Corporations 66

Public/government entities 18

Staff

Total 52

Claims services 17

Claims services since: 1984.

Parent: Dobbs Inc

Branch offices: Sales offices in: Sioux Falls, S.D.

Officers: Joe Dobbs, president/owner; Cheryl Trulson, administrative manager; Della Miller, plan design/compliance; Stan Mueller, branch manager-Sioux Falls.

Contact: Joe Dobbs.

PUBLIC/GOVERNMENT ENTITIES**Staff**

Total 575

Claims services 30

Claims services since: 1959.

Parent: FCCI Insurance Group.

Charges: Administration: per project, \$250 to \$1,000.

Officers: Raymond M. Neff, president/CEO; G.W. Jacobs, COO/executive vp; David L. Webber, CFO/executive vp/internal operations; Robert E. McManus, executive vp-loss control/underwriting; William F. Chastain Jr., executive vp-market development.

Contact: Nancy Agilar.

First American Administrators

512 Main St., Suite 200, P.O. Box 8150, Rapid City, S.D. 57709; 605-343-2509; fax 605-343-8887

EMPLOYEE BENEFITS

1998 revenues
 Total \$3,300,000
 Claims revenue \$2,277,300
 Claims administration 100%

Claims business by type

Flex compensation 5%

Health insurance 95%

Employees covered 25,500

Dependents covered 37,300

Claims business by volume

Administration claims paid \$70,000,000

Clients

Total 87

Association plans 3

Corporations 66

Public/government entities 18

Staff

Total 52

Claims services 17

Claims services since: 1994.

Parent: Dobbs Inc

Branch offices: Sales offices in: Sioux Falls, S.D.

Officers: Joe Dobbs, president/owner; Cheryl Trulson, administrative manager; Della Miller, plan design/compliance; Stan Mueller, branch manager-Sioux Falls.

Contact: Joe Dobbs.

First Cardinal Corp.

210 Washington Ave. Extension Albany, N.Y. 12203; 518-456-1444; fax 518-456-6978
www.firstcardinal.com

PROPERTY & CASUALTY**1998 revenues**

Total \$4,294,664

Claims revenue \$1,544,869

Claims administration 35%

Other services 65%

Claims business by type

Disability 0%

Workers compensation 99%

Claims business by volume

Administration claims paid \$5,252,500

Clients

Total 10

Public/government entities 1

Other 9

Other includes: workers comp, self-insurance groups.

Staff

Total 52

Claims services 14

Claims services since: 1994.

Charges: Administration: percentage of premium

Branch offices: Administrative offices in: over 500 locations nationwide. Sales offices in: Sacramento and Ontario, Calif.; Denver; Atlanta; Chicago; New Orleans; Minneapolis; Charlotte, N.C.; Parsippany, N.J.; New York; Cleveland; Houston.

Officers: David McGirr, president/CEO; James A. McGee, executive vp; John Darden, executive vp/CFO; Melissa H. Biren, senior vp/general counsel/corporate secretary.

Contact: David R. Brown, vp-new business development/sales.

Gallagher Bassett Services Inc.

The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 630-773-3800; fax: 630-285-4000
www.gallagherbassett.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY**1998 revenues**

Total \$176,675,008

Claims revenue \$169,204,992

Claims administration 100%

Claims business by type

Automotive 13%

General liability 10%

Health insurance 27%

Professional liability 5%

Property damage 1%

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Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers

Inside:

Independent spirit
unites diverse
members at NAI
page 36B

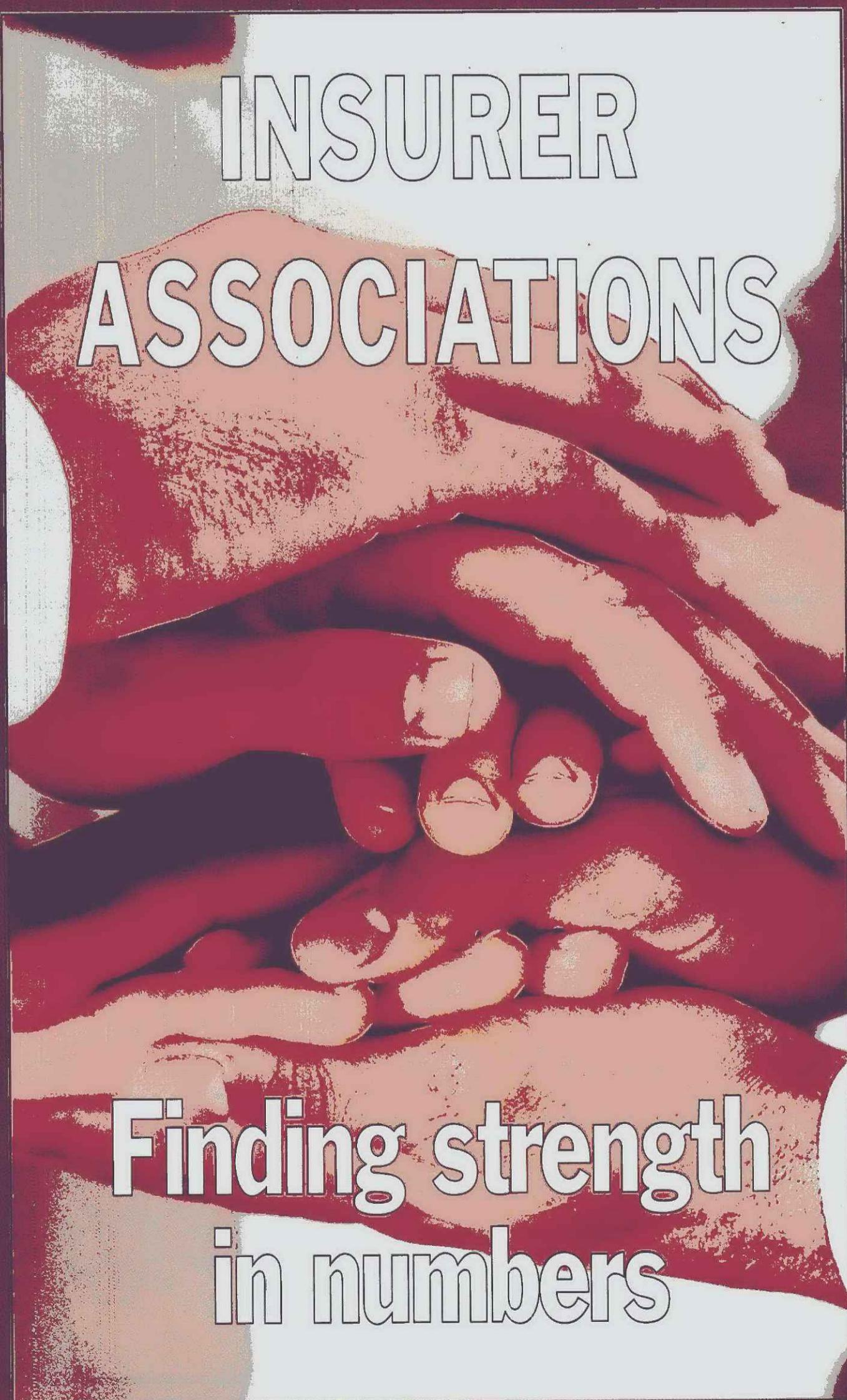
Alliance's structure
engenders member-
driven culture
page 36C

RAA's reform efforts
remain strong as
membership shrinks
page 36F

Financial discipline
allows AIA to provide
value to members
page 36G

Private health care
and the uninsured
have a friend in HIAA
page 36G

NAMIC's experience
helps its members
with complex market
page 36H



NAII exults in its diverse membership

Insurers of all kinds now comprise association founded to help small companies

By RICHARD TROUT

The National Assn. of Independent Insurers, established more than 50 years ago to fight an anticompetitive market, still maintains an independent spirit.

This staunch supporter of state regulation is a diverse fraternity of 619 member companies in 49 states, welcoming 55 new member companies in just the past year.

"It's a home for every type of company," says Joanne Orfanos, vp-public affairs and membership.

As it has grown, the NAII's membership has developed even more variety as more commercial lines and multi-line companies have joined its ranks, she said.

"We truly represent the diversity of the property/casualty insurance in-



Ms. Orfanos

dustry," said Ms. Orfanos.

Following on the heels of 1945's McCarran-Ferguson Act, which preserved the regulation of insurance by states, 39 small and medium-sized insurers banded together in reaction to the dominance of the market by large companies. These insurance cartels "operated through ratemaking bureaus that dictated the rates the companies charged," wrote Chuck Lorenz, a former senior vp-public affairs for the NAII, in his book "NAII: The Story of an American Insurance Revolution" published to celebrate the organization's 50th anniversary in 1995.

What resulted was the NAII, a group of insurers—Independent from the cartels—that provided a voice for the industry's smaller segments and served as a catalyst for a more competitive marketplace.

Today, members are domiciled in all states except Alaska. Having companies in nearly every state gives the NAII a state-by-state focus and greater grass-roots strength, said Jack Ramirez, president of the NAII.

Member companies include surplus lines writers, niche writers, farm bureau companies, mutuals, stock



Mr. Ramirez

companies, reciprocals and reinsurers.

Among the NAII's 619 members, 15 post more than \$1 billion annually in direct written premium, though the association also is home to an array of midsize and small insurers, he said.

While its membership has become increasingly diverse, the NAII has held steadfast to its mission during its 54 years: protecting and improving the state regulatory environment.

"Our members are very interested in the preservation of state regulation of insurance. That concept forms the foundation of the things we do in Washington as well," said Robert Dibblee, senior vp-government relations for the NAII. Ten employees, including four lobbyists, work with Mr. Dibblee in the Washington office.

"Our mission is to influence pub-

lic policy to try to create a competitive marketplace, which we think is the best for both our members and the consumer," said Mr. Ramirez.

Rather than simplifying the system, federal regulation merely adds an additional layer of red tape for insurers to deal with, Mr. Ramirez said. "For single-state companies and regional companies, it is far better for them to be dealing with state regulators who understand the local conditions and markets in the various states" in which they do business, he said.

"And even national companies, for the most part, believe that state regulation is an advantage, because insurance markets are local, and insurance regulators have a better sense for that local market in their state," said Mr. Ramirez.

The NAII regularly advocates commercial line rate and form deregulation, such as its current campaign to eliminate state countersignature laws.

The organization also is taking a stand against the proposed National Assn. of Registered Agents and Brokers, which would serve as a national clearinghouse for meeting multi-



state agent and broker requirements.

"Because we're strong supporters of state regulation, we have a real concern about NARAB in particular, because we do believe that that would set a very, very bad precedent. It would be a huge pre-emptive strike by the federal government against state regulation," Mr. Ramirez said.

"We agree with what the supporters of NARAB are trying to do. We would prefer to do it through the individual states with the help of the (National Assn. of Insurance Commissioners) rather than doing it by a federal mandate," he said.

Although the NAII generally favors H.R. 10, the financial services modernization legislation, it opposes some parts of the bill, Mr. Dibblee said. For example, two provisions in the bill could create a loophole through which banks could avoid state insurance regulation. The association has written to the House

See NAII on next page

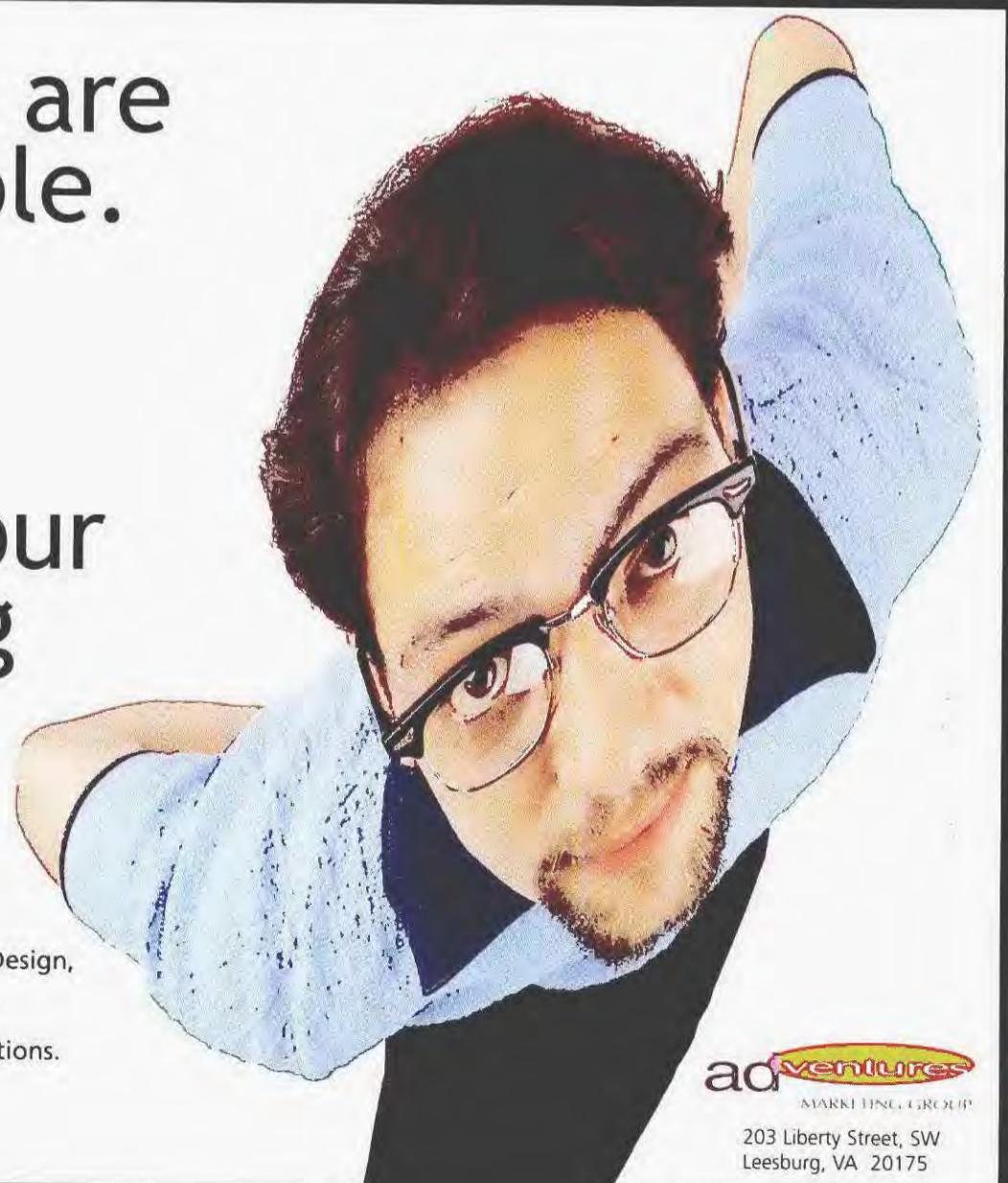
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Insurer membership drives Alliance agenda

By RODD ZOLKOS

Ongoing consolidation in the insurance industry hasn't kept the Alliance of American Insurers from increasing its membership.

"In terms of the membership issue I guess it depends on which day we're talking, with mergers and acquisitions occurring almost weekly," said Rodger Law-

son, president of the Downers Grove, Ill.-based Alliance.

"But, on balance, we haven't been affected as much as some other organizations," Mr. Lawson said. "Our membership continues to grow. We have 270 member companies, up over 100 from where it was several years ago."

In looking for potential member property/casualty companies throughout the country, Mr. Lawson said the Alliance stresses its service-oriented culture.

"We are member-driven, not staff-driven here," he said. "We want to work on the issues that companies think are critical to their own operations."

And, in addressing those issues, the Alliance's standing committee structure is key, said Larry Kibbee, the group's vp of public affairs.

Issues are debated among company representatives on those committees, and when they've reached consensus are brought to the Alliance's board, which

determines whether to adopt them as Alliance policy.

Because of that structure, Mr. Kibbee suggests, "When you walk into a legislative hearing, you can say you speak for the 270 members of the Alliance."

At the top of the list of federal issues currently before the Alliance is financial services modernization, such as that proposed in H.R. 10.

"We were supporters of the legislation last year," Mr. Lawson said, adding that the group



believes it's critical to establish proper firewalls between the

See Alliance on page 36F

NAII

Continued from previous page
Banking Committee, informing the committee of its stance against the provisions.

As for action at the state level, California currently is getting a lot of attention from the NAII.

"With the changed political environment in California, we are very worried that there will be a move to reinstate third-party bad-faith claims, and we think that would drive up costs for consumers," said Mr. Ramirez.

The NAII also is concerned about workers compensation privacy legislation and efforts to roll back workers comp reforms made in the early 1990s.

For example, in several Northeastern states, the trial bar and labor groups are trying to increase workers comp benefits and reinstate cost-of-living increases. This causes the cost to increase substantially for the workers comp systems, he said. "Of course, when the costs increase, the premiums have to increase, and that puts a tremendous burden on the business community," said Mr. Ramirez.

According to its officers, the NAII works both to educate members and to educate itself about its membership. The association holds 13 seminars per year, performs an annual membership survey, and organizes focus groups to tailor its information and services to member needs.

"Our mission is to influence public policy, but it's also to provide information to our member companies," Mr. Ramirez said.

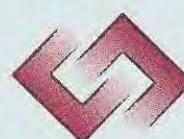
Even the NAII's committee structure is diverse, addressing not just public policy issues but human resources, investments, underwriting and operational concerns. "We provide a lot of value-added service on the operational and business sides of our member companies, not just on the public policy side," he said.

And it's an organization ideal for networking, Ms. Orfanos emphasized. "Because we have such a diverse organization, it's easy for niche companies to find a counterpart at the NAII that they can network with," she said. ■

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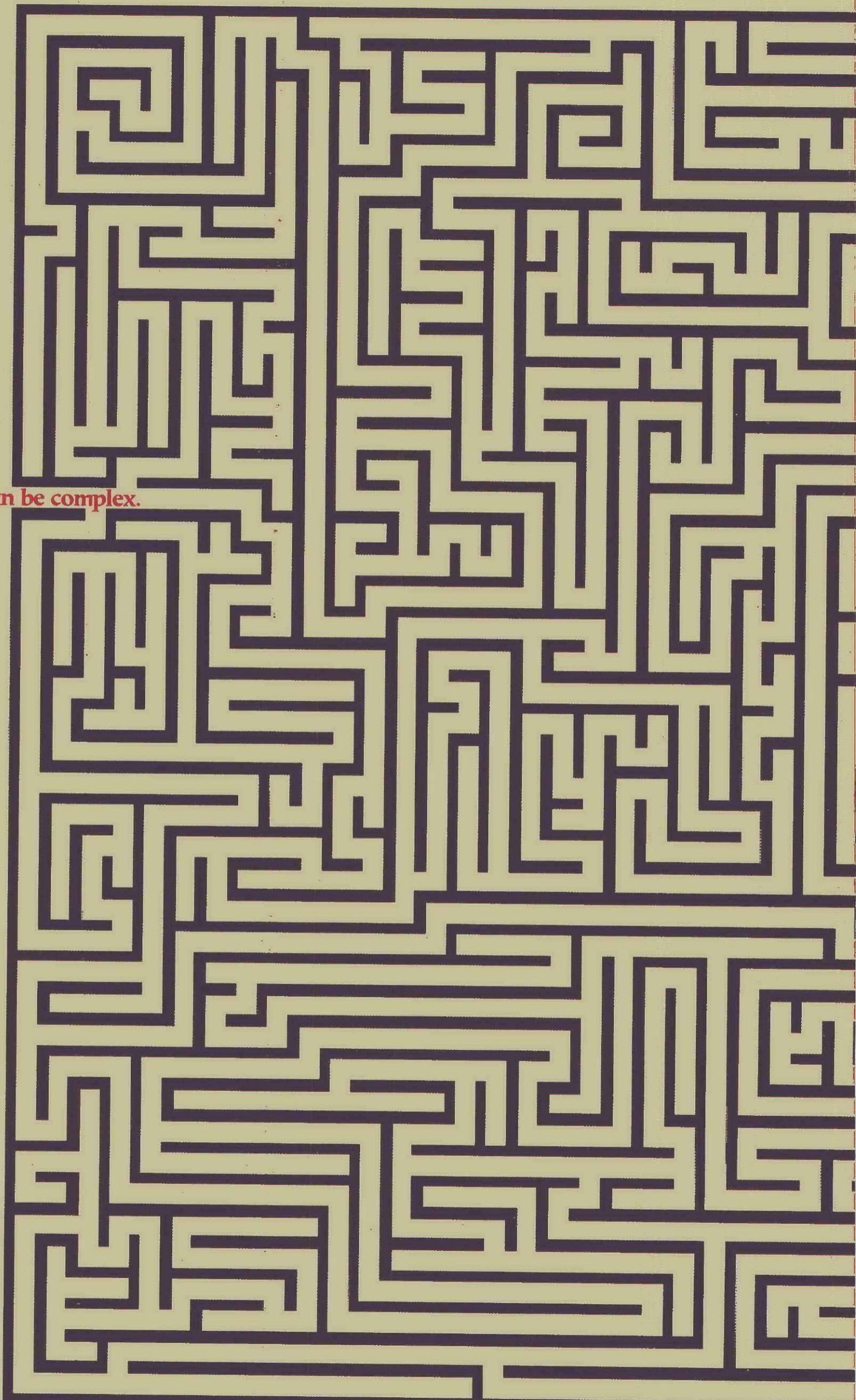
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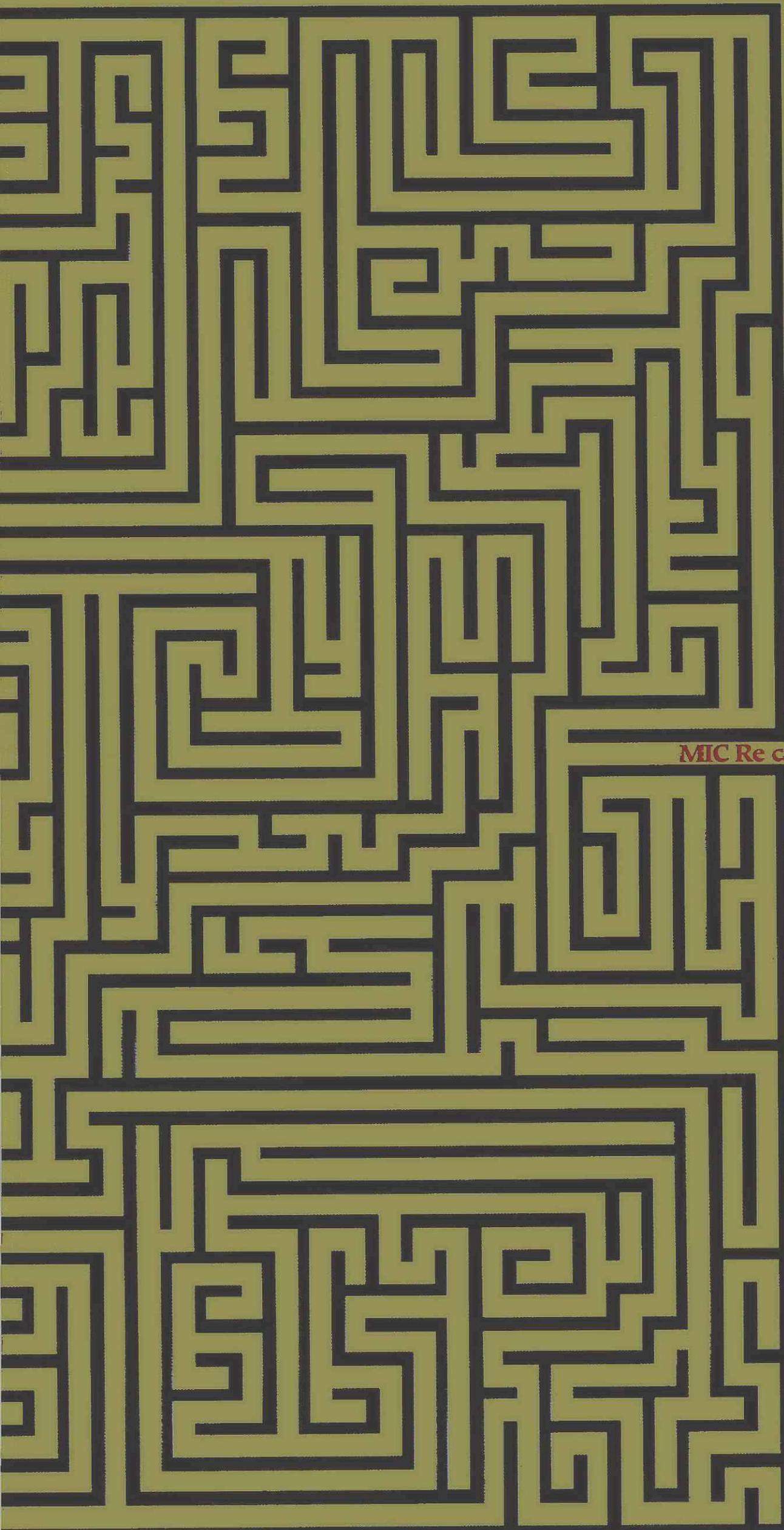
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NAMIC guides mutuals through century of change

By RODD ZOLKOS

Representing its member companies' interests for more than a century, the National Assn. of Mutual Insurance Cos. is America's largest trade association for property/casualty insurance companies.

The organization says that its more than 1,200 member companies together represent more than 33% of property/casualty premiums in the United States.

But, while NAMIC has more than 103 years of experience addressing the issues that concern mutual companies, today the organization is faced with such new issues as financial services reform, mutual company restructuring, the Year 2000 bug and insurance deregulation.

"The issues are becoming more complex, and the stakes are getting higher," said Larry L. Forrester, NAMIC's president.

But over the years, the association has prided itself in helping its members deal with such issues, not just in the short term but over the long run.

Recognizing the implications for NAMIC members of the convergence of banking and insurance, for example, the organization formed its own bank, First Assurance Bank.

NAMIC's 1998 filing with the federal Office of Thrift Supervision for a charter for the bank's holding company, NAMIC Bancorp, represented the culmination of months of effort by 240 insurance companies that had invested more than \$12.5 million in the effort.

Creating the bank is intended to enable member companies to expand the menu of financial products they can offer. More significantly, it also is meant to help their primary distribution system—Independent agents—survive against competition from large banks partnering with large insurance companies in selling insurance, Mr. Forrester suggested.

"The distribution system that most of our companies use is the independent agents and we felt that if there was some threat to that system, we should see what we could do to forestall that or see if there was some tool that would allow our members and their agents to compete," he said.

Mr. Forrester likened the situation to NAMIC's move to create NAMIC Insurance Co. in 1987, when member companies found it difficult to obtain directors and officers and professional liability coverage from other insurers.

Today the 11-year-old NAMICO provides that coverage for the mutual property/casualty insurance industry, while NAMIC Insurance Agency provides various insurance programs for member companies and handles both defined benefit and defined contribution pension plans for member companies.

Mr. Forrester noted that when the organization's insurance company was first capitalized in 1987, "We sold the stock at \$50 a share."

"Today it's worth \$130 a share," he said. "It's a track we hope the bank will not only parallel but exceed."

"At our association we think our greatest challenge is to make sure that all member companies have

equal access to the marketplace," Mr. Forrester said. "We think the bank again helps create equal access to the marketplace for our farm mutual companies, as well as some of our larger members."

Another issue the organization is tracking closely is insurance deregulation, a topic Mr. Forrester folds into the general category of financial services reform.

While NAMIC has adopted a policy supporting commercial lines deregulation with some sort of consumer safeguards, "When you get to personal lines, we do not have a formal policy regarding personal lines deregulation," the NAMIC president said.

"It's really going to force us to spend a lot of time examining, 'What do we mean by deregulation and where does it lead us?'" he said.

The exposure created by the Y2K computer problem is also a top concern at NAMIC.

"Y2K gives us a lot of anxiety," Mr. Forrester said. "Not so much

that we don't think our member companies' computers will function but all the things surrounding it."

"We know the trial bar is focusing on litigation when things don't work," said Mr. Forrester, adding that NAMIC supports legislation that would provide businesses some sort of safe harbor to correct Y2K-related problems before they are sued.

The organization also is concerned about how member companies will be affected by suits over claims denials. "When you deny a claim and, as a result, there is litigation, it's going to take a unique law firm to deal with it," Mr. Forrester said.

In an effort to assist members dealing with considering demutualization as a response to industry consolidation and competition, NAMIC has examined the options available to mutual companies as they seek greater access to capital.

One result of that effort was NAMIC's 1998 publication of

"Capital Enhancement Strategies for Mutual Property and Casualty Companies," a monograph prepared with PricewaterhouseCoopers L.L.P. and law firm LeBoeuf, Lamb, Green & MacRae L.L.P. discussing capital-raising techniques ranging from surplus notes to demutualization.

The group also recently released a white paper expanding on the association's position on demutualization.

While supporting a continued role for the mutual structure, the NAMIC white paper also advocated the need to preserve structural options for mutual companies as they seek to remain competitive in a changing financial industry environment.

"Our conclusion is not that you should preserve, maintain at all cost, the mutual situation," Mr. Forrester said. But instead, "If you're considering other alternatives, consider them all, consider the pros and cons and think through the process."

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Issue of February 15

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Business Insurance

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Issue Date: FEBRUARY 15, 1999

Card Expiration: APRIL 12, 1999

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<input type="checkbox"/> Mfg/Svcs	<input type="checkbox"/> Ins Agent	<input type="checkbox"/> Adj/Apprs
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<input type="checkbox"/> Government	<input type="checkbox"/> Consultant	<input type="checkbox"/> Inst
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2. Number of employees:

<input type="checkbox"/> 150 or less	<input type="checkbox"/> 151 - 499	<input type="checkbox"/> 500 - 999
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3. My title is best defined as:

<input type="checkbox"/> Adminstrative Mgt	<input type="checkbox"/> Benefits Mgt
<input type="checkbox"/> Financial Mgt	<input type="checkbox"/> Loss Prevention Mgt
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4. My purchasing involvement for the requested products is to:

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Continued from previous page

Workers compensation	43%
Other	1%
Claims business by volume	
Administration claims paid	\$1,916,420,000
Number of claims adjusted	4
Auditing projects conducted	15
Clients	
Total	2,015
Association plans	22
Corporations	1,354
MEWAs	1
Public/government entities	601
Other	37
Other includes: religious organizations	
Staff	
Total	1,819
Claims services since: 1962.	
Parent: Arthur J. Gallagher & Co.	
Charges: Administration: per claim, per employee, time and expense, annual fee, flat fee. Adjusting: per claim, time and expense. Auditing: time and expense, flat fee, per project, per audit.	

Branch offices: Administrative offices in: Phoenix; Los Angeles; San Francisco; Orlando, Fla.; Atlanta; Chicago; Baton Rouge, La.; St. Louis; Las Vegas; Albuquerque, N.M.; Buffalo, N.Y.; Baltimore; Columbus, Ohio; Portland, Ore.; Pittsburgh; Nashville, Tenn.

Officers: David K. Hollingsworth, president/COO; Gerald Sheldon, vp-customer service West; Archie Simons Jr., vp-customer service East; Mark Beres, associate vp-customer service Ohio; Peter Barr, vp-risk/employee benefit service.

Contact: Scot Van Marter, corporate marketing officer.

**Estimate.*

General Insurance Exchange Agency Inc.
4301 Darrow Road, Stow, Ohio 44224; 330-688-4322; fax: 330-688-4904 www.chandler-group.com

EMPLOYEE BENEFITS**1998 revenues**

Total	\$411,110
Claims revenue	\$380,781
Claims administration	95%

The Frank Gates Cos. Inc.

5000 Bradenton Ave., Dublin, Ohio 43017; 614-793-8000; fax: 614-791-7650 www.frankgates.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues	
Total	\$75,000,000
Claims revenue	\$20,000,000
Claims administration	98%
Claims adjusting	2%

Claims business by type

Automotive	1%
Health insurance	1%
Inland marine	1%
Ocean marine	1%
Property damage	1%
Workers compensation	95%

Claims business by volume	
Administration claims paid	\$220,000,000
Number of claims adjusted	1,000
Auditing projects conducted	1

Clients	
Total	413
Association plans	101
Corporations	300
Public/government entities	12

Staff	
Total	1,000
Claims services	200

Claims services since: 1946.

Charges: Administration: per claim per hour.

Branch offices: Administrative offices in: 29 locations nationwide. Sales offices in: Phoenix; Orlando, Fla.; Atlanta; Akron and Columbus, Ohio; Nashville, Tenn.; Dallas; Seattle.

Officers: J. Robinson McCormick, chairman; Niles C. Overly, CEO/president; R. James Kelly, executive vp; Gregory P. Smith, CFO; Richard Klomparens, senior vp-national workers comp.

Contact: Charles Freutel, 800-777-4283.

GatesMcDonald

3455 Mill Run Drive, Hilliard, Ohio 43026; 800-336-4733; fax: 614-777-3265 www.gatesmcdonald.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues	
Total	\$120,000,000
Claims revenue	\$85,000,000*

Claims business by type	
Automotive	3%
Disability	12%
General liability	3%
Professional liability	2%
Property damage	2%
Workers compensation	78%

Claims business by volume	
Administration claims paid	\$317,000,000

Clients	
Total	312
Corporations	296

Public/government entities

15

Other

1

Branch offices:

Administrative offices in: Phoenix; Los Angeles; San Francisco; Orlando, Fla.; Atlanta; Chicago; Baton Rouge, La.; St. Louis; Las Vegas; Albuquerque, N.M.; Buffalo, N.Y.; Baltimore; Columbus, Ohio; Portland, Ore.; Pittsburgh; Nashville, Tenn.

Officers: David K. Hollingsworth, president/COO; Gerald Sheldon, vp-customer service West; Archie Simons Jr., vp-customer service East; Mark Beres, associate vp-customer service Ohio; Peter Barr, vp-risk/employee benefit service.

Contact: Scot Van Marter, corporate marketing officer.

**Estimate.*

General Insurance Exchange Agency Inc.

4301 Darrow Road, Stow, Ohio 44224; 330-688-4322; fax: 330-688-4904 www.chandler-group.com

EMPLOYEE BENEFITS**1998 revenues**

Total	\$411,110
Claims revenue	\$380,781
Claims administration	95%

Claims auditing

5%

Claims business by type

Disability

5%

Flex compensation

5%

Health insurance

85%

Employees covered

2,347

Dependents covered

3,589

Other

5%

Other includes: group life.

Claims business by volume

Administration claims paid

\$8,120,000

Clients

Total

4

Corporations

1

Multimember plans

1

Union-sponsored plans

2

Staff

Total

5

Claims services

3

Claims services since: 1969.

Parent: The Chandler Group of Cos.

Charges: Administration: per employee per month.

Branch offices: Sales offices in: Louisville, Ky.; Cincinnati and Columbus, Ohio.

Officers: Arthur W. Chandler, chairman; James K. Piper, president; Jim Tetreault, president-TPA services; Burton Margolis, CFO; Cindy Craig, senior vp-operations.

Contact: Kathleen Tiedt.

GILSBAR Inc.

P.O. Box 998,

2100 Covington Centre,

Covington, La. 70434;

504-892-3520; fax: 504-898-1500

www.gilsbar.com

EMPLOYEE BENEFITS**1998 revenues**

Total

\$17,500,000

Claims revenue

\$8,000,000

Claims administration

48%

Claims adjusting

2.5%

Claims auditing

1%

Other services

48.5%

Claims business by type

Disability

2%

Health insurance

97%

Employees covered

45,300

Dependents covered

95,130

Workers compensation

1%

Claims business by volume

Administration claims paid

\$164,500,000

Clients

Total

186

Corporations

178

Public/government entities

8

Staff

Continued from previous page

Workers compensation 90%
Claims business by volume
 Administration claims paid \$13,488,579
Clients
 Total 100
 Association plans 10
 Corporations 90
Staff
 Total 120
 Claims services 12
Claims services since: 1992.
Branch offices: Administrative offices in: Birmingham and Montgomery, Ala.; Lexington, Ky.; Jackson, Miss.; Raleigh, N.C. Sales offices in: Birmingham and Montgomery, Ala.; Lexington, Ky.; Jackson, Miss.; Raleigh, N.C.
Officers: John W. Goff, president; Ferrell Patrick, vp-external affairs; Mickey Griffin, director-development; Bill Pinkham, vp-medical claims management.
Contact: Kara Jacobs.

Gow Management Services

344 Delaware Ave.,
 Buffalo, N.Y. 14202;
 716-856-6148; fax: 716-856-6179

PROPERTY & CASUALTY

1998 revenues
 Total \$1,300,000
 Claims revenue \$1,100,000
 Claims administration 85%
 Claims adjusting 13%
 Claims auditing 2%
Claims business by type
 Disability 10%
 Workers compensation 85%
 Other 5%
 Other includes: deductible programs.
Claims business by volume
 Administration claims paid \$3,200,000

Number of claims adjusted 5,500
Clients
 Total 63
 Corporations 16
 Public/government entities 47

Staff
 Total 15
 Claims services 13
Claims services since: 1982.
Parent: Hilb, Rogal & Hamilton Co.
Charges: Administration: per claim, \$95 to \$400. Adjusting: flat contract. Auditing: flat contract.

Branch offices: Administrative offices in: Rochester and Syracuse, N.Y. Sales offices in: Buffalo, Rochester and Syracuse, N.Y.

Officers: Richard K. Mason, president; Robert J. McKeever, executive vp; Michael H. Ernst, Diane C. Ambrose, vps.

Contact: Michael H. Ernst, Daniel K. Conley, Richard K. Mason.

Group Administrators Ltd.

1880 N. Roselle Road,
 Schaumburg, Ill. 60195;
 847-519-1880; fax: 847-519-1979
www.group-admin.com

EMPLOYEE BENEFITS

1998 revenues
 Total \$4,000,000
 Claims revenue \$4,000,000
 Claims administration 98%
 Other services 2%
Claims business by type
 Flex compensation 1%
 Health insurance 98%
 Employees covered 35,000
 Dependents covered 50,000
 Other 1%
 Other includes: COBRA.
Claims business by volume

Administration claims paid \$90,000,000
Clients

Total 107
 Corporations 100
 Multiemployer plans 2
 Public/government entities 5

Staff
 Total 62
 Claims services 55
Claims services since: 1985.
Charges: Administration: per employee per month, \$9 to \$15.

Officers: David Dorfman, executive officer; William Webbe, president; Barb Wieda, executive vp; Ronald Lawlor, vp-systems.

Contact: David Dorfman.

**HCH Administration**

209 W.R.B. Garrett Ave.,
 Peoria, Ill. 61605;
 309-673-7330; fax: 309-673-7369

EMPLOYEE BENEFITS

1998 revenues
 Total \$5,000,000
 Claims revenue \$3,500,000
 Claims administration 70%
 Other services 30%
Claims business by type
 Flex compensation 5%
 Health insurance 94%
 Employees covered 25,000
 Dependents covered 35,000
 Workers compensation 1%
Claims business by volume
 Administration claims paid \$70,000,000
Clients

Association plans 1
Clients

Total 70
 Corporations 6
 Multiemployer plans 1
 MEWAs 1
 Public government entities 25
 Union-sponsored plans 6

Staff
 Total 100
 Claims services 90
Claims services since: 1982.
Parent: Health Care Horizons.
Charges: Adjusting: per employee per month, \$6 to \$22.

Branch offices: Sales offices in: Peoria, Ill.

Officers: James D. Stevenson, president; R. Scott Reid, vp-marketing/sales; Gloria Towles, vp-finance; Bill Zora, vp-operations.

Contact: Scott Reid.

HRH Risk Services

600 Luckie Drive, Suite 175,
 P.O. Box 530430,
 Birmingham, Ala. 35253;
 205-871-3300; fax: 205-871-3112
www.hrh.com

PROPERTY & CASUALTY

1998 revenues
 Total \$2,200,000
 Claims revenue \$1,600,000
 Claims administration 100%
Claims business by type
 Workers compensation 100%
Claims business by volume
 Administration claims paid \$20,000,000
Clients
 Total 51
 Corporations 34
 Public/government entities 14
 Other 3
 Other includes: workers compo group fund.
Staff
 Total 29

Claims services 23
Claims services since: 1993.
Parent: Hilb, Rogal & Hamilton Co. of Alabama Inc.

Charges: Administration: annual fee.

Branch offices: Administrative offices in: Mobile, Ala.; Savannah, Ga.

Officers: Richard E. Simmons III, CEO; Fred Renneker III, president; Richard H. Pardue, COO; J. Rawlins McKinney, vp-marketing; Kevin Hennegan, vp-claims.

Contact: J. Rawlins McKinney, 205-868-0213.

Harden Group

1800 Sutter St., Suite 400,
 Concord, Calif. 94520;
 925-682-7707; fax: 925-356-2400

EMPLOYEE BENEFITS

1998 revenues
 Total \$13,000,000
 Claims revenue \$9,000,000
 Claims administration 85%
 Claims auditing 5%
 Other services 10%

Claims business by type

Disability 3%
 Flex compensation 3%
 Health insurance 92%
 Employees covered 320,000
 Dependents covered 192,000

Life 2%

Claims business by volume
 Administration claims paid \$166,500,000
 Number of claims adjusted 535,000

Auditing projects conducted 86

Clients
 Total 121
 Corporations 113
 Public/government entities 8

Staff
 Total 193
 Claims services 53

Claims services since: 1974.

Parent: Anchor Pacific Underwriters Inc.

Charges: Administration: per employee per month, \$13.50 to \$17.50. Auditing: per project, \$500 to \$5,000.

Branch offices: Administrative offices in: Scottsdale, Ariz.; Concord and Fresno, Calif.; Las Vegas; Portland, Ore. Sales offices in: Scottsdale, Ariz.; Concord, Calif.; Reno, Nev.; Portland, Ore.

Officers: James R. Dunathan, chairman; Earl Wiklund, CEO; Lynn Boyd, president-California division; Thomas Hedford, president-Oregon division; Roger Rath, president-Arizona division.

Contact: James R. Dunathan.

Harrington Benefit Services

3401 Morse Crossing,
 Columbus, Ohio 43219;
 614-470-7000

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues
 Total \$100,000,000
 Claims revenue \$100,000,000
 Claims administration 100%

Claims business by type

Disability 3%
 Flex compensation 3%
 Health insurance 85%
 Employees covered 850,000
 Dependents covered 1,425,000
 Pensions 6%
 Workers compensation 3%

Claims business by volume
 Administration claims paid \$2,250,000,000

Clients

Total 900
 Association plans 5
 Corporations 770
 MEWAs 2
 Public/government entities 70
 Union-sponsored plans 2
 Other 51

Staff
 Total 3,200
 Claims services 1,400

Claims services since: 1964.

Parent: HealthPlan Services.

Charges: Administration: per employee per month, \$6 to \$22.

Branch offices: Administrative offices in: El Monte and San Bernardino, Calif.; Tampa, Fla.; Chicago; Shreveport, La.; Joplin, Mo.; Las Vegas; Columbus, Dayton and Youngstown, Ohio; Oklahoma City. Sales offices in: Tampa, Fla.; Chicago; Shreveport, La.; Detroit; Joplin and Osage Beach, Mo.; Cincinnati and Columbus, Ohio; Milwaukee.

Officers: Robert Parker, CEO; Ned Lucco, president; Jeff Mills, vp-information systems; Patrick J. Earley, vp-sales/marketing.

Contact: Patrick J. Earley.

Health Design Plus Inc.

1755 Georgetown Road,
 Hudson, Ohio 44236;
 330-656-1072; fax: 330-656-9387
www.hdplus.com

EMPLOYEE BENEFITS

1998 revenues
 Total \$3,900,000
 Claims revenue \$2,100,000

Continued on next page

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Continued from previous page

Claims administration	58%
Other services	42%
Claims business by type	
Flex compensation	2%
Health insurance	97%
Employees covered	16,000
Dependents covered	42,000
Other	1%
Other includes: mental health/substance abuse.	
Claims business by volume	
Administration claims paid	\$44,747,688
Clients	
Total	4
Corporations	4
Staff	
Total	72
Claims services	37
Claims services since: 1996.	
Charges: Administration: per employee per month, \$13 to \$18.	
Branch offices: Administrative offices in: Findley and Hudson, Ohio. Sales offices in: Hudson, Ohio.	
Officers: M. Ruth Coleman, president; Lonnie Jones, COO; Chris Finnegan, vp-operations.	
Contact: Deborah V. Warner, director-sales/marketing.	

Automotive 75%

General liability 25%

Claims business by volume

Administration claims paid \$133,000,000

Auditing projects conducted 11

Clients

Total 71

Association plans 3

Corporations 58

Public/government entities 10

Staff

Total 380

Claims services since: 1981.

Parent: The Hertz Corp.

Charges: Administration: per claim.

Branch offices: Administrative offices in: Los Angeles; Washington; Miami; Chicago; Boston; Park Ridge, N.J.; Pittsburgh; Dallas; and throughout Europe. Sales offices in: each administrative office.

Officers: Howard F. Zek, president; William D. Gavin, vp-sales/risk management; Richard McEvily, assistant secretary; John Fahey, vp-liability; Raymond Battistoni, controller.

Contact: William Gavin or Richard Sedlak, national account manager.

The directory of TPAs begins on page 20.

Hewitt, Coleman & Associates Inc.P.O. Box 5500,
Greenville, S.C. 29606;
864-240-5800; fax: 864-232-8824
www.hewittcoleman.com**EMPLOYEE BENEFITS/PROPERTY & CASUALTY****1998 revenues**

Total \$5,200,000

Claims revenue \$4,500,000

Claims administration 80%

Other services 20%

Claims business by type

Automotive 5%

Bonds 1%

Disability 3%

Flex compensation 2%

General liability 5%

Health insurance 15%

Workers compensation 69%

Claims business by volume

Administration claims paid \$42,000,000

Clients

Total 247

Association plans 3

Corporations 225

Public/government entities 19

Staff

Total 68

Claims services since: 1923.

Charges: Administration: percentage of payroll, fixed fee.

Branch offices: Administrative offices in: Atlanta; Indianapolis; Jackson, Miss.; St. Louis; Raleigh, N.C.; Nashville, Tenn.

Officers: Charles R. Warne, president; Ronald J. Graves, vp-operations; Randy Chapman, senior vp.

Contact: Charles R. Warne.

Heyenrath & Associates1616 W. Dean Ave., Spokane,
Wash. 99201;
509-325-9726; fax: 509-325-2431**PROPERTY & CASUALTY****1998 revenues**

Total \$250,000

Claims revenue \$125,000

Claims auditing 100%

Claims business by type

Automotive 10%

General liability 40%

Property damage 5%

Workers compensation 45%

Claims business by volume

Auditing projects conducted 18

Clients

Association plans 4

Corporations 5

Public/government entities 25

Other 5

Other includes: pools.

Staff

Total 3

Claims services 3

Claims services since: 1980.

Charges: Auditing: flat fee/per hour, \$100 to \$175.

Branch offices: Administrative offices in: Manhattan Beach, Calif.

Officers: Leo Heyenrath, senior partner.

Contact: Leo Heyenrath.

Horizon Healthcare Administrators3 Penn Plaza E., PP-067,
Newark, N.J. 07105-2200;
973-466-4591; fax: 973-466-4715
www.horizon-healthcare.com**EMPLOYEE BENEFITS****1998 revenues**

Total \$4,700,000

Claims revenue \$4,700,000

Claims administration 100%

Continued on next page

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Helmsman Management Services Inc.9 Riverside Road, Weston, Mass. 02193;
617-243-7985; fax: 781-736-0256**PROPERTY & CASUALTY****1998 revenues**
Total \$102,146,000
Claims revenue \$83,285,000Claims administration 98%
Claims adjusting 1%
Claims auditing 1%**Claims business by type**
Automotive 20%
General liability 5%
Workers compensation 75%**Claims business by volume**
Administration claims paid \$825,000,000**Clients**
Total 475
Association plans 5
Corporations 465
Public/government entities 5**Staff**
Total 720
Claims services 575

Claims services since: 1983.

Parent: Liberty Mutual Insurance Co.

Charges: Administration: flat fee. Adjusting: per claim.

Branch offices: Administrative offices in: Glendale, Calif.; Boston; Gahanna, Ohio. Sales offices in: 75 locations nationwide.

Officers: Edmund F. Kelly, president; Amy J. Leddy, vp/manager; Bob Litke, vp; Barry Gilvar, secretary; Elliot Williams, treasurer.

Contact: Amy J. Leddy.

Hertz Claim Management Corp.225 Brae Blvd.,
Park Ridge, N.J. 07656;
800-426-7389; fax: 201-307-2709
www.hertzclaimmanagement.com**PROPERTY & CASUALTY****1998 revenues**
Total \$30,000,000
Claims revenue \$22,000,000
Claims administration 95%
Claims auditing 5%**Claims business by type**

Continued from previous page

Wenter, COO; Keith Pippard, CFO; Sean Smith, president-schools division; Jerry Ascolese, president-healthcare division.

Contact: David J. De Wenter.

Key Benefit Administrators Inc.

9000 Keystone Crossing, Suite 400, Indianapolis, Ind. 46240; 317-848-2700; fax: 317-848-2424

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues	
Total	\$16,000,000
Claims revenue	\$13,000,000
Claims administration	81%
Other services	19%
Claims business by type	
Disability	5%
Flex compensation	5%
Health insurance	90%
Employees covered	50,000
Dependents covered	125,000
Claims business by volume	
Administration claims paid	\$586,000,000
Clients	
Total	375
Corporations	350
Multiprovider plans	5
Public/government entities	20

Staff

Total 200
Claims services 60

Claims services since: 1979.

Branch offices: Administrative offices in: Fort Wayne, Evansville and Indianapolis, Ind.; London. Sales offices in: Ft. Wayne, Evansville and Indianapolis, Ind.

Officers: Larry R. Dust, CEO; Anita Dust, president, David Scott, vp-marketing.

Contact: Wallace T. Gray, 317-705-7702.

Key Risk Management Services Inc.

P.O. Box 49129, Greensboro, N.C. 27419; 336-668-9050; fax: 336-605-7510 www.keyrisk.com

PROPERTY & CASUALTY

1998 revenues	
Total	\$10,515,086
Claims revenue	\$9,000,000*
Claims administration	31%
Other services	69%
Claims business by type	
Workers compensation	100%
Claims business by volume	
Administration claims paid	\$30,000,000

Clients

Total 35
Association plans 4
Corporations 30
Public/government entities 1

Staff

Total 115
Claims services 43

Claims services since: 1988.

Parent: W.R. Berkley Corp.

Branch offices: Administrative offices in: Alpharetta, Ga.; Greensboro and Raleigh, N.C.; Columbia, S.C. Sales offices in: Alpharetta, Ga.; Greensboro and Raleigh, N.C.; Columbia, S.C.

Officers: Joe W. Sykes, president/CEO; Rebecca H. Karr, CFO; Otelia Travis, VP; Anne Roberts, assistant vp.; Carl Mussenden, vp-claims.

Contact: Otelia Travis.

*Estimate

PROPERTY & CASUALTY

1998 revenues

Total \$1,300,000*

Claims revenue NA

Claims administration 60%

Other services 40%

Claims business by type

Automotive 3%

General liability 2%

Workers compensation 95%

Claims business by volume

Administration claims paid \$9,000,000

Clients

Association plans 2

Public/government entities 7

Other 1

Other includes: insurance carrier.

Staff

Total 14

Claims services 5.5

Claims services since: 1987.

Parent: Privately held.

Charges: Administration: per claim, fixed fee.

Branch offices: Administrative offices in: Richmond, Va. Sales offices in: Richmond, Va.

Officers: David Craig Landin, president/CEO; David Carl Landin, chairman; William G. Deekens, executive vp; William K. Willis, senior vp; Mary Kay Garrett, vp-administration.

Contact: Peter G. Baldwin, vp-marketing, 2624 Childs Lane, Alexandria, Va. 22308. 703-799-6752.

*Estimate

Other services

49% Claims business by type

Disability 3%

Flex compensation 5%

Health insurance 92%

Employees covered 57,600

Dependents covered 140,000

Claims business by volume

Administration claims paid \$213,000,000

Auditing projects conducted 60,000

Clients

Corporations 525

Public/government entities 121

Union-sponsored plans 53

Staff

Total 152

Claims services 65

Claims services since: 1977.

Branch offices: Administrative offices in: Columbus, Ohio; Pittsburgh. Sales offices in: Atlanta; Cleveland; Columbus and Dayton, Ohio; Pittsburgh.

Officers: Phyllis Shehab, CEO; Charles E. Davidson, president; Jay Ver Hulst, vp; Dennis A. Casey, secretary/treasurer.

Contact: Charles E. Davidson.

Managed Care USA Services Inc.

4401 Barclay Downs Drive, Charlotte, N.C. 28209-4604; 704-945-2600; fax: 704-945-2634 www.managedcareusa.com

PROPERTY & CASUALTY

1998 revenues

Total \$5,800,000

Claims revenue NA

Claims administration 30%

Claims adjusting 30%

Claims auditing 20%

Other services 20%

Claims business by type

Workers compensation 100%

Staff

Claims services 10

Claims services since: 1997.

Parent: Managed Care USA Inc.

Charges: Various.

Branch offices: Administrative offices in: Maitland, Fla.; Charlotte, N.C.; Laurel Springs, N.J.; Brentwood, Tenn.

Officers: Steven Mariano, chairman/CEO; Kevin Saba, president; Patti Williamson, vp-claims; David Dunn, president-Managed Care USA Health Plans; John Scarborough, executive vp.

Contact: Kevin M. McCarthy, director-corporate communications, 704-945-2706.

ManagedComp

100 Fifth Ave., Waltham, Mass. 02454; 800-832-1600; fax: 781-672-3003 www.managedcomp.com

PROPERTY & CASUALTY

1998 revenues

Total \$55,000,000

Claims revenue \$7,000,000

Claims administration 40%

Other services 60%

Claims business by type

Workers compensation 100%

Claims business by volume

Administration claims paid \$55,000,000

Clients

Corporations 350

Staff

Total 465

Claims services 110

Claims services since: 1987.

Charges: Administration: per claim, percentage of premium, flat fee, performance price.

Branch offices: Administrative offices in: Citrus Heights, Calif.; Orlando, Fla.; Chicago; Baton Rouge, La.; Waltham, Mass.; Bedford, N.H.; Purchase, N.Y.; Radnor, Pa.; Providence, R.I.; Brentwood, Tenn.; Dallas. Sales offices in: Citrus Heights, Calif.; Orlando, Fla.; Chicago; Baton Rouge, La.; Waltham, Mass.; Bedford, N.H.; Purchase, N.Y.; Radnor, Pa.; Providence, R.I.; Dallas.

Officers: James Walter, chief executive; Jon Gice, president, COO; Leo Whitt, CFO; William Hogan, regional president; Jeffrey Aycock, regional president.

Contact: Bill Danylik, senior vp-marketing.

Matrix Absence Management Inc.

2099 Gateway Place, Fifth Floor, San Jose, Calif. 95110; 408-453-7700; fax: 408-467-7288 www.matrixcos.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues

Total \$12,000,000

Claims revenue \$9,000,000

Claims administration 70%

Other services 30%

Claims business by type

Disability 60%

Workers compensation 40%

Claims business by volume

Administration claims paid \$78,141,375

www.usamco.com

1-800-USA-0820
email: info@usamco.com

Continued on next page

Continued from previous page

Clients	
Total	150
Corporations	148
Public/government entities	2
Staff	
Total	128
Claims services	90
Claims services since: 1985.	
Parent: Delphi Financial Group.	
Charges: Administration: percentage of covered wages.	

Branch offices: Administrative offices in: Phoenix; San Jose, Calif.; Albuquerque, N.M.; Hawthorne, N.Y.; Portland, Ore.; Austin, Texas. Sales offices in: San Jose, Calif.; New York.

Officers: David F. Nolan, chairman/CEO; Martin A. Grable, president/COO; Jon Andre Chun, CIO; Suzanne Wilson, vp-administration; Scott Genn, vp-sales.

Contact: Anne L. Plue, vp-marketing/client development, 408-467-7335.

Peter J. McBreen & Associates

20 N. Wacker, Suite 2520,
Chicago, Ill. 60606;
312-332-4307; fax: 312-332-2657
www.mcbreens.com

PROPERTY & CASUALTY

1998 revenues	
Total	\$2,000,000
Claims revenue	\$2,000,000
Claims administration	45%
Claims adjusting	50%
Claims auditing	5%

Claims business by type	
General liability	60%
Property damage	20%
Other	20%
Other includes: aviation, online claim system.	

Claims business by volume	
Administration claims paid	\$10,000,000
Number of claims adjusted	3,000
Auditing projects conducted	2

Clients	
Total	60
Corporations	30
Public/government entities	30

Staff	
Total	30
Claims services	30

Claims services since: 1958.

Charges: Administration: flat fee per bid. Adjusting: time and expense. Auditing: time and expense.

Branch offices: Administrative offices in: Los Angeles; Fort Lauderdale, Fla.; Madison, N.J.; New York.

Officers: Paul J. McBreen, president; Hugh G. McBreen, CEO.

Contact: Paul J. McBreen.

McGee Risk Management Services

P.O. Box 419013,
Kansas City, Mo. 64141-6013;
800-423-9044; fax: 816-472-5018
www.thomasmcghee.com

PROPERTY & CASUALTY

1998 revenues	
Total	\$2,000,000
Claims revenue	\$2,000,000
Claims administration	98%
Claims adjusting	1%
Claims auditing	1%

Claims business by type	
Automotive	8%
General liability	15%
Inland marine	1%
Professional liability	5%
Property damage	1%
Workers compensation	70%

Claims business by volume	
Administration claims paid	\$8,000,000

Clients	
Total	291
Association plans	5
Corporations	214
Public/government entities	72

Staff	
Total	81
Claims services	18

Claims services since: 1987.

Parent: Thomas McGee L.C.

Charges: Administration: flat fee, per project. Adjusting: flat fee, per claim, \$80 to \$900. Auditing: per project, hourly, \$35 to \$200.

Branch offices: Administrative offices in: Kansas City, Mo.

Officers: Eugene Klein, Larry Kaminsky, Charlie Kaufmann, Doug Joyce, Jerry Reardon.

Contact: Ed Treadwell, 816-843-4443.

McLarens Toplis North America Inc.

233 S. Wacker Drive, Suite 2420,
Chicago, Ill. 60606-6308;
312-648-1300; fax: 312-454-1588
www.mclarenstoplis.com

PROPERTY & CASUALTY

1998 revenues	\$31,000,000
Claims revenue	\$12,000,000
Claims administration	40%

Claims adjusting	40%
Claims auditing	10%
Other services	10%

Claims business by type

General liability	30%
Inland marine	10%
Ocean marine	20%
Professional liability	5%
Property damage	35%

Claims business by volume

Administration claims paid: \$150,000,000

Clients

Total	199
Corporations	115
Public/government entities	74
Other	10

Other includes: captives.

Staff

Total	350
Claims services	100

Charges: Adjusting: time and expense. Auditing: flat rate, time and expense.

Branch offices: Administrative offices in: Atlanta, Chicago, Dallas, Los Angeles, New York, San Francisco.

Officers: Ian Winchester, chairman; James V. Ebel, president; Joseph A. Dotoli, COO; Nigel Griffith, CFO.

Contact: Richard E. Gray, 800-880-2219.

Meadowbrook Claims Service

26600 Telegraph Road,
Southfield, Mich. 48034-2438;
248-358-1100; fax: 248-358-3251
www.meadowbrookinsgrp.com

PROPERTY & CASUALTY

1998 revenues

Total	\$15,000,000
Claims revenue	\$13,000,000
Claims administration	100%

Claims business by type

Automotive	3%
Bonds	1%
Disability	1%
General liability	37%
Inland marine	2%
Professional liability	6%
Property damage	5%
Workers compensation	45%

Claims business by volume

Administration claims paid: \$75,000,000

Clients

Total	100
Association plans	45
Corporations	40
Public/government entities	15

Staff

Total	200
Claims services	150

Claims services since: 1980.

Parent: Meadowbrook Insurance Group.

Charges: Administration: per claim.

Branch offices: Administrative offices in: Montgomery, Ala.; Cerritos and Oakland, Calif.; Sarasota, Fla.; Overland Park, Kan.; Grand Rapids and Southfield, Mich.; Bloomington, Minn. Sales offices in: Montgomery, Ala.; Cerritos and Oakland, Calif.; Sarasota, Fla.; Overland Park, Kan.; Grand Rapids and Southfield, Mich.; Bloomington, Minn.

Officers: Don Fisher, executive vp; Thomas Tucker, senior vp; Melanie Elias, John Strickland, Leonard Estrada, Tom Caine, vps.

Contact: Don Fisher, 248-204-8091.

Mountain States Administration

13901 E. Exposition,
Aurora, Colo. 80012;
303-360-9600; fax: 303-360-9100

EMPLOYEE BENEFITS

1998 revenues

Continued from previous page

N

NATLSCO TPA Services

1 Kemper Drive,
Long Grove, Ill. 60049;
847-320-2000; fax: 847-320-5335
www.kemperinsurance.com

PROPERTY & CASUALTY**1998 revenues**

Total \$80,000,000

Claims revenue \$3,000,000

Claims administration 100%

Claims business by type

Automotive 5%

General liability 5%

Workers compensation 90%

Claims business by volume

Administration claims paid \$30,000,000

Clients

Total 15

Corporations 15

Staff

Total 1,898

Claims services since: 1912.

Parent: Kemper Insurance Cos.

Charges: Administration: fee per claim, \$500 to

\$1,200.

Branch offices: Administrative offices in: most major U.S. cities. Sales offices in: Los Angeles; Atlanta; Chicago; Dallas; Summit, N.J.; New York.

Officers: David B. Mathis, chairman/CEO; William D. Smith, president/COO; Elizabeth M. Lindner, executive vp; Robert L. Smialek, senior vp; Raymond G. Waters, vp-NATLSCO TPA Services.

Contact: Raymond Waters, 847-320-5112.

NetCare Services Inc.

60 Gore St.,
Cambridge, Mass. 02141;
800-222-5963; fax: 617-494-1608

PROPERTY & CASUALTY**1998 revenues**

Total \$8,000,000

Claims revenue \$4,700,000

Claims administration 59%

Claims adjusting 1%

Other services 40%

Claims business by type

Automotive 15%

General liability 10%

Inland marine 1%

Professional liability 1%

Property damage 2%

Workers compensation 71%

Claims business by volume

Administration claims paid \$26,800,000

Clients

Total 9

Corporations 3

Public/government entities 6

Staff

Total 89

Claims services 57

Claims services since: 1987.

Parent: Hastings-Tapley Insurance Agency Inc.

Charges: Administration: per employee per month, varies. Adjusting: hourly, per claim; varies.

Branch offices: Administrative offices in: Fairfield, Conn.; Albany, N.Y.; Glen Allen, Va. Sales offices in: Fairfield, Conn.; Albany, N.Y.; Glen Allen, Va.

Officers: David Lane, chairman; E. Donald Lewis, CEO; Marsha K. Burridge, Jennifer L. Decker, executive vps; Ralph J. Gemelli, senior vp.

Contact: Ralph J. Gemelli.

New World Claims Services Ltd.

2624 N. Fifth St.,
Niles, Mich. 49120;
800-624-0698 or 616-684-6700;
fax: 616-684-8138
www.newworldservices.com

EMPLOYEE BENEFITS**1998 revenues**

Total \$753,589

Claims revenue \$753,589

Claims administration 100%

Claims business by type

Health insurance 100%

Employees covered 6,000

Dependents covered 13,500

Claims business by volume

Administration claims paid \$15,895,000

Clients

Corporations 105

Staff

Total 13

Claims services 7

Claims services since: 1984.

Charges: Administration: per employee per month.

Officers: Robert D. Cravens, president; Ruth E. Halvorson, administrative manager; Gregory R. Hegyi, controller.

Contact: Randy Weenam, marketing manager.

Continued on next page

North American Administrators

300 Corporate Parkway,
Amherst, N.Y. 14226;
716-446-5500; fax: 716-446-5592

EMPLOYEE BENEFITS**1998 revenues**

Total \$35,000,000

Claims revenue \$25,000,000

Claims administration 71%

Other services 29%

Claims business by type

Disability 2%

Flex compensation 3%

Health insurance 95%

Employees covered 200,000

Dependents covered 250,000

Claims business by volume

Administration claims paid \$600,000,000

Clients

Total 320

Multiemployer plans 298

Public/government entities 17

Union-sponsored plans 3

Staff

Total 600

Claims services 450

Claims services since: 1983.

Parent: North American Health Plans.

Charges: Administration: per employee per month, \$8 to \$12.

Branch offices: Administrative offices in: Buffalo, N.Y. Sales offices in: Boston; Thomasville, Ga.

Officers: Ronald K. Zoeller, president; John E. Mann, Gina Murphy, Tom Frizzell, senior vps; Kevin Aderman, vp-finance.

Contact: David Przesiek, 781-843-0077.

North American Benefits Network Inc.

19800 Detroit Road,
Rocky River, Ohio 44116;
440-356-8212; fax: 440-356-0140
www.nabn.com

EMPLOYEE BENEFITS**1998 revenues**

Total \$15,900,000

Claims revenue \$9,200,000

Claims administration 58%

Other services 42%

Claims business by type

Disability 5%

Flex compensation 5%

Health insurance 90%

Employees covered 60,000

Dependents covered 150,000

Claims business by volume

Administration claims paid \$215,000,000

Clients

Total 250

Corporations 250

Staff

Total 165

Claims services 39

Claims services since: 1962.

Charges: Administration: per employee per month, \$9 to \$18.

Branch offices: Administrative offices in: Cleveland. Sales offices in: Cleveland; Houston.

Officers: Donald T. Baker, CEO; Alexander D. Hahn, chairman.

Contact: Ed Tyburski, 440-356-8370.

Northshore International Insurance Services Inc.

76 Lafayette St.,
Salem, Mass. 01970;
978-745-6655; fax: 978-741-1642
www.niis.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY**1998 revenues**

Total \$8,500,000

Claims revenue \$2,700,000

Claims administration 5%

Claims adjusting 5%

Claims auditing 40%

Other services 50%

Claims business by type

Automotive 5%

Disability 5%

General liability 10%

Health insurance 20%

Professional liability 5%

Workers compensation 15%

Other 40%

Other includes: managed care excess.

Claims business by volume

Auditing projects conducted 100

Clients

Total 195

Association plans 22

Corporations 100

Multiemployer plans 8

MEWAs 5

Public/government entities 60

Staff

Total 88

Claims services since: 1988.

Charges: Administration: per hour, \$85 to \$130. Auditing: per hour, \$100 to \$175.

Branch offices: Administrative offices in: Atlanta; Chicago; Norristown, Pa.; Simpsonville, S.C.; Austin, Texas; London.

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PRODUCTS & SERVICES LISTING

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Officers: David W. Ives, president; Norman C. Tardif, executive vp; Mark E. Scerra, senior vp; Joseph J. Yablonski, vp.
Contact: David W. Ives.

Nova Healthcare Administrators Inc.

2680 Grand Island Blvd.,
Grand Island, N.Y. 14072;
716-773-1140; fax: 716-773-9789

EMPLOYEE BENEFITS

1998 revenues	
Total	\$4,900,000
Claims revenue	\$3,500,000
Claims administration	60%
Claims auditing	10%
Other services	30%

Claims business by type

Flex compensation	15%
Health insurance	85%
Employees covered	35,000
Dependents covered	65,000

Claims business by volume
Administration claims paid: \$50,000,000

Clients

Total: 125

Staff

Total: 104

Claims services: 55

Claims services since: 1982.

Parent: Lockport Savings Bank.

Charges: Administration: per employee per month, \$6 to \$15.

Branch offices: Administrative offices in: Grand Island, N.Y. Sales offices in: Grand Island, N.Y.

Officers: Larry Thompson, president; Kristy Hartley, vp; William Brothers, vp-sales; Cindy Hammer, vp.

Contact: Larry Thompson.

The Nyhart Co. Inc.

3505 N. Washington Blvd.,
Indianapolis, Ind. 46205;
317-923-2391; fax: 317-923-1975

EMPLOYEE BENEFITS

1998 revenues	
Total	\$8,600,000
Claims revenue	\$6,000,000
Claims administration	70%
Other services	30%

Claims business by type

Flex compensation	5%
Health insurance	95%
Employees covered	40,000
Dependents covered	100,000

Claims business by volume
Administration claims paid: \$77,000,000

Clients

Total: 150

Staff

Total: 150

Claims services: 85

Claims services since: 1957.

Charges: Administration: per employee per month, \$9 to \$18.

Branch offices: Administrative offices in: Evansville and Indianapolis, Ind. Sales offices in: Evansville and Indianapolis, Ind.

Officers: Daryl Dean, president/CEO; Jeff Line, senior vp-administration; Nancy Pitt, senior vp-retirement services; Gary Chatin, senior vp-marketing; Kim Zirillo, senior vp-health/welfare services.

Contact: Daryl Dean.

Outsourced Administrative Systems Inc.

4550 Victory Lane,
Indianapolis, Ind. 46203;
800-511-5774 or 317-614-2000;
fax: 317-614-2001
www.oasys.com

EMPLOYEE BENEFITS

1998 revenues	
Total	\$12,100,000
Claims revenue	\$8,300,000
Claims administration	70%
Other services	30%

Claims business by type

Health insurance	100%
Dependents covered	75,000

Clients

Association plans	5
Public/government entities	4
Other	3

Other includes: commercial health plans.

Staff

Total: 200

Claims services: 35

Claims services since: 1990.

Charges: Administration: flat fee per member per month.

Branch offices: Administrative offices in: Columbia, S.C.; Norcross, Ga.

Officers: Russell W. Sherlock, president/CEO; Jennifer Ponski, vp/CFO; Peggy Johnson, director-marketing/sales; Scott Mingee, director-operations.

Contact: Peggy Johnson, 317-614-2055 or 800-511-5774.

P

PMA Management Corp.

380 Sentry Parkway,
Blue Bell, Pa. 19422;
610-397-5000; fax: 610-397-5027
www.pmagroup.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues

Total	\$10,000,000
Claims revenue	\$7,000,000
Claims administration	90%
Claims adjusting	5%
Claims auditing	5%

Claims business by type

Automotive	5%
Disability	15%
General liability	5%
Workers compensation	75%

Claims business by volume

Administration claims paid	\$80,000,000
----------------------------	--------------

Clients

Total	90
Association plans	4
Corporations	70
Multiemployer plans	2
Public/government entities	14

Staff

Total	92
Claims services	75

Claims services since: 1915.

Parent: PMA Insurance Group.

Branch offices: Administrative and sales offices in: Wilmington, Del.; Atlanta, Ga.; Hunt Valley, Md.; Mount Laurel, N.J.; Syracuse, N.Y.; Columbus, Ohio; Allentown, Erie, Harrisburg, Pittsburgh, Valley Forge and Williamsport, Pa.; Richmond and Roanoke, Va.

Officers: Frank X. Altieri III, president; Mike MacAulay, sales manager; George Dugan, manager-corporate operations; Monica O'Neill, vp-managed care services; Michael McMahon, risk control services.

Contact: Mike MacAulay, 604-727-3157.

Palmer & Cay Inc.

P.O. Box 847,
Savannah, Ga. 31402;
912-234-6621; fax: 912-234-8523
www.palmercay.com

PROPERTY & CASUALTY

1998 revenues

Total	\$3,000,000
Claims revenue	\$2,700,000
Claims administration	100%

Claims business by type

Automotive	6%
General liability	18%
Professional liability	3%
Property damage	3%
Workers compensation	70%

Claims business by volume

Administration claims paid	\$28,000,000
----------------------------	--------------

Clients

Total	58
Association plans	4
Corporations	45
Public/government entities	9

Staff

Total	35
Claims services	29

Claims services since: 1981.

Charges: Administration: minimum fee. Adjusting: per claim.

Branch offices: Administrative offices in: Gainesville and Tallahassee, Fla.; Savannah, Ga.; Raleigh, N.C.; Richmond, Va. Sales offices in: Washington; Jacksonville, Tallahassee and Palm Beach Fla.; Atlanta and Savannah, Ga.; Charlotte, N.C.; Charleston and Columbia, S.C.; Richmond, Va.

Officers: John E. Cay III, chairman; Mike Crowley, president; Ruffin Branhams, senior vp; Joseph E. Hargrove Jr., vp; Ron Studer, vp.

Contact: Joseph E. Hargrove Jr.

Partners Administrative Services*

2716 Albany St.,
Schenectady, N.Y. 12304;
518-370-3828; fax: 518-370-3890

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues

Total	\$2,100,000
Claims revenue	\$2,100,000
Claims administration	90%
Other services	10%

Claims business by type

Disability	5%
Health insurance	90%
Employees covered	42,000
Dependents covered	35,000
Workers compensation	5%

Clients

Total	121
Corporations	94
Public/government entities	27

Staff

Total	52
Claims services	52

Claims services since: 1977.

Parent: HUM HealthCare Systems Inc.

Branch offices: Administrative offices in: Dublin, Ohio; Glen Falls and Schenectady, N.Y.

Officers: John E. Gilchrist, executive director; Michael Greppo, operations manager; Mike Winters, president-CCI Admin. Inc.; Diane Scheuer, claims manager; Debra Jelley, manager-workers compensation.

Contact: John E. Gilchrist.

*Formerly HHS Administrators

Pinnacle Risk Management Services

136 E. South Temple, Suite 2350,
Salt Lake City, Utah 84111;
801-325-5055; fax: 801-521-5945
www.pinnaclerisk.com

PROPERTY & CASUALTY

1998 revenues

Total	\$3,000,000
Claims revenue	\$2,750,000
Claims administration	98%
Claims auditing	2%

Claims business by type

Automotive	20%
General liability	20%
Workers compensation	60%

Claims business by volume

Administration claims paid	\$45,000,000
----------------------------	--------------

Clients

Corporations	24
Public/government entities	12

Staff

Total	50
Claims services	45

Claims services since: 1968.

Charges: Administration: per file, \$100 to \$1,100. Adjusting: per file, \$100 to \$1,100. Auditing: per file, \$100 to \$1,100.

Branch offices: Administrative offices in: Scottsdale, Ariz.; Irvine, Calif.; Boise, Idaho; Albuquerque, N.M.; Dallas; Salt Lake City. Sales offices in: Scottsdale, Ariz.; Salt Lake City.

Officers: Kenneth F. Palmer, president/CEO; Shelley Kaas, vp; Dennis Lloyd, secretary.

Contact: Shelley Kaas.

Platinum Safety & Claims Services L.L.C.

501 Shelley Drive,
Tyler, Texas 78701;
903-561-4242; fax: 903-509-1888

PROPERTY & CASUALTY

1998 revenues

Total	\$2,000,000
Claims revenue	\$2,000,000
Claims administration	100%

Claims business by type

Automotive	5%
General liability	7%
Property damage	3%
Workers compensation	85%

Claims business by volume

Administration claims paid	\$19,000,000
----------------------------	--------------

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(Peter Reeve, London, February 1999)

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Miles Robinson

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Hugh Jago

Paul Western



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Continued from previous page

Corporations 5
Staff
Total 20
Claims services 16
Charges: Administration: flat annual fee only.
Branch offices: Administrative offices in: Phoenix.
Officers: Bob Redmon, president; Mike Goldberg, vp/treasurer; Karmel Vavra, vp/secretary; Fred Delgado, vp-claims.
Contact: Karmel Vavra.

Scibal Associates Inc.

P.O. Box 500,
23 Mays Landing Road,
Somers Point, N.J. 08244;
609-653-8400; fax: 609-926-9270
www.scibal.com

PROPERTY & CASUALTY

1998 revenues
Total \$8,000,000
Claims revenue \$3,000,000
Claims administration 100%
Claims business by type
Automotive 10%
General liability 40%
Workers compensation 50%
Claims business by volume
Administration claims paid \$70,000,000

Clients

Association plans 10
Corporations 40
Public/government entities 300

Staff

Total 110
Claims services 80

Claims services since: 1953.

Parent: Century Industries.

Charges: Administration: per claim and flat fee.

Adjusting: per claim and flat fee.
Branch offices: Administrative offices in: Jacksonville, Fla.; Livonia, Mich.; Edison and Somers Point, N.J.; West Chester, Pa. Sales offices in: Jacksonville, Fla.; Somers Point, N.J.; West Chester, Pa.

Officers: David A. Scibal, president/CEO; Richard Campanaro, COO; Stephen J. Scibal, vp; Reynolds Dods, CFO.
Contact: David A. Scibal.

Sedgwick Claims Management Services (SCMS)

1000 Ridgeway Loop Road,
Memphis, Tenn. 38120;
901-761-1550; fax: 901-821-6810
www.sedgwick.com

PROPERTY & CASUALTY

1998 revenues
Total \$102,000,000
Claims revenue \$97,920,000*
Claims administration 96%
Other services 4%

Claims business by type

Automotive 3%
Disability 6.7%
General liability 17.8%
Workers compensation 72.5%

Claims business by volume

Administration claims paid \$2,556,452,000

Clients

Total 712
Association plans 39
Corporations 579
Public/government entities 94

Staff

Total 1,200
Claims services 1,183

Claims services since: 1971.

Charges: Administration: cost plus, budget-based, per claim.

Branch offices: Administrative offices in: 74 locations in the U.S. Sales offices in: San Francisco; Stamford, Conn.; Atlanta; Chicago.

Officers: David A. North, president; Jim Wierialek, COO; Robert J. Peterson, director-sales/marketing; Robert D. Wisecarver, director-program management; Jean M. Danielson, director-field operations management.

Contact: Bob Peterson, 312-683-7539.

*Estimate

SIEBA Ltd.

Union-sponsored plans 1

Staff
Total 25
Claims services 20
Claims services since: 1988.
Parent: One Source Group.
Charges: Administration: per employee per month, \$10 to \$15.
Branch offices: Administrative offices in: Clearwater, Jacksonville and Sarasota, Fla.
Officers: Terrell V. Hawkins, chairman; Earl H. Horton, president; Michael McClain, senior vp; Ronnie S. Brown, vp; Bonnie Spearman, claims manager.
Contact: Ronnie S. Brown.

Self-Insured Management Services Inc.

P. O. Box 19990,
Portland, Ore. 97280-0990;
503-245-9756; fax: 503-246-1581

PROPERTY & CASUALTY

1998 revenues
Total \$6,200,000
Claims revenue \$6,200,000
Claims administration 100%

Claims business by type

General liability 47%
Professional liability 2%
Property damage 1%
Workers compensation 50%

Claims business by volume

Administration claims paid \$15,000,000

Clients

Association plans 3
Corporations 80
Public/government entities 800

Staff

Total 100
Claims services 76

Claims services since: 1980.

Charges: Adjusting: per claim, cost plus.

Branch offices: Administrative offices in: Los Angeles and Sacramento, Calif.; Everett, Federal Way and Spokane, Wash. Sales offices in: Portland, Ore.; Federal Way, Wash.

Officers: James W. Broyles, president; W.S. Griffels, Joseph E. McLaughlin, vps.
Contact: Joseph E. McLaughlin.

Self Insured Services Co. (SISCO)

300 Security Building,
Dubuque, Iowa 52001;
319-583-7301; fax: 319-583-7339
www.cb-sisco.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues
Total \$7,200,000
Claims revenue \$6,800,000
Claims administration 90%
Claims adjusting 10%

Claims business by type

Automotive 2%
General liability 1%
Health insurance 90%
Employees covered 54,000
Dependents covered 86,400

Property damage 2%

Workers compensation 5%

Claims business by volume

Administration claims paid \$190,000,000

Number of claims adjusted 1,700,000

Clients

Total 366
Corporations 352
Public/government entities 14

Staff

Total 145
Claims services 125

Claims services since: 1980.

Parent: Cottingham & Butler Inc.

Charges: Administration: per employee per month. Adjusting: per file.

Branch offices: Administrative offices in: Dubuque, Iowa. Sales offices in: Davenport and Dubuque, Iowa.

Officers: John E. Butler, president/CEO; Steve Bonfig, treasurer; Timm Johnson, senior vp; Tim Kunkel and Steve Sesterhenn, vps.

Contact: Steve Sesterhenn.

SIEBA Ltd.

111 Grant Ave., P.O. Box 5000,
Endicott, N.Y. 13761-5000;
800-252-4624; fax: 607-786-3437
www.sieba.com

EMPLOYEE BENEFITS

1998 revenues
Total \$2,100,000
Claims revenue \$1,600,000
Claims administration 76%
Other services 24%

Claims business by type

Disability 1%
Flex compensation 6%
Health insurance 93%
Employees covered 15,600
Dependents covered 33,400

Claims business by volume

Administration claims paid \$43,000,000

Clients

Total 82

Association plans 1

Corporations 31

Public/government entities 49

Continued on next page

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Union-sponsored plans 1
Staff
 Total 39
 Claims services 22
Claims services since: 1983.
Charges: Administration: per employee per month.
Officers: Richard DoBell, president; David DoBell, Marc Marion, Donna Pridzsky, vps; Gordon Coughlin, secretary.
Contact: Marc Marion.

Southern California Risk Management Associates Inc.
 313 E. Foothill Blvd.,
 Upland, Calif. 91786-3952;
 909-608-7171; fax: 909-608-7165

PROPERTY & CASUALTY

1998 revenues
 Total \$3,800,000
 Claims revenue \$3,600,000
 Claims administration 100%
Claims business by type
 Workers compensation 100%
Claims business by volume
 Administration claims paid \$18,000,000
Clients
 Total 103
 Corporations 25
 Public/government entities 78
Staff
 Total 62
Claims services since: 1988.
Charges: Administration: flat annual fee, negotiated.
Branch offices: Administrative offices in: Newport Beach and Oxnard, Calif.
Officers: Dale H. Jones, president.

Southern Risk Services Inc.

2211 Seventh Ave. S.,
 P.O. Box 2408,
 Birmingham, Ala. 35233;
 205-252-9870; fax: 205-581-9172

PROPERTY & CASUALTY

1998 revenues
 Total \$6,600,000
 Claims revenue \$6,100,000
 Claims administration 98%
 Claims auditing 2%
Claims business by type
 Automotive 5%
 General liability 10%
 Professional liability 2%
 Property damage 3%
 Workers compensation 80%
Claims business by volume
 Administration claims paid \$59,814,854
 Auditing projects conducted 4
Clients
 Total 75
 Association plans 7
 Corporations 61
 Public/government entities 7
Staff
 Total 66
Claims services since: 1965.
Parent: McGriff, Seibels & Williams Inc.
Charges: Administration: percent of premium.
 Adjusting: general liability, time and expense; workers comp, per claim. Auditing: percent of premium.

Branch offices: Administrative offices in: Birmingham, Ala.; Jackson, Miss.; Raleigh, N.C.; Albuquerque, N.M.; Houston. Sales offices in: Birmingham, Ala.; Raleigh, N.C.; Houston.
Officers: L.B. Feenster, president; Frank Wear, vp-sales; Michael Pritchett, vp-claims; Herb Sparks, in-house counsel.
Contact: Frank Wear.

Special Claims Services Inc.

2700 E. Dublin-Granville Road,
 Suite 470, Columbus, Ohio 43231;
 614-794-2200; fax: 614-794-2401

PROPERTY & CASUALTY

1998 revenues
 Total \$650,000
 Claims revenue \$550,000
 Claims administration 60%
 Claims adjusting 10%
 Claims auditing 20%
 Other services 10%
Claims business by type
 General liability 90%
 Other 10%
 Other includes: coverage consulting.
Claims business by volume
 Administration claims paid \$30,000,000
 Number of claims adjusted 16,000
 Auditing projects conducted 9
Clients
 Corporations 11
Staff
 Total 7
 Claims services 7
Claims services since: 1993.
Charges: Administration: hourly, \$50 to \$150. Adjusting: hourly, \$50 to \$150. Auditing: hourly, \$50 to \$150.
Branch offices: Administrative offices in: Columbus and Mt. Vernon, Ohio. Sales offices in: Columbus, Ohio.
Officers: Donald E. Ward, president; V.J. Ward.

treasurer/secretary.
Contact: Donald E. Ward.

Specialty Risk Services Inc.

Goodwin Square, 225 Asylum St.,
 16th Floor, Hartford, Conn. 06103;
 860-520-2575; fax: 860-520-2503

PROPERTY & CASUALTY

1998 revenues
 Total \$81,000,000
 Claims revenue \$20,000,000
 Claims administration 85%
 Claims auditing 2%
 Other services 13%
Claims business by type
 Automotive 5%
 General liability 10%
 Workers compensation 85%
Claims business by volume
 Administration claims paid \$820,000,000

Clients
 Total 196
 Association plans 2
 Corporations 185
 Public/government entities 9

Staff
 Total 763
 Claims services 580

Claims services since: 1991.
Parent: Hartford Insurance Group.
Charges: Administration: flat fee, varies. Adjusting: per claim, contract fee, loss conversion factor, varies. Auditing: contract fee, varies.

Branch offices: Administrative offices in: Brea, Calif.; Chicago; Philadelphia; Syracuse, N.Y.; Nashville, Tenn.; Dallas. Sales offices in: Los Angeles; Hartford, Conn.; Atlanta; Chicago; New York.

Officers: Dennis Repligie, president; Patsy Baumgartner, Stephen Holcomb, Jim Leonard, senior vps; Annette Sanchez, vp.
Contact: Annette Sanchez.

Summit Risk Services Inc.

424 S. York Road,
 Hatboro, Penn. 19040;
 215-773-7700; fax: 215-773-7725

PROPERTY & CASUALTY

1998 revenues
 Total \$2,000,000
 Claims revenue \$500,000
 Claims administration 35%
 Claims adjusting 25%
 Claims auditing 10%
 Other services 30%
Claims business by type
 Automotive 20%
 General liability 20%
 Professional liability 50%
 Property damage 10%
Claims business by volume
 Administration claims paid \$5,000,000
 Number of claims adjusted 1,000
 Auditing projects conducted 10

Clients
 Total 9
 Association plans 2
 Public/government entities 5
 Union-sponsored plans 2

Staff
 Total 22
 Claims services 10

Claims services since: 1996.
Charges: Administration: contract. Adjusting: time and expense. Auditing: time and expense.

Branch offices: Administrative offices in: Philadelphia. Sales offices in: Chicago; Philadelphia; Richmond, Va.

Officers: John Piazza, claims manager, Lorenzo Harris, Sheryl Morris, Neal Phenes, assistant claims managers.
Contact: John Piazza.

T

The TPA Inc.

708 E. Lake St.,
 Wayzata, Minn. 55391;
 612-745-4893; fax: 612-745-4875

EMPLOYEE BENEFITS

1998 revenues
 Total \$72,000,000
 Claims revenue \$72,000,000
 Claims administration 100%

Claims business by type
 Disability 0.5%
 Flex compensation 2%
 Health insurance 95%
 Employees covered 440,000
 Dependents covered 485,000

Other 2.5%
 Other includes: COBRA, HIPAA, Medicare supplement.
Claims business by volume
 Administration claims paid \$1,860,000,000
Clients
 Total 1,000

Staff
 Total 1,200
 Claims services 780

Claims services since: 1985.
Charges: Administration: Per employee per month, \$6 to \$12.
Branch offices: Administrative offices in: Columbus and Mt. Vernon, Ohio. Sales offices in: Columbus, Ohio.
Officers: Donald E. Ward, president; V.J. Ward.



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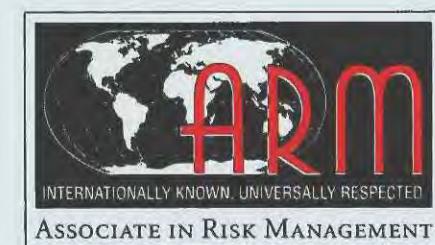


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For more information about CARME and its other risk management programs, e-mail CARME@cpcuiia.org.



AICPCU
IIA

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Branch offices: Administrative offices in: Phoenix; North Haven, Conn.; Maitland, Fla.; Marietta, Ga.; Rockford, Naperville, Ill.; Minneapolis; Blue Bell, Pa.; Brentwood, Tenn.; Arlington, Texas; Seattle. Sales offices in: 23 nationwide.

Officers: William E. Sagan, chairman/CEO; Robert P. Brook, president; Jon Gruenhagen, CFO; Mark Davis, senior vp-Western Region Andrew M. Thompson, senior vp-Eastern Region.

Contact: Rick Newell, vp-communications, 612-745-4893.

Tayson Insurance Administrators

54 Corporate Park, Irvine, Calif. 92606; 909-343-2191; fax: 909-343-0024

EMPLOYEE BENEFITS

1998 revenues
Total \$1,120,000
Claims revenue \$1,120,000
Claims administration 100%

Claims business by type

Flex compensation 1%
Health insurance 99%
Employees covered 28,000
Dependents covered 70,000

Claims business by volume

Administration claims paid \$9,000,000

Clients

Association plans 4
Corporations 14
MEWAs 1
Total 25
Claims services 23

Claims services since: 1983.

Charges: Administration: per employee per month, \$3 to \$13.

Branch offices: Administrative offices in: Camarillo, Irvine, Riverside, Salinas, Calif. Sales offices in: Riverside, Calif.

Officers: Ruberta Taylor, president; Ivan Stevenson, CFO; Glen Michael, director/claims administration; Connie Zoeller, claims manager.

Contact: Glen Michael.

TEDRO & Associates Inc.

2160 S. Foster Ave., Wheeling, Ill. 60090; 847-577-8828; fax: 847-577-8869

EMPLOYEE BENEFITS

1998 revenues
Total \$3,500,000
Claims revenue \$3,000,000
Claims administration 90%
Other services 10%

Claims business by type

Disability 3%
Health insurance 90%
Employees covered 20,000
Dependents covered 38,000

Claims business by volume

Administration claims paid \$80,000,000
Number of claims adjusted 100,000

Clients

Total 48
Association plans 2
Corporations 15
Multiemployer plans 26
MEWAs 5

Staff

Total 63
Claims services 51

Claims services since: 1980.

Charges: \$5 to \$11.25. \$4 to \$9.50.

Branch offices: Administrative offices in: Washington; St. Louis; Milwaukee. Sales offices in: Washington; St. Louis; Milwaukee.

Officers: Gerald A. Mele, president/CEO; Robert C. Calamari, executive vp/treasurer; Patricia Ann Mele, vp-administration.

Trigon Administrators Inc.

7130 Glen Forest Drive, Richmond, Va. 23226; 804-673-5900; fax: 804-673-5916

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues

Total \$13,555,829
Claims revenue \$13,555,829
Claims administration 90%
Claims adjusting 10%

Claims business by type

Automotive 2.5%
Disability 1.1%
Flex compensation 12.2%
General liability 19.7%
Workers compensation 64.5%

Claims business by volume

Administration claims paid \$47,000,000
Number of claims adjusted 93

Clients

Total 129
Association plans 5
Corporations 48
Public/government entities 38
Other 2

Staff

Total 51
Claims services 20

Claims services since: 1987.

Parent: Trigon Blue Cross Blue Shield.

Charges: Administration: fixed fee per claim.

Adjusting: per claim.

Branch offices: Administrative offices in: Columbia, Rockville, Md.; Raleigh, N.C.; Chantilly, Richmond, Va. Sales offices in: Columbia, Md.; Richmond, Va.

Officers: Norwood Davis Jr., chairman; William D. Monday Jr., president; Thomas D. England, vp; Thomas Sneed, treasurer; James C. Wilshire, secretary.

Contact: Sherry C. Laughlin, 804-673-6830.

TRISTAR Risk Management

6133 Bristol Parkway, Suite 300, Culver City, Calif. 90230; 310-342-0500; fax: 310-342-0503
www.tristarisk.com

PROPERTY & CASUALTY

1998 revenues

Total \$10,000,000
Claims revenue \$4,500,000
Claims administration 45%
Claims adjusting 20%
Claims auditing 2%
Other services 33%

Claims business by type

Automotive 5%
General liability 10%
Professional liability 20%
Property damage 5%
Workers compensation 60%

Claims business by volume

Auditing projects conducted 2

Clients

Total 75
Corporations 48
Public/government entities 15
Other 12

Other includes: various.

Staff

Total 140
Claims services 70

Claims services since: 1987.

Parent: TRISTAR Risk & Insurance Management.

Charges: Administration: flat fee. Adjusting: time and expense. Auditing: flat fee.

Branch offices: Administrative offices in: Phoenix; Culver City, Sacramento, San Diego, Calif. Sales offices in: Phoenix; Culver City, Sacramento, San Diego, Calif.

Officers: Tom Veale, president; Kevin Burke, vp/operations; Kathy Schapp, controller; Linda DeReug, vp.

Contact: Kevin Burke 310-342-0505 ext. 125.

Tucker & Clark

5757 Aloha Road, Suite 300, Dallas, Texas 75240; 972-392-2930; fax: 972-490-6347

EMPLOYEE BENEFITS

1998 revenues

Total \$3,500,000
Claims revenue \$2,400,000
Claims administration 61%
Other services 39%

Claims business by type

Health insurance 100%
Employees covered 10,667
Dependents covered 16,000

Claims business by volume

Administration claims paid \$47,000,000

Clients

Total 55
Association plans 2
Corporations 50
Public/government entities 3

Staff

Total 51
Claims services 20

Claims services since: 1983.

Charges: Administration: per employee per month, \$13 to \$19.

Branch offices: Sales offices in: Kansas City, Kan.

Contact: John Clark.

U

UICI Administrators Inc.

5201 N. O'Connor Blvd., Suite 400, Irving, Texas 75039; 972-443-2500; fax: 972-443-2599

EMPLOYEE BENEFITS

1998 revenues

Total \$9,500,000
Claims revenue \$9,500,000
Claims administration 99.5%
Other services 5%

Claims business by type

Flex compensation 2%
Health insurance 98%
Employees covered 60,000
Dependents covered 90,000

Claims business by volume

Administration claims paid \$176,000,000

Clients

Total 27
Association plans 1
Corporations 20
Public/government entities 4
Union-sponsored plans 1
Other 1

Other includes: client includes a university.

Staff

Total 137
Claims services 130

Claims services since: 1964.

Parent: UICI.

Charges: Administration: per employee per month, \$8 to \$16.

Branch offices: Administrative offices in: Costa Mesa, Calif.; Reno, Nev.; Irving, Texas. Sales offices in: Truckee, Calif.; Winter Park, Fla.; Irving, Texas.

Officers: Diana Valdez, president.

Contact: Steve Davidson, manager-contracts.

USI Administrators

4150 International Plaza, Suite 900, Fort Worth, Texas 76109; 817-737-1700; fax: 817-737-1781

EMPLOYEE BENEFITS

1998 revenues

Total \$65,000,000
Claims revenue \$49,000,000
Claims administration 75%
Other services 25%

Claims business by type

Disability 2%
Flex compensation 5%
Health insurance 89%
Employees covered 240,000
Dependents covered 520,000

Life 2%
Pensions 2%

Claims business by volume

Administration claims paid \$21,000,000

Clients

Total 645
Association plans 15
Corporations 500

Public/government entities 100
Union-sponsored plans 10
Other 20

Staff

Total 945
Claims services 560

Claims services since: 1975.

Parent: USI Insurance Services.

Charges: Administration: per employee per month, \$15 to \$30.

Branch offices: Administrative offices in: Danbury, Conn.; Savannah, Ga.; Dallas. Sales offices in: Riverside and Stockton, Calif.; Las Vegas and Reno, Nev.

Officers: James M. Pennington, national CEO; John P. Sherlock, Thomas P. Cahill, Ronald Finger, James Gallagher, regional CEOs.

Contact: James Pennington, 516-694-4900; John Sherlock, 516-775-5420; Jim Gallagher, 909-320-7400; Ronald Finger, 912-691-1551; Thomas Cahill, 909-320-7400.

Underwriters Safety & Claims Inc.

11405 Park Road, Louisville, Ky. 40223; 502-244-1343; fax: 502-244-1411
www.usky.com

EMPLOYEE BENEFITS/PROPERTY & CASUALTY

1998 revenues

Total \$18,500,000
Claims revenue \$6,300,000
Claims administration 80%
Claims adjusting 10%
Other services 10%

Claims business by type

Health insurance 35%
Employees covered 17,900
Dependents covered 46,500

Claims business by volume

Administration claims paid \$176,000,000

Clients

Total 104
Association plans 4
Corporations 97
Public/government entities 3

Staff

Total 323
Claims services 135

Claims services since: 1941.

Charges: Administration: per claim, workers compensation, \$70 to \$450.

Continued from previous page

Administration claims paid..... \$333,188,937

Clients

Corporations..... 174

Public/government entities..... 12

Staff

Total..... 319

Claims services..... 244

Claims services since: 1983.

Charges: Administration: per employee per month (medical), \$7.50 to \$25.

Branch offices: Administrative offices in: Cincinnati. Sales offices in: Cincinnati.

Officers: Vickie Buyniski, president; Julie Mueller, executive vp.

Contact: Cheryl Tidwell, director-sales/marketing.

United Safety & Claims Inc.P.O. Box 471647, Tulsa, Okla. 74147-1647; 918-664-8816; fax: 918-665-7310 www.unitedsafety.com**EMPLOYEE BENEFITS**

1998 revenues

Total..... \$2,500,000

Claims revenue..... \$2,500,000

Claims administration..... 60%

Other services..... 40%

Claims business by type

Workers compensation..... 100%

Claims business by volume

Administration claims paid..... \$7,000,000

Clients

Association plans..... 1

Corporations..... 25

Public/government entities..... 5

Other..... 1

Staff

Total..... 25

Claims services since: 1983.

Charges: Administration: percentage of payroll.

Branch offices: Administrative offices in: Tulsa, Okla. Sales offices in: Tulsa, Okla.

Officers: Brad Smallwood, president; Conrad Bergschneider, vp; Chali Stevens, CFO; Rod Randall, claims; Maggie Dunn, legal counsel.

Contact: Conrad Bergschneider.

USAble Administrators

320 W. Capital, Suite 500, Little Rock, Ark. 72201; 501-378-3713; fax: 501-378-3732

EMPLOYEE BENEFITS

1998 revenues

Total..... \$11,000,000

Claims revenue..... \$11,000,000

Claims administration..... 100%

Claims business by type

Health insurance..... 100%

Employees covered..... 50,000

Dependents covered..... 75,000

Claims business by volume

Administration claims paid..... \$150,000,000

Clients

Total..... 86

Staff

Total..... 150

Claims services..... 120

Claims services since: 1981.

Parent: Arkansas Blue Cross & Blue Shield.

Charges: Administration: per employee per month.

Branch offices: Administrative offices in: Little Rock, Ark. Sales offices in: Fayetteville, Fort Smith, Hot Springs, Jonesboro, Little Rock, Pine Bluff and Texarkana, Ark.

Officers: Randy Spicer, president/CEO; Cal Kellogg, vp; Mark White, treasurer; Ken Pearson, assistant treasurer.

ton, N.J.; Orlando, Fla. Sales offices in: Blue Bell, Shenandoah, Allentown and Harrisburg, Pa.; Columbia, Md.; Atlanta, Ga.; Fort Lauderdale and Tampa, Fla.; Cranford and Marlton, N.J.; Dallas; Houston; Greensboro, N.C.

Officers: Leslie J. Tolles, president; Anthony G. Montuori, executive vp; Alexander Kristowicz, senior vp; Linda Carickhoff, vp-finance; Terry Cavaliere, vp.

Contact: Anthony G. Montuori, 25 Commerce Dr., Cranford, N.J. 07016.

VPA Inc.23622 Calabasas Road, Second Floor, Calabasas, Calif. 91302-1501; 800-473-9761; fax: 818-591-9647 www.vpainc.com**EMPLOYEE BENEFITS**

1998 revenues

Total..... \$10,900,000

Claims revenue..... \$10,900,000

Claims administration..... 99%

Claims auditing..... 1%

Claims business by type

Disability..... 100%

Claims business by volume

Administration claims paid..... \$175,281,000

Clients

Corporations..... 302

Public/government entities..... 3

Staff

Total..... 151

Claims services..... 113

Claims services since: 1979.

Charges: Administration: per employee per month/per claim. Adjusting: per employee per month/per claim. Auditing: per claim.

Branch offices: Administrative offices in: Calabasas, Calif. Sales offices in: Calabasas, Calif. White Plains, N.Y.

Officers: Jack Bredehorn, president; John Gernert, vp-finance; Bob Trotta, vp-new business development; Tom Klett, vp-regional marketing; Bob Ann Walkden, vp-claim operations.

Contact: Bob Trotta, 818-222-3040.

W**Ward North America Inc.**610 W. Ash St., Suite 1500, San Diego, Calif. 92101; 619-557-2777; fax: 619-557-2732 www.wardna.com**PROPERTY & CASUALTY**

1998 revenues

Total..... \$45,000,000

Claims revenue..... \$38,000,000

Claims administration..... 65%

Claims adjusting..... 27%

Claims auditing..... 4%

Other services..... 4%

Claims business by type

Automotive..... 20%

General liability..... 25%

Inland marine..... 1%

Professional liability..... 10%

Property damage..... 7%

Workers compensation..... 37%

Claims business by volume

Administration claims paid..... \$97,500,000

Auditing projects conducted..... 35

Clients

Total..... 1,100

Corporations..... 310

Public/government entities..... 320

Other..... 470

Staff

Total..... 620

Claims services..... 360

Claims services since: 1928.

Parent: Ward North America Holding Inc.

Charges: Administration: flat rate, \$300 to \$1,150 per claim. Adjusting: flat rate, \$55 to \$65 per hour. Auditing: \$75 per hour.

Branch offices: Administrative offices in: 40 locations in the United States and Canada. Sales offices in: San Diego and Tustin, Calif.; Tampa, Fla.; Atlanta; Chicago; Dallas.

Officers: Jeffrey S. Ward, director/CEO; William R. Lofbom, CFO; Garry Blackwell, Virgil Coleman, Liz Nelson, senior vps.

Contact: Liz Nelson, 714-544-0980 or Craig Bowles, 925-943-1155.

Carl Warren & Co.750 The City Drive S., Suite 400, Orange, Calif. 92868; 714-740-7999; fax: 714-740-7992 www.carlwarren.com**PROPERTY & CASUALTY**

1998 revenues

Total..... \$22,000,000

Claims revenue..... \$20,000,000

Claims administration..... 80%

Claims adjusting..... 20%

Claims business by type

Automotive..... 25%

General liability..... 70%

Professional liability..... 5%

Claims business by volume

Number of claims adjusted..... 30,000

Clients

Total..... 700

Corporations..... 400

Public/government entities..... 300

Staff

Total..... 241

Claims services..... 241

Claims services since: 1944

Charges: Administration: time and expense, \$45 to \$65. Adjusting: time and expense, \$45 to \$65. Auditing: time and expense, \$90 to \$125.

Branch offices: Administrative offices in: Phoenix, Ariz.; Albuquerque, N.M.; Bakersfield, Glendale, Orange, Sacramento, San Bernardino, San Diego, San Francisco, Santa Barbara, San Luis Obispo and Ventura, Calif.; Honolulu; Seattle, Wash.

Officers: Howard Hitchcock, chairman; Roy George, president/CEO; Michael Dekema, executive vp; Larry Hunt, executive vp.

Contact: Michael Dekema; 5465 Morehouse Drive, Suite 150, San Diego, Calif. 92121; 619-457-3500.

EMPLOYEE BENEFITS

1998 revenues

Total..... \$627,883

Claims revenue..... \$573,201

Claims administration..... 90%

Claims auditing..... 10%

Claims business by type

Disability..... 2%

Flex compensation..... 2%

Health insurance..... 90%

Employees covered..... 4,600

Dependents covered..... 7,390

Other..... 6%

Other includes: group life.

Claims business by volume

Administration claims paid..... \$10,187,000

Clients

Total..... 24

Corporations..... 21

Public/government entities..... 3

Staff

Total..... 9

Claims services..... 6

Claims services since: 1961.

Parent: The Chandler Group of Cos.

Charges: Administration: per employee per month.

Branch offices: Sales offices in: Louisville, Ky.; Cincinnati and Columbus, Ohio.

Officers: Arthur W. Chandler, chairman; James

K. Piper, president; Jim Tetreault, president-TPA services; Burton Margolis, CFO; Cindy Craig, senior vp-operations.

Contact: Kathleen Tiedt.

Westport Benefits

1600 S. Brentwood Blvd., St. Louis, Mo. 63144;

314-918-2300; fax: 314-918-2499 www.westportbenefits.com**EMPLOYEE BENEFITS/PROPERTY & CASUALTY**

1998 revenues

Total..... \$8,500,000

Claims revenue..... \$7,000,000

Claims administration..... 70%

Other services..... 30%

Claims business by type

Disability..... 10%

Flex compensation..... 5%

Health insurance..... 65%

Employees covered..... 160,000

Dependents covered..... 400,000

Life..... 10%

Workers compensation..... 10%

Claims business by volume

Administration claims paid..... \$200,000,000

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CICA NRRA

CARTER INSURANCE CONTRACTS ASSOCIATION, INC.

CIMA CACE ICARFA

ILLINOIS CAPTIVE INSURANCE FUND

Continued from previous page

Clients	
Total	55
Association plans	1
Corporations	45
Pub/c/government entities	9
Staff	
Total	145
Claims services	111
Claims services since: 1973.	
Charges: Administration: per employee per month.	
Branch offices: Administrative offices in: St. Louis; Omaha, Neb. Sales offices in: Westport, Conn.; St. Louis; Omaha, Neb.	
Officers: John Brophy, chairman; A. Michael Foley, president/CEO; Jay Power, vp-sales/marketing; David K. Garver, vp-operations; Sheila Precious, vp-voluntary products.	
Contact: David K. Garver, 314-918-2302.	

Willis Corroon Administrative Services Corp. (WCASC)

26 Century Blvd.,
Nashville, Tenn. 37214;
615-872-4000; fax: 615-872-4333
www.wcasc.com

1998 revenues

Total \$29,699,000

Claims revenue \$22,677,000

Claims adminstration 81%

Other services 19%

Claims business by type

Automotive 4%

General liability 11%

Health insurance 41%

Employees covered 63,500

Dependents covered 69,010

Professional liability 2%

Property damage 1%

Workers compensation 32%

Other 9%

Claims business by volume

Administration: claims paid \$482,554,143

Clients

Total 387

Association plans 22

Corporations 220

Public/government entities 145

Staff

Total 354

Claims services 185

Claims services since: 1959.

Parent: Willis Corroon Group P.L.C.

Charges: Administration: per claim (property & casualty), \$45 to \$1,465. Adjusting: per employee

per month (life & health), \$6 to \$43.

Branch offices: Administrative offices in: 24 locations nationwide. Sales offices in: Lexington and Louisville, Ky.; Nashville, Tenn.

Officers: John Pearson, regional executive officer; Richard Ford, chairman/CEO; Fred Massa, executive vp; John Lanier, senior vp/chief administrative officer; Domen Collins, controller/CFO.

Contact: John Lanier, 615-372-6332.

Automotive 15%
General liability 55%
Inland marine 3%
Professional liability 2%
Property damage 10%
Workers compensation 10%
Other 5%
Other includes: product liability.

Claims business by volume

Administration claims paid \$375,000,000

Clients

Total 830

Corporations 808

Public/government entities 22

Staff

Total 292

Claims services since: 1962.

Parent: American International Group Inc.

Charges: Administration: time and expense. Adjusting: time and expense. Auditing: time and expense.

Branch offices: Administrative offices in: Rockledge, Fla.; Chicago; Las Vegas; New York; San Juan, Puerto Rico. Sales offices in: Chicago; New York; Stuart, Fla.

Officers: Stuart A. Myers, president; Eileen Rachelson, executive vp; Cecilia Norat, senior vp; Art Barry, Glenn Salka, vps.

Contact: Cecilia Norat.

Z

Zenith Administrators Inc.

7645 Metro Blvd.,
Edina, Minn. 55439;
612-832-4017; fax: 612-835-2803

EMPLOYEE BENEFITS

1998 revenues

Total \$55,000,000

Claims revenue \$35,000,000

Claims administration 52%

Claims adjusting 44%

Claims auditing 4%

Claims business by type

Disability 5%

Health insurance 90%

Employees covered 250,000

Dependents covered 650,000

Life 5%

Claims business by volume

Administration claims paid \$600,000,000

Clients

Total 184

Corporations 60

Multiemployer plans 100

Public/government entities 24

Staff

Total 798

Claims services 400

Claims services since: 1967.

Parent: ULLICO Inc.

Charges: Administration: contract per month, \$6 to \$12 per member per month.

Branch offices: Administrative offices in: 33 locations nationwide.

Officers: Robert A. George; James W. Luce; Jerome P. Pollock; Gary L. Eng; E. Dean Kahar; Joann Kaminski.

BI

Y

York Claims Service Inc.

111 John St.,
New York, N.Y. 10038;
212-732-0505; fax: 212-732-1789

PROPERTY & CASUALTY

1998 revenues

Total \$21,000,000

Claims revenue \$9,000,000

Claims administration 70%

Claims auditing 10%

Other services 20%

Claims business by type

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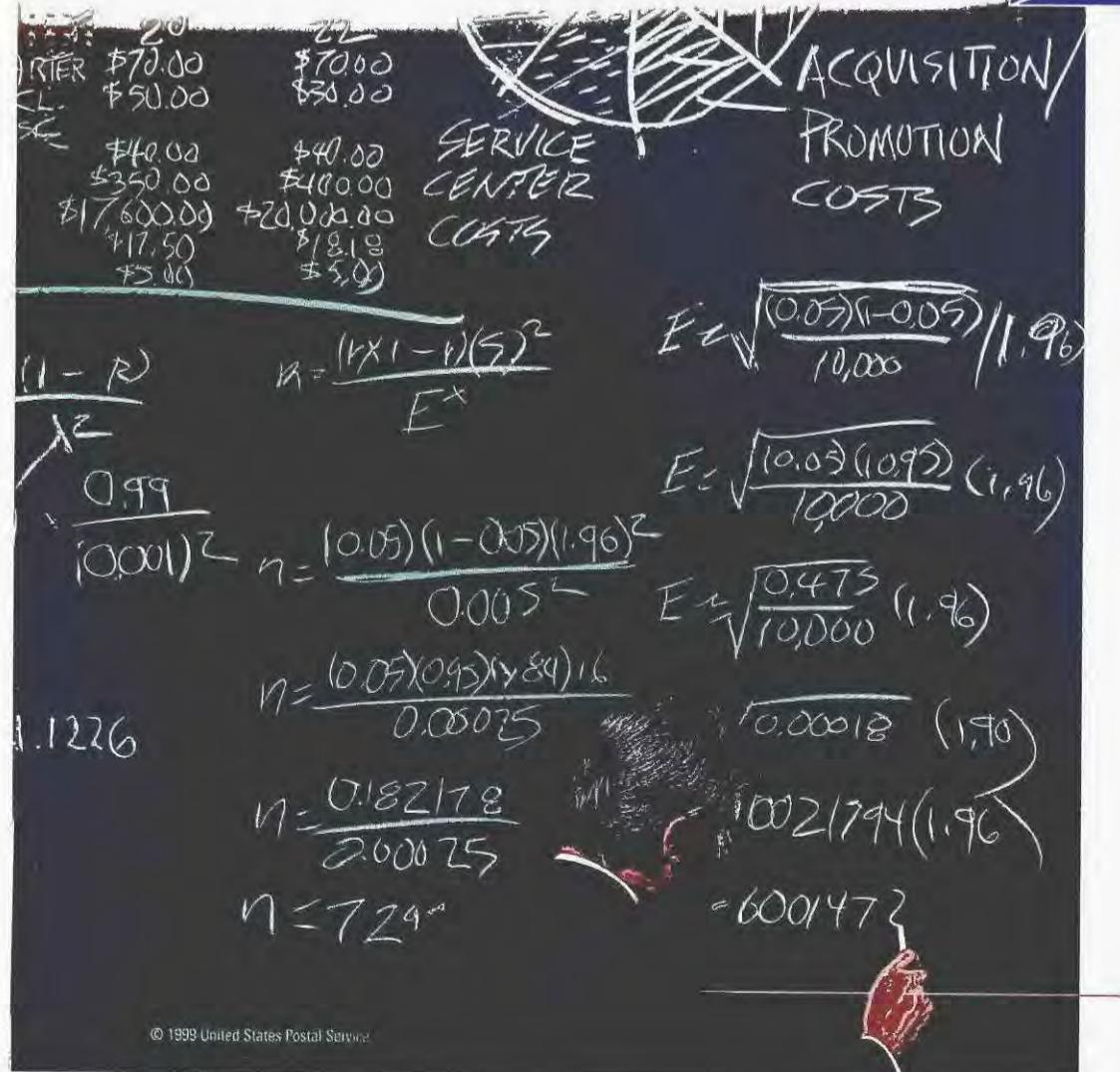
Published Nov. 1

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Published Dec. 13



INTERNATIONAL

P&I club mergers expected

Global Briefs

More than 20 industrial plants in Colombia are expecting losses of at least \$500,000 each following last month's deadly **earthquake**, according to loss adjuster Crawford Colombia. The Crawford-THG unit is handling the claims for insurers that have set loss reserves for the plants. One multinational manufacturing facility has an estimated loss reserve of \$5 million, including property damage and business interruption, and commercial insurers may face claims from banks for loans on insured property (BI, Feb. 1). . . . Standard & Poor's Corp. has upgraded its insurer financial strength rating of **Swiss Re Italia S.p.A.** to AAA from AA. S&P also rated AAA another Swiss Reinsurance Co. subsidiary, **Swiss Re Life & Health Australia**. S&P said the ratings reflected the companies' "core positions" within the Swiss Re group and the group's capitalization and profitability. . . . S&P also has assigned a rating of AAA to **Great Lakes Reinsurance (UK) Ltd.**, a London unit of Munich Reinsurance Co. . . . **Copenhagen Reinsurance Group** has been placed on S&P Credit-Watch with negative implications following the resignations of Chief Executive Officer Leif Corinth-Hansen and Managing Director in London Matthew Petzold. Mr. Petzold is to join newly formed The Danish Reinsurance Co. Ltd. and will be joined by an as-yet-unidentified executive from Copenhagen Re's head office. . . . Roger Field and Richard Finn will join **Wren P.L.C.** at the beginning of October. Both come from ACE London Underwriting Ltd., where they headed syndicates 204 and 219, respectively, until the syndicates were merged with other ACE syndicates last year. Mr. Finn will become active underwriter for syndicate 250, taking over from Rodney Stone, who will be retiring at year end. Mr. Field will become underwriting director of Wren Syndicates Management Ltd. and develop a financial institutions account. . . . The U.K. Health and Safety Executive and academic researchers are studying possible **health risks from computer devices**, such as touch screens, joysticks and mice. The HSE-funded, two-year study at the University of Surrey and Loughborough University will examine the "hidden health costs" of the devices. . . . U.K. contractors working with **asbestos insulation board** now need to obtain a special license from the Health and Safety Executive, following new laws enacted early this month. The regulations also mandate reduced exposure levels for workers handling material containing white asbestos fibers. . . . David Mynott has been appointed executive manager in the actuarial practice of **Ernst & Young** in London. . . . Boston-based Thomson Financial Services has bought **SiX**, the financial research and analysis arm of Sedgwick Group P.L.C. SiX will become part of Thomson's subsidiary, Austin, Texas-based Sheshunoff Information Services Inc., but will continue to be located in London. . . . John Waite has been appointed chief surveyor at **The Salvage Assn.**, a marine salvage organization in London. . . . Tony Worthy has been appointed managing director of **Singer & Friedlander Insurance Finance Ltd.**, a Dorking, Surrey-based insurance credit specialist. . . . ACE Global Markets, the London-based subsidiary of ACE Ltd., is providing £60 million (\$97.6 million) capacity to the British Insurance (Atomic Energy) Committee, also known as the **British Nuclear Pool**. With a total of £500 million capacity (\$813.7 million), the British Nuclear Pool is the largest such pool outside the United States. . . . **AXA Global Risks** is extending its alternative risk business by setting up a global division, **Financial Risk Strategies**, also known as FIRST, operating out of Paris and New York. Mark Romano has been appointed FIRST's Paris managing director, while Edward M. Bowers and Philip J. Palm have been appointed managing directors in New York.

By EDWIN UNSWORTH

LONDON—Protection & Indemnity clubs are coming under increasing commercial pressure to consolidate, despite the continuing improvement in their financial position over the past year, according to Standard & Poor's Corp.

In the 1999 edition of its **Marine Mutual Report**, published last week, S&P says the free, or unallocated, reserves of P&I clubs are estimated at a record high of \$1.6 billion, compared with \$1.4 billion a year ago, and more than double the level three years earlier.

However, Rowena Potter, a director of S&P Insurance Ratings in London, warned at the report's launch that "consolidation is inevitable" within the marine mutual sector.

Citing recent P&I club mergers—the North of England P&I Assn. Ltd. absorbed the Newcastle P&I Assn., and the Liverpool & London Steamship P&I Assn. Ltd. plans to assimilate business from Ocean Marine Mutual Insurance Assn. Ltd.—Ms. Potter said, "We believe there

will be more of this. Clubs need to be bigger."

Fiona Thompson, an associate at S&P who helped compile the report, said such consolidation will take place "in the short to medium-term," as competition from commercial insurers increases.

"New players have yet to make significant inroads, but are expected to create considerable pressure," Ms. Potter said.

An investigation of the International Group of P&I Clubs by the European Commission's competition directorate may prompt consolidation among the clubs, Ms. Thompson said. Such consolidation would result as competition between P&I clubs increases because of the directorate's insistence on greater cost comparability between clubs, said S&P.

S&P says competitive pressure will be greatest on smaller clubs, "whose costs, in relative terms, will appear higher" than those of larger clubs, which can better control expenses.

All P&I clubs face mounting competition from insurance companies entering or expanding capacity in the marine sector. Recent en-

trants "have generally been large international insurers with considerable capital and business spread enhancing financial security," said S&P.

The rating agency also has estimated a 10% charge against the \$357 million for "additional calls not yet charged" by the clubs. These are supplementary calls on a P&I clubs' members that have not yet been invoiced. P&I clubs can make such additional calls on members to help meet any claims that, as mutuals, all members share. S&P said it has factored in roughly \$36 million to reflect the credit and timing risks to these calls that could arise out of the depressed state of the shipping industry, which is making club members both less tolerant of and less able to meet such additional calls.

Copies of the 1999 edition of the **Marine Mutual Report** are available from Standard & Poor's **Insurance Ratings**, 6th floor, 18 Finsbury Circus, London EC2M 7NR. For an order form, phone 44-171-826-3654. The cost is £495 (\$811).

S&P's P&I Club Ratings

American Steamship Owners Protection & Indemnity Assn. Inc.
Bergens Skibs Assuransforening
The Britannia Steam Ship Insurance Assn. Ltd.
British Marine Mutual Insurance Assn. Ltd.
Assuranceforeningen Gard
The Japan Ship Owners' Mutual Protection & Indemnity Assn.
Liverpool and London Steamship Protection & Indemnity Assn. Ltd.
The London Steamship Owners' Mutual Insurance Assn. Ltd.
The North of England P&I Assn. Ltd.
The Shipowners' Mutual P&I Assn. (Luxembourg)

1999 1998
BBBpi BBBpi Assuranceforeningen Skuld
A A- The Standard Steamship Owners' P&I Assn. (Bermuda) Ltd.
Api Api The Standard Steamship Owners' P&I Assn. (London) Ltd.
BBBpi BBBpi The Steamship Mutual Underwriting Assn. (Bermuda) Ltd.
Api Api Sunderland Marine Mutual Ins. Assn. Ltd.
BBBpi BBBpi The Swedish Club
Bpi Bpi Through Transport Mutual Insurance Assn. Ltd.
Api BBBpi Unitas Gjensidig Assuransforening
BBBpi BBBpi The United Kingdom Mutual Steam Ship Assurance Assn. (Bermuda) Ltd.
Api Api The West of England Ship Owners Mutual Insurance Assn. (Luxembourg)

Key: AAA - extremely strong; AA - very strong; A - strong; BBB - good; BB - marginal; B - weak. The qualifier "pi" denotes an Insurer Financial Strength rating based on an analysis of published information and information in the public domain. Other ratings not so qualified are based on additional information gathered in in-depth meetings with an insurer's management.

Source: Standard & Poor's Corp.

German employers blast proposed levy

By DON LEWIS KIRK

BERLIN—German employers are fighting a proposal before the Bundestag that would require them to make costly new contributions to Germany's social security system.

The draft legislation, advanced by Chancellor Gerhard Schroeder, would require employers to contribute an amount equal to 22% of each worker's wages for employees earning as little as 630 deutsche marks (\$362) a month. Twelve percent would go toward pension benefits, while the remainder would go toward statutory health insurance provided by government-regulated sickness funds.

Chancellor Schroeder has pledged to create more full-time jobs, and he contends the legislation would discourage companies from relying upon low-wage, part-time labor to meet staffing needs by raising the costs of employing such workers. Mr. Schroeder's SPD/Green coalition government hopes to pass legislation by April.

The contributions would replace existing taxes paid by employers on part-time workers equal to 22% of wages. However, employers argue this would not fully offset the new contributions, noting that some part-time workers don't earn enough to pay the tax, which is then refunded, whereas the new social contributions would be levied for all workers above the wage threshold.

The government estimates the proposed mandatory contributions by employers would generate 1.5 billion deutsche marks (\$861 million) for sickness funds next year and 2.25 billion deutsche marks (\$1.29 billion) annually in succeeding years. It also estimates the contributions would generate 1.9 billion deutsche marks (\$1.09 billion) in 2000 for pensions, rising to 2.85 billion deutsche marks (\$1.64 billion) per year thereafter.

Employers warn that any plan to discourage the hiring of part-time workers would create a "drastic rise" in wage costs and the loss of thousands of part-time jobs. Eleven associations representing German industry, including the Cologne-based German Employers Assn., or BDA, have formed

the "Industrial Alliance Against DM630 Job Elimination," calling the bill a "law to kill jobs."

A spokesman for the Bonn-based Assn. of Small & Middle Sized Business, or BVMW, predicted "disastrous effects" as employers lose the benefits of using low-paying jobs to maintain flexible operational hours and working time.

Gerhard Handke, general director of the Bonn-based Federation of German Wholesale and Foreign Trade, called the government's claim that new jobs could be created by restricting low-paying jobs a "naive miscalculation."

"As a rule, such jobs are used to carry the workload created by peak times, including seasonal work," Mr. Handke said.

"Chancellor Schroeder has broken his promise not to tax low-paying jobs by increasing social contributions," said a spokesman for the German Assn. of Hotel & Restaurant Industry, who noted that "more than 40% of the employees in this sector belong to the 630 deutsche mark job category."

Erwin Teufel, prime minister of the conservative state of Baden-Wurttemberg, called the bill "bureaucratic" and "complicated." Mr. Teufel last week threatened to take the issue before the German Constitutional Court, because it "clearly violates" equal rights laws. The bill contains a provision stipulating that, in spite of the employers' contributions, employees would receive government benefits only if workers also made social insurance contributions equal to 7.5% of their wages.

A number of German state governments also are up in arms over the proposed loss of tax revenues, which Mr. Teufel estimates will cost them 750 million deutsche marks (\$430.5 million) in 1999 and 1.5 billion deutsche marks (\$861,000) each subsequent year.

The Assn. of German Sickness Funds, while voicing support for additional health insurance funding, criticized the complexity and bureaucracy of the legislative proposal, saying it would mean "enormous" new administrative costs to both employers and sickness funds.

HCC combines brokers

By SARAH GODDARD

LONDON—Having a finger in selected pies could be the description of the London market strategy of U.S. insurer HCC Insurance Holdings Inc.

Last week, the Houston-based insurer announced that its acquisition of Lloyd's of London broker Rattner MacKenzie Ltd. had been completed. HCC also said that Rattner MacKenzie is to be combined with HCC's Amman, Jordan, brokerage

operation, Middle East Insurance Brokers Ltd., to form RML International Ltd.

"Pound for pound, (Rattner MacKenzie) is the best reinsurance broker in London by a long shot," said HCC Chairman and Chief Executive Officer Stephen L. Way. The broker specializes in accident and health reinsurance, an area of business in which rates are on the upturn, according to Mr. Way. But even without a rate increase, "the margins are fantastic," he said.

In its last filed accounts for the 12 months ending April 1998, the broker posted £2.5 million (\$4.1 million) pre-tax profit on revenues of £7.7 million (\$12.6 million).

See HCC on page 55



The Professional Marketplace

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San Diego-based trade magazine seeks experienced advertising sales manager. Must have solid track record of successful display ad sales as well as managing other procedures. Must also have computer contact management, sales control, and web experience. Send resume including earnings history to:

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Circulation Breakdown

Commercial Consumers

Administrative:

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Vice Presidents, General Managers and Other Administrative Personnel	5,346

Financial:

Chief Financial Officers and Vice Presidents of Finance	4,872
Secretaries, Treasurers, controllers and other Financial Personnel	3,927

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	13,774
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Sub-total

Associations	259
Government, Unions and Educational Institutions	931

Commercial Consumers

Sub-total

34,116

Insurance Agents and Brokers	7,735
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Insurance Companies	6,668
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Accountants, Actuaries, Attorneys & Consultants	2,520
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Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,437
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Others Allied to the Field	759
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Total Qualified	53,235
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Non-qualified/Paid Subscriptions	17
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Single Copy Sales	3
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TOTAL CIRCULATION	53,255
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★ Source Business/Occupational breakdown of qualified circulation, May 25, 1998 issue, as submitted to BPA for June 1998
BPA Publisher's Statement

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REQUEST FOR PROPOSALS

REQUEST FOR PROPOSALS

The University of Texas System has issued the following request for proposals (RFP) for the employee group health plan.

1. An RFP for an insured or self funded HMO to serve the University employees and retirees in the Galveston/Houston area. The deadline for receipt of proposals is March 10.

2. An RFP for a self funded HMO with out of network benefits (POS) to serve the University employees and retirees in the Austin area. The deadline for receipt of proposals is March 10.

3. An RFP for a self funded HMO with out of network benefits (POS) to serve the University employees and retirees in the San Antonio area. The deadline for receipt of proposals is March 10.

A pre-bid meeting to discuss these RFPs will be held in Austin on February 16. Attendance at the pre-bid meeting is not required to qualify for submitting a proposal.

The University of Texas System intends to issue the following RFPs during the next 30 days:

1. An RFP requesting proposals for an HMO or an HMO with out of network benefits (POS) plan to serve the University employees and retirees in the Tyler area. Proposals may be for either an insured or a self funded plan.

2. An RFP for a group life insurance plan. Term life will be used to provide a basic level of coverage. Both term and group universal life will be considered for optional coverage. In addition, if a group term life product is selected to provide optional coverage, consideration will be given to a plan that uses a permanent group life product to provide for the accumulation of a cash reserve while providing a minimum death benefit during the active career of an individual and a portable permanent life policy at retirement or termination.

3. An RFP for a group accidental death and dismemberment policy.

4. An RFP for administrative services related to COBRA administration and retiree billing administration. The deadline for the submission of any of these RFPs will be 30 days following the issuance of the RFP.

The University of Texas System includes over 68,000 employees and retirees at both academic and medical components located at fifteen campuses throughout the State. For more information or to request an RFP, contact:

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INTERNATIONAL

HCC

Continued from page 53

The acquisition by HCC allows Rattner MacKenzie to expand its reach, providing a gateway to the Middle East and Southeast Asia. "I think there's a lot of potential in that region...to start producing some serious accident and health business," said Mr. Way.

HCC also owns 18% of the stock of Lloyd's broker Bradstock Group P.L.C., and Mr. Way sits on its board. HCC's presence as a major stockholder could help Bradstock acquire other business, he said, both

through HCC's experience and finance.

The Rattner MacKenzie acquisition came on the heels of HCC's investment in Feasey Slot Management Ltd., a new London market underwriting agency specializing in accident and health business. From the beginning of this year, Feasey Slot has been writing on behalf of a consortium split half between Lloyd's syndicates and half with HCC and issuing coverage on HCC paper. HCC holds 19% of Feasey Slot's stock and has an arrangement to buy out the agency over time.

Feasey Slot complements one of

HCC's other London operations, underwriting agency LDG Re Worldwide Ltd., said Mr. Way. LDG Re also writes accident and health business but has a different book and represents GAN UK P.L.C., the U.K. subsidiary of French insurer Groupama S.A. "Our London involvement started when we bought LDG Management Corp.," about three years ago, said Mr. Way. At that time, HCC was not authorized to write business in the United Kingdom, so LDG Re in London continued to issue GAN policies after the acquisition and will continue to do so, he said.

Full authorization for HCC to

write U.K. business did not come, in fact, until the end of last year, and the company has not yet announced its underwriting team. Alistair Troughton has been named managing director of Houston Casualty Co., a London branch office of HCC.

The whole authorization process took about two years, and the organization now can write specialty marine, energy, property, accident and health, and aviation business. "We decided we didn't need to be in a rush to do it," said Mr. Way. "It took two years because that is the speed we decided it would be."

Neither is Houston Casualty Co. going to be hurried into writing

business in London. "We are not interested in volume," said Mr. Way, who expects the organization to start writing business in the summer.

Although some might question the wisdom of starting up one, let alone several, London market operations when the rating environment is so tough, Mr. Way feels that acting contracyclically could give HCC the upper hand. "We believe (the market's) at the bottom in certain areas," he said. Offshore energy has reached the depths, and accident and health is "definitely turning—that's one area we are quite optimistic about."

FTR FOR THE RECORD

Tillinghast offers TPA benchmarks

STAMFORD, Conn.—An employer that self-insures workers compensation risks now has some help in choosing a third-party administrator.

Tillinghast-Towers Perrin this week is releasing a new guidebook that shows employers what to consider when picking a TPA. A survey section analyzes responses from 20 of the largest TPAs to give employers an idea of what types of services and prices are available.

Sandra Duncan, risk management consultant in Atlanta with Tillinghast-Towers Perrin, said the book is designed to "guide the reader to establish and maintain a long-term partnership with a TPA." It is aimed mainly at employers who need TPAs to administer workers comp claims, but includes some information that could be helpful to those with other needs.

Copies of the study are available from Tillinghast-Towers Perrin by calling 203-326-5400 or faxing 203-326-5498. The cost is \$395 or £235.

Aon takes steps to trim workforce

CHICAGO—Aon Corp. said it will offer 1,300 of its U.S. employees an early retirement package and lay off approximately 200 employees in the United Kingdom as part of cost-cutting initiatives announced last week.

The Chicago-based insurance giant said it expects to take a first-quarter 1999 pretax charge in the range of \$100 million to \$150 million to pay for the efforts. Part of the charge will go to cover the consolidation costs associated with its acquisition of Milan, Italy-based broker Nikols Group. That deal is expected to close during the first quarter.

Aetna U.S. Healthcare sues insurers

PHILADELPHIA—Aetna U.S. Healthcare is suing six of its insurers in an effort to seek coverage for a \$120.5 million jury verdict.

The \$120.5 verdict, awarded to Theresa Goodrich by a San Bernardino, Calif., jury, is the largest ever brought against an HMO. Mrs. Goodrich claimed that Aetna U.S. Healthcare's refusal to pay for an experimental cancer treatment led to her husband's death in 1994. Last month, the jury awarded Mrs. Goodrich \$4.5 million in compensatory damages and \$116 million in punitive damages.

Aetna U.S. Healthcare filed suit against six of its insurers on Feb. 4 in U.S. District Court for the eastern District of Pennsylvania in Philadelphia. The suit said that each of the defendants

had either refused to indemnify "or upon information and belief will refuse to indemnify" Aetna U.S. Healthcare for the verdict.

"This lawsuit is a clarification of issues related to insurance policies and coverages. It does not involve the Goodrich family, and it is unrelated to our stated intent to appeal the decision and our expectation that the punitive damage award will be reduced or eliminated," said a spokesman for Hartford, Conn.-based Aetna Inc.

The suit, which involves more than \$75 million in coverage, names as defendants CNA Financial Corp. units Columbia Casualty Co. and Continental Casualty Co.; Fireman's Fund Insurance Co. of Ohio; Lloyd's of London; American International Group Inc.'s Lexington Insurance Co.; and Zurich-American Insurance Group unit Steadfast Insurance Co.

The defendant companies either had no comment or did not return calls in time for this edition.

Coast Guard burns oil on grounded ship

COOS BAY, Ore.—Intentionally set fire, called a controlled burn, aboard grounded cargo ship New Carissa was still burning Friday off the coast of Oregon.

As of Friday, 67% of the oil on board had been burned, said a spokesman. The oil was set on fire Thursday in anticipation that bad weather might break apart the ship; no storm arrived, but the fire was kept burning because the ship's condition was worsening, the spokesman said.

The 44,527-metric ton carrier ran aground a week earlier on a routine voyage from Komsushima, Japan, to Coos Bay, Ore., to pick up a cargo of wood chips. Efforts to free the 1989-built vessel were unsuccessful,

and bunker oil and diesel fuel had been spilling from three of its fuel tanks. The vessel had 400,000 gallons of fuel on board.

The New Carissa is owned by Tory Shipping Co. SA of Japan.

Most of the insurance liability will lie with The Britannia Steam Ship Insurance Assn. Ltd. of London. The New Carissa has separate hull insurance with an as-yet-unidentified insurer that will



AP/WIDE WORLD PHOTOS

The New Carissa broke in two last week while it was grounded. Oil on board the ship was burned to prevent it from spilling.

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have to pay most of the costs of the salvage effort, but once the ship was declared a "constructive total loss" last week, liability for oil spill damage and wreck removal costs fell to Britannia.

John Gallagher, chairman of Gallagher Marine Systems Inc. of Alexandria, Va., which has been engaged by Britannia to handle spill management, said third-party liability claims look unlikely to be significant, though that could change if spilled oil reaches Coos Bay's important oyster beds.

Georgia bars public entity gun suits

ATLANTA—Georgia Gov. Roy Barnes signed into law last week a measure barring the state's cities and counties from suing gun manufacturers.

The move came a week after Atlanta sued 17 gunmakers, claiming they were negligent in designing firearms with inadequate safety features. Atlanta officials indicated they plan to move forward with their lawsuit, and they vowed to challenge the new law. Meanwhile, the National Rifle Assn., which had lobbied for the measure, expressed hopes that other states would enact similar laws.

Alternative markets unit opened

LONG GROVE, Ill.—Kemper Insurance Cos. has created an alternative markets division aimed at designing alternative workers compensation arrangements for trade associations, self-insured groups and franchises.

The new unit is based in Hartford, Conn., and is headed by John Diem, a vp of Long Grove, Ill.-based Kemper Insurance Cos. and senior vp of Kemper Alternative Markets. In addition to Mr. Diem, the alternative markets unit includes six professionals based in Hartford and Braintree, Mass.

Programs designed by the new group will involve fronting arrangements, risk sharing, agency captives and association programs.

AIG creates technology division

NEW YORK—American International Cos. recently formed a technology division targeted toward the high-tech industry, announced parent company American International Group Inc.

The new division will offer insurance and risk management products and services, such as intellectual property and professional liability coverages. In addition, it will have access to Year 2000 assessment products and a loss mitigation and mergers and acquisitions unit.

The company has named Phillip Hoyt as a divisional vp in charge of the technology division.

PBM

Continued from page 2

A spokeswoman for SmithKline Beecham said the company decided to sell DPS to simplify operations and focus more closely on its core business of drug manufacturing.

One benefit manager said he isn't convinced, however, that getting bigger makes PBMs more effective in cost containment.

"There's this mentality in the whole health care business that everyone needs to be a colossus," said Jim Astuto, regional health care manager at Irving, Texas-based GTE Corp. "They feel the more volume they have, the more leverage they have."

Express Scripts went public in 1992, and the company has indeed been under shareholder pressure to grow. But Express Scripts executives last week argued that even though the company has been aggressively

seeking acquisitions—it bought another independent PBM, ValueRx, for \$445 million last year—it brings more to employers than size alone.

Express Scripts has emphasized its autonomy from both drug manufacturers and chain stores and its ability to objectively administer prescriptions without unduly favoring certain brands. The company will continue this marketing after Diversified is absorbed, said George Paz, Express Scripts' chief financial officer.

Earlier this year, the nation's largest PBM, PCS Health Systems Inc., was sold by drug maker Eli Lilly & Co. to Rite Aid Corp., the large Camp Hill, Pa.-based drug store chain. The price was \$1.5 billion, far less than the \$4 billion Lilly paid for PCS in 1994. The second-largest PBM, Merck-Medco Managed Care Inc., is a subsidiary of drug manufacturer Merck & Co. Inc.

Express Scripts was attracted to Diversified's high proportion of managed care customers as a way to sup-

plement its own customer base, which consists predominantly of large employer groups and third-party administrators, Mr. Paz said. DPS also has strong clinical and disease management programs, as well as a superior formulary management system to that of Express Scripts, he said.

But Mr. Paz acknowledged that the most compelling reason for the acquisition is the need to gain covered lives in the fiercely competitive PBM arena. Although the merger will not be a guarantee of lower drug prices, as margins in the PBM industry already are very thin, more lives means more attractive rebates can be negotiated with drug manufacturers. That can mean more revenue for PBMs. Express Scripts will continue to look at acquisition prospects, Mr. Paz said.

"There are a lot of small PBMs still out there," he said.

Express Scripts and DPS are similar in size, with each reporting a customer base of about 23.5 million lives.

The number of DPS customers is expected to shrink substantially in May of next year, however, when a contract with United Healthcare Group—representing 10.5 million lives—will terminate. That business will go to Merck-Medco, United Healthcare said.

Express Scripts expects 1998 net revenues of approximately \$235 million; DPS will see 1998 net revenues of about \$215 million, Mr. Paz said.

Generally speaking, the size of a PBM and the magnitude of its drug rebates aren't always a top concern of employers, GTE's Mr. Astuto said.

"I have a gripe with (PBMs) in the sense they've become just price managers," he said. "We want more than that. We want to see people taking the right medication. We have a joke around here that we want to see them put the 'M' in PBM. Someday down the road that price (discounting) will run dry."

For other employers, an important quality of a PBM is autonomy from

drug manufacturers, and an independent Express Scripts represents an attractive option.

"We've always looked for PBMs to be separate from manufacturers," said Richard Trapp, executive vp of finance and administration of the Tampa, Fla.-based Employers Purchasing Alliance, a multistate league of health care buyer groups that offers ValueRx/Express Scripts coverage to its members. Ownership by drug makers "has a tendency to influence the formulary they present to employers, which is a natural thing for them to do," said Mr. Trapp.

At the same time, he expressed apprehension about larger PBMs resulting in fewer choices. "Employers need to band together to give them as much advantage as the PBMs are getting," he said. "The PBMs are getting bigger and bigger, and it's the only way they're going to stay in the game with them. . . . How big does a company have to get before you get those economies of scale?"

NAIC

Continued from page 1
or contracts of insurance or reinsurance it has issued.

If the specified event does not occur or losses do not meet a predetermined threshold, the bond proceeds are used to pay investors an above-market interest rate.

Investors like such deals because the catastrophe risk is not correlated to other risks in their investment portfolios, S&P's Mr. Levin said.

Regulators also approve of the deals "because the ceding insurer's exposure is fully collateralized," said Stephen W. Broadie, vp-tax and finance for the Alliance of American Insurers in Downers Grove, Ill. That contrasts with treatment under most states' credit-for-reinsurance laws, under which unauthorized reinsurers do not fully collateralize the risks they assume before a loss occurs.

The NAIC's Insurance Securitization Working Group is committed to clarifying regulation of fully funded, loss-based securitization transactions for catastrophe exposures, which it considers "a major solvency issue," said Arnold Dutcher, chief deputy director of the Illinois Insurance Department. He chairs the working group.

A new study of risk securitization by the New York-based Insurance Services Office Inc. underscored this, when it pointed out that "insurers' catastrophe losses have increased dramatically in recent years."

Potential one-time insured losses from hurricanes and earthquakes could reach \$100 billion or more, according to the 62-page ISO report.

Therefore, ISO says, sharing catastrophic risk with investors via the capital markets makes sense, especially since the \$26 trillion U.S. capital markets are 75 times larger than the property/casualty industry's statutory net worth.

U.S. regulators also are interested in having such transactions done within the United States because it "gives us regulatory control, and it enhances business opportunity for U.S. insurers," Mr. Dutcher said.

The Illinois Insurance Department took the first step to accomplish that late last year when it authorized the Chicago-based INEX Insurance Exchange to engage in U.S.-based securitization transactions through the use of special-purpose limited syndicates (BI, Dec. 7, 1998).

The NAIC working group wants to recommend accounting guidance and related steps by the NAIC's next quarterly meeting, March 6-10 in Washington. Its self-imposed deadline

is to have guidance available by the start of the 1999 hurricane season, which experts say begins June 1.

Use of a U.S.-domiciled special-purpose reinsurer raises several key regulatory issues, including accounting, reporting and basic insurance regulatory requirements. For example, a statutory accounting issue concerns whether the ceding insurer would take credit for the transaction using reinsurance accounting or hedge accounting.

Other tax-related issues include the tax status of the reinsurer, taxation of investors and the deductibility for income tax purposes of paid reinsurance premium, said Michael P. Goldman, an attorney with Katten, Muchin & Zavis in Chicago.

Regulators also are drafting investor-friendly model legislation for states that would allow an insurer to issue such securities through "protected cells," which would be segregated from the insurer's general operations.

The primary purpose of issuing cat bonds through such cells would be to protect the investor in case the insurer became insolvent, as well as to limit U.S. tax liabilities. Some observers say a protected cell approach, which is analogous to a separate account used by a life insurer, may reduce tax-related problems with federal and state authorities, the Alliance's Mr.

Broadie said.

Protected cell legislation for risk securitization has already been introduced in Rhode Island and is expected to be considered in several other states, including Georgia, Illinois and New York.

In addition, regulators face a continuing concern about maintaining a level playing field with traditional reinsurers.

The Reinsurance Assn. of America earlier this month adopted a policy stating its general support for "regulatory efforts to facilitate orderly marketplace development of alternative risk transfer and risk financing mechanisms, including some forms of insurance securitization."

However, the RAA added, any proposed changes in statutes must assure solvency and "apply the same substantive and regulatory requirements and accounting principles as are applicable to traditional insurance and reinsurance providers."

Several insurer representatives, who are working in groups as "interested parties," are pleased that the NAIC is addressing insurance securitization transactions.

An increase in U.S. regulatory oversight may alleviate fears that investors might have about inadequate regulation offshore, S&P's Mr. Levin said.

In addition, bringing risk securitization onshore should reduce costs associated with having to conduct all business offshore, said William D. Latza, an attorney with Stroock & Stroock & Lavan L.L.P. in New York.

"Insurers are looking for greater flexibility and more cost effectiveness," said Jeffery C. Alton, director-statutory accounting and financial regulation for Chicago-based CNA Financial Corp. He chairs the industry's interested parties group, which is providing comment to the NAIC on this issue.

Clearer regulations also should reduce the need for insurers to solicit letters from state authorities about whether investors or other risk assumed are engaged in "the business of insurance," Mr. Goldman said.

Most states do not consider investors or other risk assumed in insurance securitization transactions as engaged in "the business of insurance"; otherwise, they would subject them to insurance regulation, Mr. Latza said. The uncertainty of being subject to insurance regulation would be "a major impediment" to the market, he said.

The working group is also considering other related issues, including indexed-linked securitization transactions as well as the analysis of credit risk.

BI

Year 2000

Continued from page 2

Lawyers look at Y2K and see something that looks like "cigarettes made of asbestos," said Peter de Jager, a Baton Rouge, La.-based consultant with Bray Communications and the author of "Managing '00: Surviving the Year 2000 Computer Crisis." Mr. de Jager said lawyers and some others seem to think Y2K problems can be separated from other software problems. But "there's no such thing as bug-free software," he said.

If the legal system wants to hold software makers liable for every bug,

"you've just killed off an entire industry," he said.

Mr. de Jager predicted that once President Clinton's impeachment trial disappears from the front pages, the news media will focus its attention on Y2K, with potentially disastrous results. The press will promote bad news, while corporate lawyers—fearful of having positive news of individual companies' preparations getting out because of unforeseen complications—will muzzle good news, he said. He also predicted runs on banks as a result of Y2K fears.

Jeffrey Klafter, a partner in the New York law firm of Bernstein Litowitz Berger & Grossman L.L.P.,

just as confidently maintained that an "avalanche" of lawsuits is unlikely. The handful of Y2K-related lawsuits that have been filed thus far have dealt with whether a buyer or seller of software should be responsible for paying the cost of bringing a system into compliance, he said. "There is a genuine issue as to who should bear the cost," said Mr. Klafter, who added that these legal issues involve contract language rather than systems failures.

"I predict those who have dealt responsibly with Y2K" will not face litigation problems, he said.

Priscilla A. Walter, a partner with the Chicago law firm of Gardner, Carlton & Douglas, wasn't so optimistic.

The compliance lawsuits filed thus far are just the tip of the iceberg, and "there are hundreds, probably thousands, of disputes out there" over non-compliance, Ms. Walter said. But the more difficult cases have yet to come, she said.

There will be consequential damages cases that will likely be tried under contract law, she said. Personal injury suits, such as those that occur when Y2K problems cause medical devices to fail, could be directed against hospitals and health insurers, said Ms. Walter.

"Surely, employees will sue their employers," particularly when employment or pension records get lost, she said.

Dreier proposes bill to limit Y2K liability

By MARK A. HOFMANN

WASHINGTON—A key member of the House leadership plans to introduce a bill within the next few weeks that would sharply limit the liabilities of businesses

bitten by the

Year 2000 computer bug.

Rep. David

Dreier, R-Calif.,

outlined some of the bill's provisions during an address at the Center for Strategic and International Studies in Washington last week. Rep. Dreier, who is House Rules Committee chairman, also was the primary architect of a measure signed into law late last year that granted businesses a certain degree of antitrust immunity when sharing information regarding solutions to Y2K problems.

Although he emphasized that the forthcoming liability bill is still on the drawing board, Rep. Dreier also made clear that the final product would bear more than a passing resemblance to an employer-backed Y2K legal reform package unveiled earlier this month (BI, Feb. 8).

Rep. Dreier said that, among other things, his bill would cap attorneys' fees in Y2K-related cases to \$1,000 an hour, limit punitive

damages at the greater of \$250,000 or three times actual damages, and abolish joint-and-several liability in Y2K-related cases by holding defendants responsible only for their portion of fault.

He said the bill would represent a "strong piece of bipartisan legislation" but added that it will have to garner White House support as well.

Rep. Dreier also is a co-sponsor of the Year 2000 Consumer Protection Plan Act of 1999, introduced by Rep. Donald Manzullo, R-Ill., last month (BI, Jan. 18). Rep. Dreier also introduced what he called a "discussion point" bill that would make Jan. 3, 2000, a federal holiday so that businesses and the government could try to fix any unexpected Y2K bugs that manifested themselves on Jan. 1, 2000.

Meanwhile, the Senate Commerce, Science & Transportation Committee held its first hearing on S. 96, the Y2K Act sponsored by Commerce Committee Chairman John McCain, R-Ariz. (BI, Jan. 25). Although the measure drew considerable support from business representatives who testified at the hearing, the committee's ranking minority member, Sen. Ernest Hollings, D-S.C., blasted the measure as totally unjustified.

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Commentary

A few more bugs for the millennium

Is it just me, or does it seem like there is an abnormally large number of food products being recalled these days?

Not a week goes by without some form of processed meat or dairy product being yanked from stores in quantities that boggle the mind. Fifteen million pounds of hot dogs, 78,000 burritos, 400,000 gallons of milk, and so on and so on.

The names of previously unknown microorganisms are now as familiar to the public as the names of local sports teams. Listeria, salmonella, botulinum and E. coli have all made it to the food threat finals. For hardcore bug fans, watch for campylobacter jejuni, shigella and staphylococcus aureus to make it to the big leagues soon.

I can't put something in my mouth anymore without first looking at it skeptically, as if the minute it starts working its way through my gullet I will learn that it is being recalled because of the risk of possible contamination.

I don't recall there being this many widespread food scares in past years. Apart from a few instances of salmonella and botulism poisoning, many of the big recalls of the '80s and '90s were the result of malicious tampering, in which someone stuck needles in pop cans or cyanide in over-the-counter medication, among other acts of terrorism.

Naturally occurring bacteria, organisms or viruses were surely out there wiggling around before now, but they didn't send the Centers for Disease Control, food distributors and the public into fits of hysteria.

People have always made jokes about what goes into hot dogs and sausages, but that didn't seem to slow consumption any. And we all read "The Jungle" by Upton Sinclair in social studies class and felt smugly secure in the knowledge that meatpacking plants of our time were light-years ahead in sanitation and hygiene when compared with the turn of the century.

What has changed, then, to trigger this flood of recalls?

I can think of a handful of possibilities:

- People have forgotten about the health benefits of cooking their food.
- Our food processors have grown lazy about protecting food from contamination.
- Those little buggers we affectionately call bacteria have gotten tougher and meaner.
- No one washes their hands before eating anymore.
- We're building better microscopes and training a lot more people to use them.
- Lawyers have everyone running to and fro, with potential plaintiffs running to and companies that are potential defendants running fro.

I frankly find it hard to believe that food processors and their risk managers suddenly abandoned industrial hygiene procedures, especially given that they are subject to scrutiny from the U.S. Food and Drug Administration and the U.S. Department of Agriculture.

But without a clue as to why my food might be teeming with microscopic life, I'll be sure to follow some simple precautions.

For starters, I make sure everything I eat is cooked—a lot—which is the surest way to kill all bacteria.

Take hot dogs, which seem to be in for more than their share of food recalls. Some people choose to simply warm and serve. I microwave for five minutes; I don't mind the wait if it means there is nothing living on my food, and the crunchiness and ashy flavor is a new experience.

At restaurants, I'll send food back if it doesn't have scorch marks—especially eggs. If the chef is unwilling to do the job, a portable propane torch is a handy accessory to have.

Another surefire way to end speculation about possible listeria infestation is to sprinkle a little Listerine on food and beverages. Kills germs and tastes great.

When cooking at home, any recipe would benefit from the addition of a few thousand milligrams of amoxicillin, a commonly prescribed antibiotic. If anyone complains about the taste, I can remind them of the alternative and pass the pepper.

If none of the above remedies sounds appetizing, people can always just eat chocolate, which to my knowledge hasn't been recalled. Yet.

Editor Paul D. Winston's commentary appears fortnightly.



Paul D. Winston

Dumping

Continued from page 2

Medicare program, which includes nearly all hospitals in the United States. The EMTALA prohibits hospitals from releasing or transferring medically unstable patients or women in labor for economic reasons. The law also bars hospitals from delaying treatment to inquire about payment methods, insurance status or prior authorizations from health plans.

But under the threat of managed care plans withholding payment, some hospitals are inquiring about prior authorization before treating patients to ensure they will receive payment. Federal officials are concerned this is leading to treatment delays or is unduly influencing patients to leave hospitals without receiving appropriate medical screening.

"It has come to our attention that some hospitals routinely seek prior authorization from a patient's primary care physician or from the plan when a managed care patient requests emergency services, since the failure to obtain authorization may result in the plan refusing to pay for the emergency service," the Office of Inspector General and the Health Care Financing Administration of the U.S. Department of Health and Human Services said in a statement.

In response to growing complaints about the dumping of managed care patients, the OIG announced last November that it is drawing up new advisory guidelines for the law and has stepped up investigations of hospitals and medical providers for violations of the federal patient statute.

"Investigations of patient dumping allegations have persuaded us that managed care patients may more likely be victims of dumping than other patients," the OIG statement said. "While hospitals sometimes feel caught between the obligations imposed under the statute and the expectations of managed care plans, they clearly must abide by the statute in these cases."

The EMTALA "is a big issue nationwide," because hospitals are facing not only a risk of government fines under the law but also increased civil liability from patients who sue, alleging they were denied care in violation of the law, Mr. O'Hagan said.

It is better for a hospital to lose a

\$300 payment for an emergency service than to risk incurring a \$50,000 federal fine and a lawsuit, he said.

Hospitals' liability also could be expanded because federal officials have said they are considering making EMTALA apply to hospitals' adjunct operations, such as their urgent care centers, Mr. O'Hagan said.

To help its members, ASHRM is conducting a telephone seminar April 27 on the federal policy and on the application of EMTALA in managed care settings, he said.

The case being weighed by California's Supreme Court, *Barris vs. County of Los Angeles*, stems from the death of an 18-month-old girl who was rushed to a Los Angeles County hospital in 1993 by paramedics. She died after a doctor at the county hospital and a doctor for a Kaiser Permanente hospital disagreed in a telephone conversation about which hospital should administer a blood test that might have saved her life, court records show. The Kaiser doctor insisted that the test be performed at a Kaiser hospital. Believing the girl's medical condition was stable, the county doctor agreed to transfer her to the Kaiser hospital, where she died from cardiac arrest shortly after arriving, according to court records.

Her parents sued for wrongful death and violation of the EMTALA.

A Los Angeles County jury found the county doctor 75% negligent and the Kaiser doctor 25% negligent in the death of the girl. The jury also ruled that the Martin Luther King Jr./Drew Medical Center, the county hospital, violated the federal patient dumping law by failing to stabilize the girl's condition before she was transferred to the Kaiser hospital, regardless of the Kaiser doctor's insistence that Kaiser perform the test.

Kaiser is not part of the case before the Supreme Court.

The trial court reduced the jury's non-economic award of \$1.35 million against the county hospital to \$250,000, or the limit imposed on non-economic damages by California's Medical Injury Compensation Reform Act, or MICRA.

On appeal, the plaintiffs argued that the state MICRA cap did not apply to their EMTALA claim. But an appeals court agreed with the trial judge, finding that the plaintiff's EMTALA claim was subject to the state's MICRA cap. That finding diverged

from the ruling of two other California appeals courts in separate EMTALA cases.

The MICRA cap, created in the 1970s during a professional liability insurance crunch, has recently come under attack by attorneys who are seeking legislation that would raise it to \$700,000.

The plaintiff's attorneys in the case appealed to California's high court, arguing that the girl's death was attributable to two separate causes—malpractice by the doctors and dumping by the hospital—and that damages due to the dumping should not be limited by MICRA.

Organizations representing employers and insurers say California's MICRA cap is necessary to control health care costs and the cost of professional liability coverage.

"The difference between the MICRA cap being in effect and not being in effect in this case means about \$400,000 to \$450,000 in attorney fees," said John H. Sullivan, president of the Assn. for California Tort Reform in Sacramento. "So if MICRA isn't there, that much money is going not to injured people or the health system to take care of people but to additional attorney fees."

The California Medical Assn., the California Dental Assn., and the California Healthcare Assn.—which represents health maintenance organizations—have filed a joint amicus brief with the Supreme Court. They argue that if the plaintiffs prevail in voiding the MICRA cap, then plaintiffs attorneys will file more EMTALA claims to bypass the state limits.

"The potential liability of health care providers will increase, which will have the effects of increasing the uncertainty of risk faced by health care providers, particularly hospitals, and of increasing the cost of professional liability coverage," they stated in their brief.

So far, a handful of federal courts—including the 4th U.S. Circuit Court of Appeals and two district courts, one in Indiana and one in West Virginia—have ruled that state malpractice caps do apply in EMTALA cases, said Alison M. Turner, an attorney for Greines, Martin, Stein & Richland in Los Angeles who is representing Los Angeles County before the Supreme Court.

The California Supreme Court has until April to decide the case.

HEDIS 2000 plays up chronic care

By ROSEANNE WHITE

WASHINGTON—The National Committee for Quality Assurance has introduced a draft version of the HEDIS 2000 health plan performance measurement tool.

The Year 2000 version of the Health Plan Employer Data and Information Set, produced by the Washington-based NCQA, includes new measures to evaluate the care that health plans provide patients with chronic conditions such as hypertension and asthma. Among these new measures are:

- Controlling high blood pressure. This would measure the percentage of members with hypertension whose systolic blood pressure is brought below 140 and diastolic pressure is brought below 90.

Dr. Cary Sennett, NCQA executive vp, said in a recent news conference that this measure would lead to significant reductions in the risk of heart disease and stroke for the 50 million Americans with hypertension.

- Use of appropriate medications for people with asthma. This standard would measure the percentage of asthmatics receiving appropriate anti-inflammatory medications. This process measure should help "reduce the frequency and severity of acute attacks for the 15 million Americans with asthma," Dr. Sennett said.

• Emergency room visits for people with asthma. This outcome measure would indicate how successful the plan has been in controlling patients' symptoms, Dr. Sennett said.

Two other new effectiveness-of-care items in the HEDIS 2000 draft focus on women's health issues.

- Chlamydia screening. This measure would indicate the percentage of sexually active women between ages 15 and 25 who received screening tests for chlamydia within the past year. Every dollar spent on screening for the disease saves \$38 to \$45 in treatment for conditions that can result from untreated chlamydia, such as pelvic inflammatory disease, ectopic pregnancy and infertility, Dr. Sennett said.

- Management of menopause. Patient surveys would evaluate the counseling of perimenopausal women ages 47 to 57. The survey would measure whether and when women were counseled; whether the counseling included all the options for managing estrogen deficiency; and whether it was personalized to reflect the woman's medical history, concerns and preferences.

HEDIS 2000 also will advance measures being phased in from HEDIS 1999, including:

- Cholesterol management after an acute cardiac event. Beginning with

HEDIS 1999, plans must report the percentage of people screened for low-density lipoprotein, or "bad cholesterol," among members who have had heart attacks. HEDIS 2000 must show actual control of the lipoprotein level. Plans must report the percentage of patients with heart diseases whose low-density lipoprotein level has been reduced to 130 or below.

- Comprehensive diabetes care. This measure, voluntary in HEDIS 1999, becomes mandatory in HEDIS 2000. It assesses several components: blood sugar testing and control, cholesterol screening and control, eye exams and monitoring for kidney disease. Focusing the health care system on the components of diabetes care will help minimize the complications for the 8 million Americans diagnosed with the disease, Dr. Sennett said.

"We're really seeing the evolution of HEDIS," said Margaret E. O'Kane, NCQA president. The performance measurement tool now covers prevention, acute care and the management of chronic illnesses, she said.

Employers can comment on the HEDIS 2000 draft through March 19. The final version will be available in June. The document can be downloaded from NCQA's World Wide Web site at www.ncqa.org/hedis/H2000.htm.

COBRA

Continued from page 2

earlier this month in the Federal Register (BI, Feb. 8), they are uncovering additional IRS guidance to further aid employers in complying with the COBRA statute. One additional clarification involves marital difficulties. In some cases, an employee, knowing that he or she later will divorce his or her spouse, will ask an employer to drop the spouse as a dependent and convert his or her family health care coverage to single coverage.

In such situations, the regulations make clear that the spouse becomes entitled to COBRA coverage at the time of a qualifying event—a divorce or legal separation—not when the employee drops the spouse as a covered dependent. The provision in the IRS regulation on this issue is final.

"The employer does not have to go back to begin COBRA coverage. Coverage eligibility occurs with the qualifying event. It is prospective," said Connie Harden, a principal in San Francisco with Buck Consultants Inc.

The FSA/COBRA issue is rooted in a series of earlier IRS regulations covering FSAs and COBRA. FSAs, which Congress sanctioned in the late 1970s, are used by employees to fund uncovered benefit expenses, such as dental care, with pretax contributions.

Before the start of a plan year, an employee agrees to contribute a certain amount to the FSA. For example, an employee might agree to make pretax contributions of \$1,200 during a plan year to his or her FSA to cover uninsured health care expenses, with \$100 contributions made monthly.

The IRS, though, added risk to FSAs in 1984 rules. Under its "use it or lose it" rule, funds that remained in an FSA at the end of the plan year or when an employee terminated employment were forfeited to the plan.

Financially savvy employees terminating employment caught on to how purchasing COBRA coverage—allowed under 1987 IRS regulations—let them tap FSA account balances that would have been forfeited.

Assume an employee agreed to con-

tribute \$100 a month to an FSA. At the end of October, the employee quit and had \$1,000 in his or her FSA. Instead of forfeiting the \$1,000, the employee signs up for COBRA and pays a monthly premium of \$102. The COBRA rate for an FSA is 102% of what was paid into the FSA each month.

Suppose that as soon as the beneficiary opts for COBRA, he or she incurs \$1,000 of dental work, exhausting the funds in the FSA. The beneficiary then terminates COBRA coverage, getting maximum use of the FSA for the \$102 premium.

While that strategy costs an employer nothing, the 1987 IRS COBRA regulations and others governing FSAs, gave FSA participants more room for financial maneuvering—at the expense of employers.

Under FSA regulations, an employer can be liable for expenses covered under an FSA even if there are insufficient funds in the FSA. For example, suppose an employee, who agreed to pay \$1,200 during the year to a FSA, incurs a \$1,000 uncovered dental expense in the first month of a plan year. The employee pays the bill and submits the claim for reimbursement.

The company, under FSA regulations, would have to reimburse the employee for the \$1,000, even though the employee has contributed only \$100 to the FSA. If the employee then quit, the company could be stuck with a \$900 loss. In no case, though, could an employer be liable for more than the employee agreed to contribute.

The IRS' earlier COBRA regulations gave FSA participants even more flexibility to tap COBRA—at employer expense—to get maximum use of their FSAs by opting for COBRA, getting health care-related claims paid and dropping COBRA.

Take the case of an employee who quits a company in June and elects COBRA coverage for his or her FSA, which is used to pay unreimbursed dental expenses. The employee had been paying \$100 a month to the FSA. That employee, once on COBRA, could continue the FSA by paying \$102 a month in aftertax dollars.

In November, during open enrollment for the next year, the former em-

ployee continues COBRA coverage for the FSA and agrees to pay \$102 a month for the following plan year.

But in February the former employee incurs \$1,200 in dental expenses. After the employer has reimbursed the former employee, the employee drops COBRA coverage, leaving the employee financially way ahead.

Such a strategy was legal under earlier IRS regulations, which said that if employees have the right during an annual open enrollment to participate in FSAs, COBRA beneficiaries must be given the same right.

The new IRS regulations curb such an abuse by limiting an employer's obligation to extend coverage for an FSA to just the plan year in which the employee went on COBRA. Therefore, in the above scenario, under the new regulations, the employee who quits his or her job in June could opt for COBRA coverage for his or her FSA that would be in effect only through the end of the current plan year.

"The IRS has applied logic in these kinds of situations," said Colleen Clearwater, a senior vp with COBRA Compliance Systems Inc., a COBRA administrator in Coldwater, Mich.

By generally eliminating an employer's obligation to offer COBRA coverage for FSAs for the year after a beneficiary opted for COBRA, the regulations would curb, though not end, abuse of COBRA. That is because an employer—in most situations—still would have to offer COBRA coverage for an FSA for the year the beneficiary opted for COBRA. And that would allow beneficiaries to get maximum use of their FSAs by paying a relatively small premium.

The regulations, though, do not require an employer to offer an FSA participant COBRA for even the current plan year if expenses covered by the FSA exceed what the participant had contributed to the flexible spending account at the time he or she became eligible for COBRA.

On the other hand, the proposed regulations say COBRA coverage must be offered to an FSA participant until his or her eligibility period for COBRA expires if the FSA is the only health plan the employer offers. **BI**

gotiations with doctors concerns some smaller plans. As a result, the AAHP has put together a guide on how to participate in clinical trials, he said.

At least one managed care giant has recently changed its policy.

Minnetonka, Minn.-based United HealthCare Corp. recently reached an agreement with the Coalition of National Cancer Cooperative Groups; it will begin paying the costs for its members to join in clinical trials sponsored by the cancer cooperative as part of a pilot project. Costs associated with the pilot will be covered by United HealthCare's medical expense budget. It is not a contract benefit.

Roughly 6 million United HealthCare members in fully funded group health care plans are now eligible to participate in the pilot and be reimbursed for the costs associated with participating in approved clinical trials. United HealthCare's additional members in self-insured plans will have the opportunity to join in the trials, but at the plan sponsor's expense.

Dr. Lee N. Newcomer, chief medical officer of United HealthCare, said the company's decision to begin paying for specific clinical trials was due to "the constant, never-ending cycle" between payer and provider.

"The fact is, we have a lot of patients with desperate conditions," he said. When an experimental drug comes out, insurers will not cover it until they've got data to see if it works, and there can be no data unless there are clinical trials, he explained.

Dr. Newcomer said he does not expect the pilot cancer project to increase costs for the managed care company. The costs to the planulti-

mately will determine if it will expand its efforts to other clinical trial groups.

"The fear for every insurer is: If I cover experimental trials, will I pay out additional costs? We're trying to find out what additional expenses will occur," he said. "My intuition is that it will probably be cost-neutral."

Raymond J. Brusca, vp-benefits for Black & Decker Corp. in Towson, Md., is encouraged by the NIH/AAHP agreement. "Obviously, with large employers with self-insured plans, I assume managed care companies will be discussing this with each plan sponsor to see if they want to participate in the studies," he said. "Generally, I think most companies will go along on some limited basis to try to take part in determining whether clinical trials are legitimate treatments or not."

"I'm looking for my people to receive the care they need at the appropriate time and appropriate setting," he said. "Taking part in clinical trials is a positive way to work together to determine if procedures, treatments and medicines will prove worthy in the long run to deliver quality care to employees and their families."

But the extra costs that health plans may bear has one employer leery.

"Everyone is trying to control health care costs," said James E. Crockett. He manages risk and benefits at Denver Water, a self-insured employer with 1,000 employees. "Covering clinical trials is just an added factor to it." Before he would change Denver Water's health plan to cover clinical trials, he said he would have to determine if employees would benefit from it. **BI**

Updates

New Jersey to liquidate HMO

TRENTON, N.J.—Hundreds of employers will have to find new health coverage for their employees after New Jersey regulators moved to liquidate financially troubled Health Insurance Plan of New Jersey, which has been in rehabilitation since November.

The New Jersey Department of Banking and Insurance said last week that HMOs and other health insurers in the state would have to accept HIP members without medical underwriting or denial of coverage for pre-existing medical conditions. Enrollees, though, would have to transfer to other plans by March 31.

Several benefit experts say employers should not have difficulty finding HMOs and other plans to provide coverage to their employees enrolled in HIP, the state's fourth-largest HMO with 165,000 enrollees.

"There is existing capacity to absorb the enrollees," said John Menninger, a consultant with William M. Mercer Inc. in Princeton, N.J.

However, employers can expect to pay more for coverage from other HMOs, because HIP's rates tended to be below average, said Joseph Kemka, vp and director of health care provider consulting at ASA Inc. in Somerset, N.J.

State regulatory officials said they decided to close HIP after concluding that it could not be successfully rehabilitated. Last week, though, HIP of New York, an affiliate of the New Jersey HMO, was seeking a court order to block the liquidation.

Asbestos settlement reached

CHICAGO—Asbestos manufacturers are tapping insurance policies and their own pockets to fund a \$200 million settlement to hundreds of people who suffered illnesses after exposure to the material.

The settlement, reached last week, apparently is the largest in a personal injury case, said Kevin J. Conway, plaintiffs attorney with the firm Cooney & Conway in Chicago. "It's the largest one we know about."

Most of the claims are from occupational injuries and were filed by workers who handled asbestos in various trades, Mr. Conway said. Some claims were filed by people who came in contact with the substance at home or worked in buildings that contained asbestos.

A spokesman for U.S. Gypsum in Chicago would not say how much his company contributed to the settlement but confirmed the company's portion will be funded by insurance.

W.R. Grace & Co. is contributing "no more than 2%" of the entire amount, a spokeswoman for the Boca Raton, Fla.-based company said. The company paid much of its share before the settlement was announced, she said. W.R. Grace will recover from insurers 40% of the amount it contributes.

Norplant suit dismissals upheld

NEW ORLEANS—A federal appellate court in New Orleans has upheld the dismissal of five suits brought by women who used the Norplant contraceptive.

The decision could affect thousands of similar plaintiff suits as well (BI, March 24, 1997).

A three-judge panel concluded in a Jan. 29 decision that the federal district court in Beaumont, Texas, was correct in ruling the contraceptive's manufacturer, St. Davids, Pa.-based Wyeth-Ayerst Laboratories Inc., a unit of American Home Products Inc., was not liable under the "learned intermediary doctrine." This doctrine states that as long as the prescribing physician is properly warned, a drug manufacturer does not have to issue warnings about drugs directly to patients.

In addition to claims filed in state courts, an estimated 30,000 women who claim they have suffered side effects from Norplant have claims pending in multidistrict litigation that has been consolidated in the Beaumont federal court. Wyeth-Ayerst says it has provided adequate warning in Norplant's labeling and counseling materials of the side effects, which include headache, nausea and dizziness.

A spokeswoman for the drug company said attorneys on both sides are expected to meet with the court "in order to determine the course of the remaining cases in federal court."

Plaintiff attorney Matt Rubin of Houston-based Williams, Birnberg & Andersen said he planned to ask for a rehearing. Mr. Rubin said the decision addresses only a narrow issue of Texas law and its implications "are not all that far-reaching."

Briefly noted

The Ford Motor Co. Rouge Manufacturing Complex in Dearborn, Mich., was fully operational last week after an explosion and fire killed two workers and interrupted power to several plants Feb. 1. Eleven employees still were in critical condition as of Thursday. . . . Far more tornadoes—163—raked the United States this January than in any other January on record, according to the National Weather Service. Eighty-seven twisters occurred on one day alone—Jan. 21. Harold Brooks, a meteorologist at the National Oceanic and Atmospheric Administration's National Severe Storms Laboratory in Norman, Okla., attributed the multitude of tornadoes to weather patterns usually not seen until March or April. The previous record for January was set in 1975, when 52 tornadoes occurred. . . . Gunmakers have asked a federal judge to set aside last week's jury verdict in Brooklyn that held handgun manufacturers liable for shootings because they negligently distributed their guns. The jury said 15 of the 25 gunmakers in the suit were negligent but awarded damages of \$560,000 to only one of the seven plaintiffs. Gunmakers said they would appeal if their motion failed. . . . Reversing a trial court's decision, Rhode Island's Supreme Court last week ruled that all general liability insurance in force when a policyholder's environmental liability loss manifested, was discovered, and was discoverable must respond to liability and cleanup claims. The court's adoption of the triple-trigger coverage theory essentially places the state among the majority of states whose high courts have ruled on the issue, said a policyholder attorney involved in the case.

Trials

Continued from page 1

plans to come up with reasonable methods to fund the additional costs.

"For many years, insurers have tended to look at experimental and investigatory drugs, devices and treatments as a bright line; one day they are covered, the next day they are not," said Dr. Don Young, senior vp—policy and clinical services for the AAHP in Washington.

This agreement will both broaden research into new treatment and "offer members the opportunity for care they otherwise might not be able to get, particularly if existing care options have been exhausted," he said.

Dr. Eugene Winchester, senior health care consultant for William M. Mercer Inc. in New York, views the pact as a "significant breakthrough."

"As far as I'm concerned, if managed care is to survive, it needs to move from an insurance model of finding reasons to say no... to a clinical model of helping patients get what they need," he said.

The agreement "shows a good-faith effort by the two groups to square the round," he added. "Benefit managers can now go to bed at night knowing their employees are better cared for."

AAHP's Dr. Young said reaction from its managed care company members has been mostly positive.

"Larger plans that have some involvement in clinical trials are very interested in expanding their activity," he said. But, the "substantial burden" of setting up the systems and ne-

Chubb

Continued from page 1

"It establishes them in a premier position in the D&O market," he said.

Chubb may also be able to increase the price of its executive protection products, said Charles Ruoff, executive vp at Acordia Inc. in Indianapolis.

"It eliminates a very active competitor and they may attempt to get price increases," he said.

The purchase will strengthen Executive Risk and make it a more attractive security, but on the downside for policyholders it will mean a reduction in competition, agreed John Riley, director of corporate risk management at The Dun & Bradstreet Corp. in New York.

"Always with consolidation you have the trade-off between the strength of an insurer and pricing. It's hard to see anything concrete, but intuitively you know that competition is good for pricing," he said.

Executive Risk would benefit under the deal because policyholders are increasingly looking for insurers with large and secure capital bases, said Fred T. Podolsky, senior vp and director of management liability & professional risk at Willis Corroon Corp. in New York.

"Executive Risk needed a much expanded capital base to compete and grow its operations. They are competing with the likes of Chubb and (American International Group Inc.), which have an incredible amount of surplus behind them," Mr. Podolsky said.

Being part of Chubb would also allow Executive Risk to sell products through Chubb's extensive agency network, he said. Executive Risk writes most of its business from its Simsbury head office, though it also recently opened a few branch offices.

"That lack of branch offices has not hurt them on the East coast but it has hurt them in a lot of other areas like the Midwest and California," Mr. Podolsky said.

The sale to Chubb would also enable Executive Risk to access policyholders who like to buy more than just D&O coverage from one insurer, said Robert V. Deutsch, executive vp and chief financial officer of Executive Risk.

"For example, in order to be successful in securing a piece of business you may need to write the contents coverage for a law firm as well as the D&O," Mr. Deutsch said. Currently, Executive Risk only writes executive protection lines, which in addition to D&O include employment practices and professional liability coverages.

The sale to Chubb would also lead to about a 30% reduction in expenses for a combined Executive Risk/Chubb executive protection unit, he said.

While there would be some reduction in staff, most of the expense reduction would come through eliminating the corporate expenses that Executive Risk incurs as a separate public company, Mr. Deutsch said.

"In two years time we expect there to be more employees than we have now," he said.

Executive Risk's reinsurance costs would also likely be reduced as it would be able to retain more of its risks as part of Chubb, Mr. Deutsch said. Currently, 45% of Executive Risk's premiums are ceded to reinsurers.

Under the terms of the Chubb offer, Executive Risk shareholders would receive 1,235 shares of Chubb common stock for each share. Based on the Feb. 5 closing price of the stock, the last trading day before the deal was announced, Executive Risk shareholders would receive the equivalent of \$71.71 a share, which is 63% above that day's closing price. Chubb's stock closed last Friday at \$57.63 per share, while Executive Risk

shares were at \$67.50.

After the deal is closed, which is expected in the second quarter, Chubb's executive protection department would move to Simsbury and the new unit would be called Chubb-Executive Risk. Stephen J. Sills, Executive Risk's president and CEO, would be chairman and CEO of the new unit. Gary J. Tully, the current head of Chubb's executive protection unit, would be president and chief operating officer.

The new unit would offer both Chubb's and Executive Risk's policy forms.

One problem the new unit would face would be merging two different corporate cultures, said Mr. Podolsky of Willis Corroon.

Both companies have developed creative and profitable executive protection business, but Chubb is a more traditional and conservative insurer while Executive Risk has a faster moving and more open working environment, he said.

However, the differences in culture could be circumvented by the decision to run the new unit as a separate entity apart from the Chubb corporate headquarters in New Jersey, said Mr. Ruoff of Acordia.

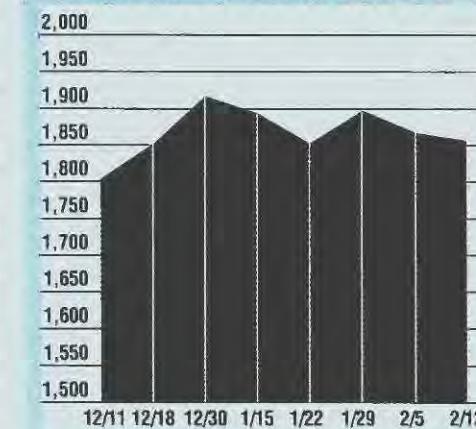
"I don't think there will be much of an integration problem," he said.

Both Chubb and Executive Risk have felt financial pressures over the past year.

In 1998, Chubb reported a 7.8% decline in profits to \$707 million, largely due to losses on its commercial lines. Its executive protection business, however, continued to be profitable, the insurer said.

Executive Risk's stock price plunged after analysts voiced concern that as a specialty executive protection insurer it could suffer significant losses from claims alleging corporate negligence over Year 2000 issues. Over the past year the insurer's stock price went from a high of \$75.75 to a low of \$35.50.

BI Insurance Index



Base=100 on Dec. 29, 1978

Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of Feb. 12		Call spread	Price bid/ask	California Annual 1999	Call spread	Price bid/ask
National Annual 1999		40/60	12.0/16.0	60/80	1.2/2.3	
		60/80	6.0/12.0	80/100	1.0/1.9	
		80/100	4.0/8.0	150C	0.5/2.5	
		200/250	2.8/4.0	Western Annual 1999		
		80/100		80/100		0.5/2.2
Southeastern September 1999		40/60	2.8/—	Midwest June 1999		
		60/80	2.1/3.0	10/20		1.0/1.4
		80/100	1.6/2.4	Florida Sept./Dec. 1999		
		40/60		100/150		2.6/—
		Total volume: 0		Total open interest: 10,997		

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Gdn Royal Exch	350	5.5	4.3	1.2	495-227
Legal & Gen	876	23.9	13.3	2.0	946-500
Royal & Sun	492	13.8	23.6	5.0	825-433

Brokers

Lmbr Fenchurch	80	9.9	4.2	6.6	121-78
JLT	173	10.7	10.5	7.4	236-152

Note: Prices are Feb. 12 closings; other numbers from Feb. 11.

Source: Nordby International Inc. (nordby.com) Boulder, Colo.

BI Industry Stock Report FEB. 8, 1999, THROUGH FEB. 12, 1999

BROKERS	Price	Weekly			Year to date			Price	Weekly			Year to date			Price	Weekly			Year to date		
		% change	% change	High	Low	Vol.(000)	% change		% change	High	Low	Vol.(000)	% change	% change		High	Low	Vol.(000)			
ACE Ltd.	NYS 27.00	0.47	-7.40	43.00	24.37	4609	Gryphon Holdings	NDSQ 18.69	-0.33	0.00	19.37	11.37	0	Tokio Marine & Fire	NDSQ 55.38	1.14	-5.94	61.37	39.00	84	
Accel International Corp.	NDSQ 2.75	-6.38	-8.33	3.50	2.12	31	Harleyville Group	NDSQ 20.06	-2.13	-21.32	28.50	17.25	192	Torchmark Corp.	NDSQ 32.06	0.00	-7.73	49.81	30.68	2633	
Acceptance Insurance Cos.	NYS 17.19	-0.36	-3.52	25.75	16.75	130	Hartford Steam Boiler	NDSQ 35.50	-1.56	-11.68	59.56	34.75	337	Transatlantic Holdings	NDSQ 75.38	0.58	-0.33	94.50	71.50	112	
AEGON N.V.	NYS 100.38	-7.17	-17.68	130.12	48.50	245	HCC Insurance Holdings	NDSQ 16.38	-13.25	-3.32	23.93	16.05	615	Travelers Property Casualty	NDSQ 33.31	4.51	8.78	45.93	24.12	1494	
Aetna Life & Casualty	NYS 78.00	-3.11	-2.27	91.43	60.18	3528	ING Group N.V.	NDSQ 55.13	-4.96	-9.63	76.75	36.06	382	Trenwick Group Inc.	NDSQ 31.75	0.79	0.40	41.75	26.75	536	
AFLAC Inc.	NYS 49.56	0.83	12.64	50.50	25.12	4516	IPC Holdings Ltd.	NDSQ 20.50	-4.65	-9.89	33.25	19.00	315	Unico American Corp.	NDSQ 12.13	-4.90	5.15	18.12	8.87	15	
Allmerica Financial Corp.	NYS 51.63	2.86	-8.83	75.25	36.37	1579	Harford Financial Services	NDSQ 50.44	-0.37	-9.63	60.00	37.62	2509	United Fire & Casualty	NDSQ 31.38	-1.95	-5.73	44.50	30.75	11	
Allstate Corp.	NYS 36.13	0.70	-6.17	52.37	34.75	11385	LaSalle Re Holdings Ltd.	NDSQ 18.06	3.96	-12.42	42.93	17.25	133	Unifrin	NDSQ 64.13	-4.11	-9.52	75.46	55.56	177	
AMBAC Indemnity Corp.	NYS 54.88	-3.83	-8.45	65.93	40.87	995	Lincoln National	NDSQ 84.13	4.67	1.51	98.87	67.00	1234	UNUM Corp.	NDSQ 45.31	-18.72	-24.40	62.50	41.75	14643	
American Bankers Ins.	NDSQ 45.69	1.81	-4.32	66.06	30.12	1141	MAIC Holdings Inc.	NDSQ 30.81	1.44	-3.71	33.12	23.25	115	Vesta Insurance Co.	NDSQ 6.81	-6.84	18.48	60.50	5.00	613	
American Financial Group	NYS 35.06	0.18	-14.87	45.75	30.50	251	Markel Corp.	NDSQ 178.44	0.49	-1.01	187.00	132.00	12	Zenith National Ins.	NDSQ 22.38	-2.19	-3.24	30.50	20.31	84	
American General	NYS 65.44	-1.69	-16.37	79.00	52.37	3017	Merkel Corp.	NDSQ 178.44	1.44	-3.71	33.12	23.25	115	INSURERS/REINSURERS	NDSQ 21.75	-2.11	-7.18				
American Heritage Life Ins.	NYS 22.50	-6.74	-6.49	26.68	18.62	96	MBIA Insurance Group	NDSQ 57.00	-4.50	-14.04	80.93	46.06	2323								
American Indemnity/Fin'l	NDSQ 11.25	5.88	5.88	15.37	9.50	2	Meadowbrook Insur. Group	NDSQ 16.50	0.76	1.15	35.00	14.93	32								
American International	NYS 107.00	4.84	9.88	107.93	64.87	12252	MMI Cos. Inc.	NDSQ 14.63	-8.59	-12.36	26.00	13.75	70								
American Safety Insurance	NDSQ 9.50	-36.9																			