FEBRUARY 19, 2001

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UPDATES

Employer's accommodations not enough under ADA: Court

SAN FRANCISCO—An employer violated the Americans with Disabilities Act when it terminated a worker suffering from obsessive-compulsive disorder without first engaging the worker in a good-faith discussion to find a reasonable accommodation, a federal appeals court ruled last week.

Although the Modesto, Calif.-based Memorial Hospitals Assn. made several offers to accommodate the worker, it

See **Updates** *on next page*

Genetic screening faces lawsuits

By ROBERTO CENICEROS

FORT WORTH, Texas—Employers face too many potential liabilities to follow the pioneering lead of The Burlington Northern & Santa Fe Railroad Co. in implementing genetic testing of employees who file work injury claims, defense attorneys say.

Employers say, though, that such tests could help them create safer work environments for their employees.

Fort Worth, Texas-based BNSF announced last week that it will end a genetic testing pilot program it implemented last March. The program included obtaining blood samples and examining the DNA of employees who filed claims for work-related carpal tunnel syndrome.



BNSF's decision to halt its program follows a Feb. 9 announcement by the U.S. Equal Employment Opportunity Commission that it was filing a lawsuit against the rail company—its first in an employment-related genetic testing case. The EEOC said it was seeking to enjoin BNSF from the genetic testing of its employees.

Since March of last year, about 125 BNSF employees have filed carpal tunnel injury claims. But the blood tests were not broadly used, according to a company statement. The tests, the statement said, were ordered in only a limited number of cases involving carpal tunnel claims.

BNSF wanted to determine whether work-related duties were the sole cause of the injuries or whether the claimants were predisposed to carpal tunnel problems before engaging in the duties, a BNSF spokesman said. The company was not trying to reduce its claims costs, he said.

"Maybe we needed to change some facet of how work was done, from a safety point of view," the spokesman said.

The EEOC claims that basing employment decisions on genetic testing violates the Americans with Disabilities Act. The act, the EEOC says, prohibits employers from seeking disability information not related to an employee's ability to do his or her job.

See **Testing** *on page 42*

Portman,Cardin try again

Pension reform bill near

By JERRY GEISEL

WASHINGTON—As congressional backers of pension reform prepare to introduce new legislation, employer lobbyists are warning that the measure, despite enjoying overwhelming support in Congress, is by no means a sure bet to win passage.

Soon—likely early next month—Reps. Rob Portman, R-Ohio, and Ben Cardin, D-Md., will introduce legislation that would raise the maximum benefits that could be funded through pension plans, while also reducing the hassles associated with pension administration.

The Portman-Cardin bill is expected to be substantially similar to a measure the two congressmen introduced during the last congressional session and which the House of Representatives approved on a 401-25 vote. A similar bill was unanimously approved in the last session by the Senate Finance Committee. But the pension reform effort died when the Senate Republican leadership attached a compromise bill to a broader tax-cut bill. GOP leaders in the Senate then declined to bring up the tax-cut bill for a vote after President Clinton warned he would veto it.

While a similar scenario is unlikely this year, as a Republican-controlled Congress likely would not send President Bush a bill he would not support, that doesn't mean the pension legislation faces a clear path.

Indeed, before the measure has even been introduced, lobbyists are warning of a potential obstacle—the Bush administration's insistence that the size of its tax-cut package be limited to $1.6 trillion

See **Pension** *on page 41*



PHOTO: NEWSMAKERS

Police guard a Melrose Park, Ill., engine manufacturing plant after a former employee went on a recent shooting rampage.

Showing no mercy to violence at work

By SALLY ROBERTS

Two recent incidents of workplace homicide should serve as grim reminders to risk managers of the need to assess the effectiveness of their workplace violence programs.

Training employees how to identify suspicious behavior, setting up lines of communication that encourage employees to report such behavior, and following up with proper interventions are just a few of the procedures that will go a long way toward creating a safe work environment, experts say.

In addition, a risk manager should also evaluate the employer's insurance program and determine whether the company is properly covered if a violent incident should arise.

Overall, workplace violence experts say, employers have done a good job implementing policies and procedures in regard to workplace violence, and that has contributed to an overall decrease in the number of workplace homicides around the country. But employers must constantly update their programs and gauge their effective-

See **Violence** *on page 40*

XL expands business

Plans to buy Winterthur's P/C portfolio

By GAVIN SOUTER

WINTERTHUR, Switzerland—XL Capital Ltd. will propel itself into the international primary insurance market with its planned $600 million purchase of the large commercial business of Winterthur Swiss Insurance Co.

The deal will allow Hamilton, Bermuda-based XL to expand its business at a time when commercial property/casualty rates are hardening, and will help XL sell its existing excess casualty products to European policyholders, its executives say.

Additionally, the purchase will add stability to XL's portfolio, analysts say.

XL will buy all of the insurance business of the unit called Winterthur International, except for its auto and pension business. Winterthur also will retain its strategic risk solutions business, as XL already has a separate enterprise risk unit.

The business purchased represents gross premiums of about $1.3 billion, most of which is derived from Winterthur International's large commercial account business and its accident/health and employee benefits business.

XL also plans to maintain Winterthur, Switzerland-based Winterthur International's existing relationship with Travelers Group, through which it provides property/casualty coverage to Travelers' international customers.

Winterthur International's business composition is: 40% liability; 33% property and fire; 13% accident/health; 4% marine; and 10% other.

"We believe our purchase of Winterthur International's global risk

See **XL** *on page 41*

NEWSPAPER

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Spotlight: Self-Insurance: Property/Casualty & Employee Benefits

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UPDATES

Termination violated ADA: Court

Continued from previous page
failed to engage her in an "interactive process," as required by the ADA, that might have led the employer to offer appropriate accommodation, according to a three-judge panel of the 9th U.S. Circuit Court of Appeals in *Humphrey vs. Memorial Hospital Assn.*

Carolyn Humphrey, a medical transcriptionist and nine-year employee of the hospital, was repeatedly tardy for work and sometimes missed an entire day because of compulsive behavior, including repeated grooming, court records show. Ms. Humphrey was a highly competent worker but was disciplined several times for tardiness. She was later diagnosed as having an obsessive-compulsive disorder.

The employer offered her a flexible start time, allowing her to begin work within a 24-hour period on days she was scheduled to work. Nevertheless, she continued to miss work and requested that she be allowed to work from home. Although other transcriptionists worked from home, Ms. Humphrey's request was denied because of her previous disciplinary warnings, court records show. She was fired in 1995. In her suit, Ms. Humphrey claims that she then asked whether she could take a leave of absence instead of losing her job.

According to court records, the employer disputes that she requested a leave of absence and argues that she was offered a leave of absence prior to her firing. The employer said it had a policy of allowing medical leaves and would have granted one had Ms. Humphrey requested it prior to her termination.

She filed suit in 1996, claiming violation of the ADA. A district court granted summary judgment, ruling the employer had satisfied its duty to reasonably accommodate. But the appeals court reversed and remanded, concluding the employer had a duty to explore further accommodation methods before terminating Ms. Humphrey.

Connecticut doctors sue HMOs

NEW HAVEN, Conn.—Doctors in Connecticut are suing the state's largest managed care organizations.

Six lawsuits, brought by the Connecticut State Medical Society, were filed individually against Aetna U.S. Healthcare, Anthem Blue Cross & Blue Shield of Connecticut, CIGNA Corp., ConnectiCare Inc., Oxford Health Plans Inc. and Physicians Health Services Inc. The suits charge that the companies harm physicians by arbitrarily denying care for patients and by refusing to provide care without a proper explanation. The suits, which seek monetary damages and injunctive relief, also charge that the organizations have breached their contracts with the physicians by failing to pay them in a timely fashion. The Medical Society represents over 7,000 physicians in the state.

In addition, individual physicians have filed nearly identical lawsuits against the same health plans, seeking class-action status.

Dr. Donald Timmerman, president of the medical society, said that the suits are needed because the health plans have taken medical decision-making away from physicians in order to boost their profits.

"These lawsuits are intended to allow (physicians) to continue to practice good medicine in an environment unfettered with concerns about insurance company profits," Dr. Timmerman said in a written statement.

In its own written statement, CIGNA called the suit "unwarranted," though the statement noted that the company had not yet seen the complaint. "Our physician medical directors share the same commitment to quality care as other physicians in Connecticut and across the nation," the statement said.

Aetna, in a written statement, said that it was surprised by the suits and maintains that they are without merit. In its statement, Aetna said that company executives earlier had met with leaders of the medical society, "and absolutely nothing was said about the issues involved in this litigation."

Kaye to service small Willis clients

WESTPORT, Conn.—Willis North America Inc. has signed a revenue-sharing service agreement with Kaye Group Inc. whereby a unit of Kaye will take on 454 small commercial accounts previously handled by Willis.

The deal will allow Willis to concentrate on midsize- and large-account business, said a Willis spokeswoman in Nashville, Tenn.

The accounts will be handled by Kaye Insurance Associates Inc. New England, located in Westport, Conn.

New York-based Kaye recently announced that it would be acquired by Hub International Ltd. in Toronto.

Florida tort reform law overturned

TALLAHASSEE, Fla.—A Florida circuit court's ruling that the state's 1999 tort reform law is unconstitutional means proponents of reform have to start drafting new legislation.

Leon County Circuit Court Judge Nikki Clark ruled on Feb. 9 that the law is unconstitutional because it deals with more than a single subject. The law, which went into effect Oct. 1, 1999, contained reforms that dealt with punitive damages, joint and several liability, product liability and other matters.

While the ruling technically only is binding in Tallahassee and surrounding counties, it is a precedent-setting case that means "essentially, the law is null and void, which means we go back to

See **Updates** *on page 42*

Bill may help U.S. names escape disputed debts

By SARAH VEYSEY

WASHINGTON—The House Judiciary Committee last week approved, without amendment, a bankruptcy reform bill that could help some U.S. investors in Lloyd's of London to avoid paying their outstanding liabilities related to asbestosis losses.

Section 1310 of the Bankruptcy Abuse Prevention and Consumer Protection Act would bar the enforcement of foreign judgments that involve allegations of fraud occurring in the United States between the years 1975 and 1993. This provision in H.R. 333, according to a Lloyd's spokesman, is specifically worded to target Lloyd's effort to collect from U.S. investors.

Lloyd's incurred huge asbestosis-related losses in the late 1980s and early 1990s, and many investors—known in the market as "names"—allege that they were fraudulently persuaded to invest in Lloyd's as part of a so-called "recruit-to-dilute" strategy employed by the market during the 1970s and 1980s. That strategy allegedly was designed to attract new investors who would be saddled with impending asbestosis losses that Lloyd's executives knew were about to hit the market, the names charge. Those allegations were dismissed, however, in a high profile case in the U.K. courts last year.

A companion bankruptcy reform bill containing a similar provision has been introduced in the Senate but has not yet been approved by the Senate Judiciary Committee.

Although the measure could aid U.S. names in efforts to defend against Lloyd's collection efforts, it does not give them any new cause of action.

"The (proposed) legislation will not give any rights to any names to initiate lawsuits against Lloyd's," said Gene Goldman, an attorney with McDermott, Will & Emery in Washington, who represents the American Names Assn. "The legislation will only be triggered if Lloyd's comes over to the U.S. courts to seek to enforce the English judgment that resulted from proceedings where the English Court denied the names the right to assert fraud as a defense," he explained.

Under the proposed legislation, names could refuse to make payments to Equitas—the reinsurer set up to run off Lloyd's pre-1993 long-tail liabili-

See **Lloyd's** *on page 41*

Blocking hacker attacks

Protection not as difficult as some may think: Expert

By MICHAEL BRADFORD

ATLANTA—Businesses can greatly reduce the chances that their computer systems will be hacked by taking some simple precautions, an Internet security expert says.

It's really not difficult to stop most hackers, who tend to be lucky and not particularly bright, said Ira Winkler, president of Internet Security Advisors Group in Severna Park, Md.

Speaking at the IVANS Chief Executive Forum held in Atlanta Jan. 31 through Feb. 2, Mr. Winkler said that some companies think the problem is insurmountable because they believe hackers are sophisticated criminals that cannot be thwarted. "Then you hear President Clinton on the news" talking about allocating $1.5 billion in funding for research "to try to address the hacker threat," he added.

With that news, many companies then assumed that combating hackers required resources far beyond their means, Mr. Winkler remarked. "So in return, they do nothing."

The reality, he explained, "is that the hackers are really putzes. They just sit there and type away and spend hours in front of a computer system because they have no other life."

He explained that most hackers get lucky because "there's nothing in place to stop them, not because they're that good...I can train a monkey to hack a computer in four hours."

Mr. Winkler warned that most hackers already are inside the company's gates. "These are people who work on the inside. If you're only afraid of the hackers on the outside, you're missing 70% of the problem."

Often, Mr. Winkler said, hackers get into computers because someone has left a system disk lying around or used easy-to-guess passwords that allow a user an entryway into the system. System owners "put in bad passwords; they put in no passwords," he said "They take an otherwise secure computer and made it weak because they left the system disk right next to the computer system."

Client-server systems also sometimes leave doors open for outsiders to access a client's systems, according to Mr. Winkler. Many such systems are configured so that anyone with an Internet

See **Hackers** *on page 42*

EBIS directory deadline extended

Business Insurance will publish its annual Directory of Employee Benefit Information and Communication Systems on March 19, which will also contain a Spotlight report on Benefit Technology and Online Solutions.

To be included in this directory, your company must produce and supply proprietary computer software products and interactive benefit communication software directly to corporations for the purpose of managing their own employee benefit plans. Companies that deal only in hardware and/or support services are not eligible to be listed.

If your company meets the requirements and has not received a questionnaire, please request one immediately by calling Assistant Directory Editor Michel Schwartz at 312-649-5313.

Copies of the questionnaire also can be printed from the directories area of *Business Insurance's* Web site at *www.businessinsurance.com.*

Completed questionnaires must be submitted by the extended deadline of March 1.

INSIDE

- The time is long overdue for all segments of the U.S. property/casualty industry to rethink federal regulation, this week's editorial says. **PAGE 8**
- European employers, which already face a growing exposure to discrimination claims, may see that exposure increase as European Union member states move to adopt a new, broader directive on employment discrimination. **PAGE 37**
- Property/casualty insurance rates are hardening for most lines of business in Australia, a new survey of underwriters, brokers and reinsurers shows. **PAGE 37**

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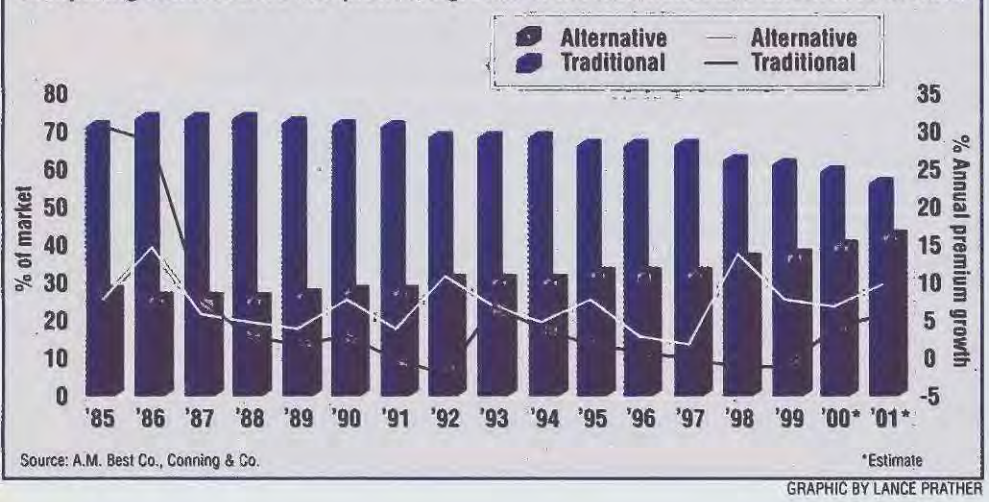
SPOTLIGHT REPORT

Self-Insurance: Property/Casualty & Employee Benefits

Firmer rates drive renewed interest in self-insurance

State of the ART market

Comparing market share and premium growth of the traditional and alternative markets



Source: A.M. Best Co., Conning & Co. *Estimate

GRAPHIC BY LANCE PRATHER

By MICHAEL BRADFORD

These days, when traditional insurers look over their shoulders, they see alternative risk transfer vehicles gaining on them.

Businesses increasingly are turning to self-insurance as insurers raise rates in a tightening commercial market. Self-insurance always gets a closer look during a hard market, and the current situation is no exception. But there are indications that businesses learned some lessons during the severe conditions of the mid-1980s and each year since have become more comfortable assuming risk.

The ART market began encroaching on the commercial market's territory in 1988, and it hasn't backed off since. In each of the past 12 years, premium growth among certain self-insurance mechanisms has outpaced that of traditional market insurers, according to figures compiled by A.M. Best Co.

Best considered only captives and pooling arrangements when compiling its data. "Those make up the majority of the premiums in the alternative risk transfer market," explained Ralph Cagnetta, senior financial analyst at Oldwick, N.J.-based Best.

By the end of 1999, captives and pooling made up almost 40% of the total commercial marketplace and are expected to account for nearly half in 2003, Best projects.

Mr. Cagnetta acknowledged that the ART market's share of commercial insurance is even greater when programs such as high-deductible plans and retentions are taken into consideration.

Employers look to a number of options when considering self-insurance. Large deductible and retention programs, pooling, captives and other methods are among the most popular. In addition, risk retention groups appear to be seeing renewed interest after formations slowed in recent years. The trend toward captive use, which gained momentum in the past few years, continues to

See **Trends** *on page 6*

Patient rights proposal puts self-insurers at risk

By JERRY GEISEL

Legislation to give health care plan participants more legal remedies when care is improperly denied could pose new risks for self-funded employers but could also provide new ways to fund health care plans.

Trade groups representing self-funded employers say the biggest threat their members face in Washington is patient protection legislation.

While the bills vary in detail, they are united in one key area—they would expose employers with self-funded plans to state damage awards in claims involving coverage damage. In doing so, the bills would eliminate a provision in the Employee Retirement Income Security Act that protects self-funded plans from state damage awards. Under ERISA, an employer's liability in a coverage denial action is limited to the actual loss incurred by a health plan enrollee, such as reimbursement for a hospital bill.

The threat presented by patient protection legislation is "the most-important issue facing the self-insured community," said George Pantos, Washington counsel for the Self Insurance Institute of America, a Santa Ana, Calif.-based trade group that represents employers and plan administrators.

Mr. Pantos and others say that if employers face what could be unlimited liability for coverage and other decisions regarding the operation of their plans, the result will be a mass exodus of employers from the health care market.

"Why would an employer want to sponsor a plan if it could be held liable for unlimited damages? The short answer is, they wouldn't," he said.

The controversy over patient protection legislation is not new. Indeed, the matter has been debated in Congress for nearly five years. But some say that this year, with a new Congress and a new administration, could be different than previous sessions, in which congressional members of both parties as well as the Clinton administration showed little interest in reaching a compromise.

"There is a real willingness among both Republicans and Democrats to get this wrapped up. We will see a bill passed this session," predicted Frank McArdle, a consultant in the Washington office of Hewitt Associates L.L.C.

"Two years ago, a fierce debate began in Congress over whether any liability should be added. Now the starting point appears to be what form liability will take, not on whether or not there will be liability," Mr. McArdle said.

A step that Congress could take—one that President Bush appears to favor—would be to expand the remedies patients would have against health plans, especially against health maintenance organizations, but to continue to shield employers from state damage awards.

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Spotlight Editor: Michael Bradford

Shifts in benefits self-funding

Percent of companies self-funding their health care benefits by plan type

Type of plan	1994	1995	1996	1997	1998	1999	2000
Indemnity plans	74%	70%	70%	72%	68%	72%	68%
Preferred provider organizations	77	71	72	73	73	70	67
Point-of-service plans (for both in-network and out-of-network claims)	50	47	52	46	53	50	48
Health maintenance organizations	8	10	6	10	10	10	7

Note: responses for companies with 500 or more active employees
Source: William M. Mercer Inc.

Health cost volatility may spur shift in self-funding

By JUDY GREENWALD

Conventional wisdom suggests that rising health care costs would encourage more employers to move toward self-insured benefit plans.

But a major survey of health care trends suggests that, currently, the reverse may be occurring, with an increase seen in the number of companies moving to insured from self-insured programs. This shift may be driven by employers' desire to transfer the volatility and uncertainty of health care cost increases to insurers, rather than retain it.

Not all observers are convinced, however, that self-insurance is losing ground, and they contend that the overall number of employers self-insuring their health plans continues to grow or at least remain steady.

Experts agree that, at this point, there is no mass movement in either direction. Most major corporations that years ago moved to self-insurance for their health care plans have remained with that approach, while smaller companies that cannot effectively spread their risk still are more likely to be insured.

"Most of the employers in the medium and large market which I deal with primarily have moved to self-funded already for most of their plans," said Rich Sinni, director of the Northeast health and welfare practice for Unifi Network, a unit of PricewaterhouseCoopers in New York.

William M. Mercer Inc.'s most recent national survey of employers, however, found a small but perceptible movement away from self-insured plans.

For example, 67% of employers with at least 500 active employees self-insured their preferred provider organization plans in 2000, down from 70% in 1999 and down from as much as 77% in 1994, Mercer found (*BI*, Dec. 11, 2000).

The study yielded similar findings for other types of plans: A total of 68% of employers with indemnity plans self-insured them in 2000, down from 72% in 1999; 48% of employers with point-of-service plans self-insured them last year, down from 50% in 1999; and 7% of large employers with health maintenance organization plans self-insured their HMOs, down from 10% in 1999.

Blaine Bos, a principal in the Chicago office of Mercer, said the shift was notable among midsized employers with 500 to 1,000 workers. Employers of this size "are moving significantly out of the self-insured market and into the insured market across all categories, particularly PPO and HMO organizations," he said.

This movement away from self-insurance is "indicating to us a measure of risk

See **Self-fund** *on next page*

Self-fund

Continued from previous page
aversion in a marketplace that is seeing a significant increase in total costs, which would make sense," he said.

For these midsized employers "self-insurance is certainly a viable alternative," because their covered population generally would be big enough so that individual risks could be spread out, Mr. Bos noted. But these employers are "kind of on the cusp" and could go either way, he said.

The Mercer survey also found increased movement toward insured PPO plans among large employers in the 1,000 to 5,000 employee range, "which was somewhat surprising," given their size, said Mr. Bos.

"That movement again has to be a response to an expectation of higher cost increases in the future, and this would be a management technique to shift the risk for increasing (cost) trends to the insurance industry," Mr. Bos said of the activity among larger employers.

"When costs go up, but the trend is predictable, you're better off self-insuring," according to Mr. Bos. If employers can predict with some certainty that rates will increase 9% to 10% over the next three or four years, self-insurance is appealing "because you can budget for that," he said. Similarly, self-insurance is also a good strategy when costs are declining.

But if costs are going up and the increase is not predictable, which is currently the case, employers may decide they are better off shifting that risk to the insurance industry, he said. "Then, insurance makes a ton of sense" because companies can protect themselves "against the unknown on the upside risk," he explained.

The shift seen in the Mercer survey indicates "there's a tremendous amount of uncertainty in the market, and there then could potentially be a rush to insurance such as we haven't seen since the late '70s," when self-insurance really took off, Mr. Bos said.

Not everyone, though, is convinced the trend is for employers to move away from self-insurance.

John Povinelli, vp and benefits consultant for The Segal Co. in Phoenix, said he believes that employers still are opting to self-insure.

Over the past couple of years, employers have become more interested in fully insured managed care programs, Mr. Povinelli acknowledged. But in response to rising medical cost inflation, consolidation and legislative reforms, "I've seen more conservative underwriting by those managed care players," he said.

"As a result, we're seeing a lot of employers saying, 'I'm no longer willing to essentially turn over this load of money to a managed care organization where they're being very conservative in their underwriting, and not sharing in the possibility that there's going to be favorable experience.'"

Mr. Povinelli also noted that managed care companies typically have high administrative costs, "and employers feel they can be more efficient when they're self-funded in getting lower medical costs," he said.

Cara Jareb, consulting actuary with Watson Wyatt Worldwide in Washington, said, "I'm not seeing much movement, but of those who do move, it's generally to the self-insured" market.

"Part of the problem with fully insured plans is that the rate ends up being so much higher," because rating factors—including profits, taxes and broker commissions—add another 3% to 10% to what employers are charged, said Ms. Jareb. "You are paying something more, effectively, for no additional benefits for the same coverage," she said. "That becomes the deterrent to moving to insured plans."

This is particularly true for large groups, Ms. Jareb said. "I guess in small groups, where the claims are more volatile, it does seem more feasible to perhaps move toward fully insured arrangements; but with the larger groups, the volatility lessens because of the law of large numbers."

Jim Winkler, a Norwalk, Conn.-based senior consultant with Hewitt Associates L.L.C., said, "We're really seeing the market moving in opposite directions at the same time."

But the net change continues to be toward self-insurance, "by a slim margin," he said.

There are some self-insured employers that are seeing cost trends going up and are investigating whether they "can aggressively negotiate a fully-insured arrangement" by finding a health plan that wants to buy market share, and then locking "themselves into a better cost structure," Mr. Winkler said.

At the same time, however, "We're seeing a significant number of employers who are fully insured right now struggling with significant rate increases, and being absolutely convinced their actual experience has got to be better than the fully insured rates they're getting," he said.

These companies are asking for advice about becoming self-insured, said Mr. Winkler.

Self-insured employers report they are happy where they are.

Phoenix-based CSK Auto Inc. has self-insured its health care benefits "for quite some time" and plans to continue doing so, said JoAnn Hinson, senior manager of health and welfare benefits for the auto parts retailer, which has 14,500 employees in 19 states.

"We're a retail organization and have a fairly large population of associates in multiple locations. The self-insured model really works best for us," said Ms. Hinson.

CSK, which operates auto parts stores under the names Checker, Schuck's and Kragen, does re-examine this issue each year, said Ms. Hinson. "So far, the trend has definitely been to really travel even further into the self-insured market instead of away from it," she said.

Similarly, Phoenix-based Pinnacle West Capital Corp., a conglomerate whose businesses include a large electric utility, a real estate company and an investment company, has revisited the issue within the past year but still remains committed to self-insurance, said Benefits Manager Donna Thomas.

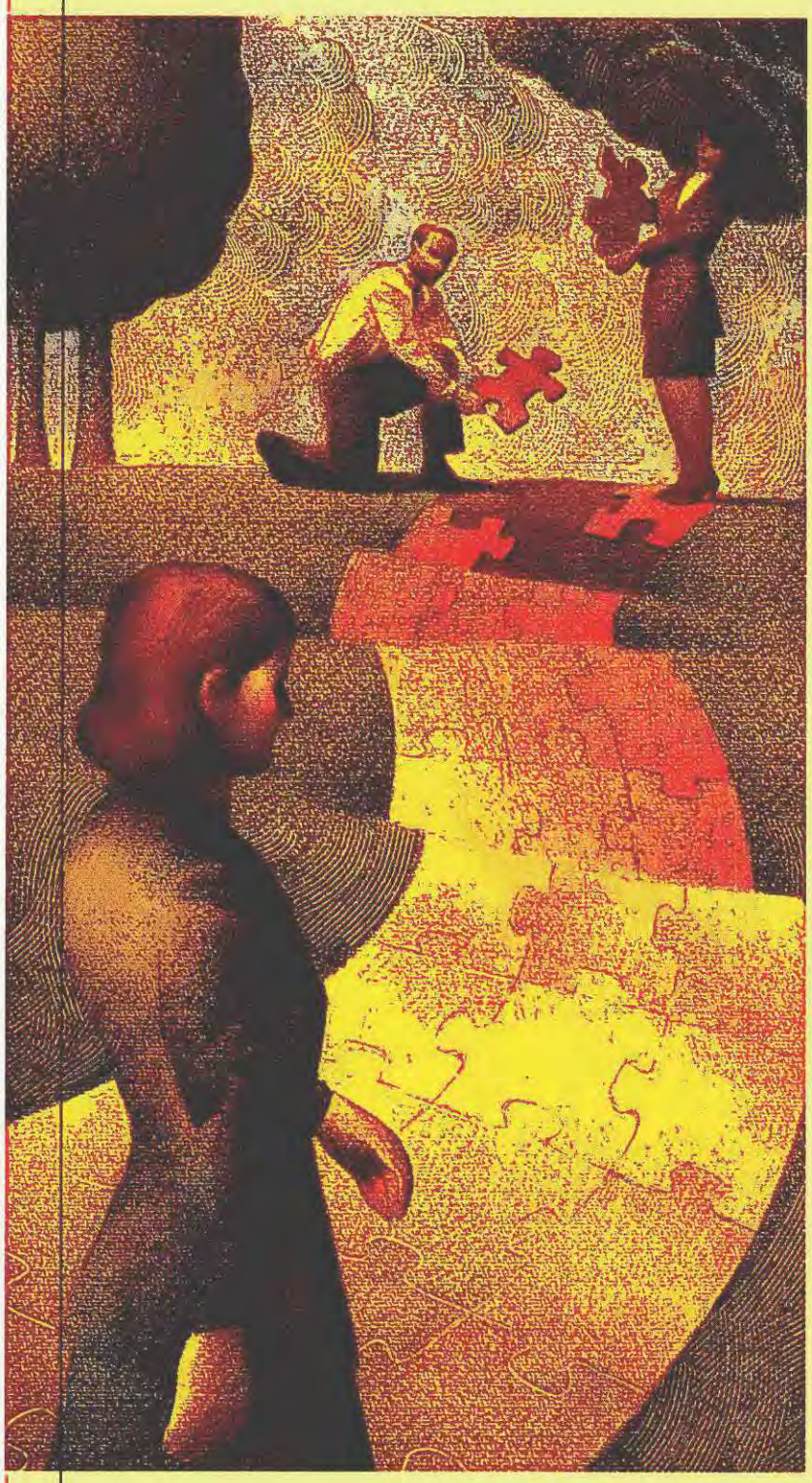
"We felt that we have done fairly well at maintaining costs over the last 10 years that we've been self-insured, and, at this point, even though medical costs are going up and we're experiencing that as well, we're still willing to take that risk," said Ms. Thomas.

Meanwhile, some companies have been equally committed to stay in the insured market all along.

Harvey Sobel, principal and consulting actuary for Buck Consultants Inc. in Secaucus, N.J., said, "there's still a pretty wide universe of people who are insured. Some of these people are too small to self-fund or they may have problems self-funding."

Others are big employers that, for a variety of reasons, including inertia, have not made the move to self-insurance, though they would consider moving if they believed it would save them money, said Mr. Sobel. BI

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THE BENEFIT
of Self-Funding



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What can we do to help you?

Plans

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"The Texas solution is to hold HMOs accountable but not to change ERISA" for self-funded plans, said the SIIA's Mr. Pantos, referring to a Texas law, passed when President Bush was governor of the state, that opened HMOs up to state damage lawsuits but did not expand the liability of self-funded health plans.

If patient protection legislation does work up a head of steam, it is almost certain that a new effort will be made to tack onto the measure a proposal that will open the door for trade associations to offer their members health care plans that would, in general, be exempt from state regulations, such as many mandated benefit requirements.

Given that patient protection legislation almost certainly will raise health care costs somewhat, it would be natural for Congress to include other provisions that could lower costs, Mr. Trautwein said.

In fact, during the last congressional session, the House included in its patient protection bill provisions that would have created new "association health plans" that could operate nationwide after meeting new federal solvency and other standards.

The states, if they so choose, could regulate these plans, but they would, in general, have to enforce the federal rules and not their own. The U.S. Department of Labor would regulate the new plans in those states in which insurance commissioners declined to regulate the AHPs.

AHPs could be either self-insured or fully insured. But to qualify for the special exemption from state regulation, at least one of the association health care plans offered to members would have to be fully insured.

Current law puts significant impediments in the way of national trade associations that want to offer health care coverage to their members. If a trade group offers a fully insured plan to members, the insurer writing the coverage has to meet the various mandated benefit requirements of every state in which the plan is offered. That raises costs and prevents trade groups from offering uniform benefit packages, AHP backers say.

If an association self-insures a health care plan, that plan typically is considered a multiple employer welfare arrangement, which is subject to state regulation. Many state regulators consider MEWAs to be unauthorized insurers and have tried to shut them down, though a few states have passed statutes setting special rules to allow MEWAs to operate.

Trade associations say their members, especially smaller firms, are eager to obtain coverage from AHPs, which could lower their costs through greater economies of scale and exemption from state benefit mandates.

AHP advocates say there is strong support for the concept in Congress, and they expect a bill to be introduced in the next few weeks. They also say that President Bush is likely to back AHPs, noting that he endorsed the concept during the presidential campaign.

But others are strongly opposed to AHPs. One such opponent is the Blue Cross & Blue Shield Assn. Mary Nell Lehnhard, the group's senior vp in Washington, maintains that AHPs are bad concept. She contends that solvency standards for AHPs are too low and that the Labor Department lacks the resources to regulate the plans.

There could arise the same sort of regulatory vacuum that occurred in the 1970s and 1980s, when multiple employer trusts—the predecessor to MEWAs—and, later, MEWAs themselves failed amid uncertainty over whether state or federal regulators had the authority to regulate them, Ms. Lehnhard said.

The failure of METs and MEWAs has been attributed to promoters—often third-party administrators—that set low premiums to attract employers and then collected hefty administrative fees. Ultimately, many plans failed because they lacked sufficient reserves to pay claims. Outright fraud also played a role in failures.

But AHP backers say comparing AHPs to METs and MEWAs is unfair. They note that AHPs would have to meet certain solvency standards and would have to be controlled by trade group members, while METs and MEWAs were often controlled by outsiders. BI

Trends

Continued from page 3

attract risk managers looking for ways to control their losses and save money. And firming insurance rates at recent renewals prompted some risk managers to take a harder look at this form of self-insurance.

"Some of my clients who have just gone through renewals are asking questions about the possibility of using captives," said Stephen Scammell, a consultant with Tillinghast-Towers Perrin in Parsippany, N.J. "Many, but not all, have been surprised by insurance renewals."

"Everybody kind of got scared as renewals started coming in," said Bruce S. Zaccanti, director of property/casualty risk management consulting at Arthur Andersen L.L.P. in Chicago. "There have been a lot of questions" from clients about proper risk retention amounts and other ways to self-insure, he noted.

Employers with significant property risks are particularly interested in self-insurance, after renewals left many businesses facing big rate hikes. Mr. Scammell said. Many such employers are asking whether a captive "is a good idea," he added. "We are seeing them start to explore it at this point."

For a lot of employers, captives make more sense than other self-insurance alternatives, Mr. Scammell noted. "They look at the deductible route, and sometimes that works and sometimes that doesn't work. Raising your deductible does not necessarily result in less premium, because the insurance industry needs more premium. It's pretty hard to avoid premium increases."

In some cases, employers are raising retentions not out of choice but at the insistence of insurers, which are attempting to lessen their own exposures.

"The market is going to drive it, whether you want large retentions or not," said Charlie Heins, corporate risk manager at AEGON USA Inc., a financial services company in Cedar Rapids, Iowa. He pointed out that many companies, however, already carried large retentions when the market began to tighten.

AEGON USA, Mr. Heins noted, is among the companies looking closely at self-insurance alternatives for their property/casualty risks. "Absolutely," he said, without revealing specifics of the company's insurance program. "What we have done is work closely with our brokers and internally in an attempt to model our retention decisions on what makes sense for the corporation."

That involves analytical processes, such as risk-mapping, that AEGON USA will use to determine the best ways to cover its exposures in the current marketplace, according to Mr. Heins.

As the commercial market has hardened, Arthur Andersen has seen "a lot of clients coming back, looking at captives," said Mr. Zaccanti.

And in doing so, they are looking beyond risk transfer to broader business goals, Mr. Zaccanti pointed out. For example, employers want to make sure captives are the right move with regard to tax issues, he said. "There's more tax strategy and planning with insurance products, rather than just transferring risk."

Paul W. Smith, manager in the property/casualty risk management consulting division at Arthur Andersen, said the U.S. government's "easing up in challenging the deductibility" of premiums paid to captives is one of the "key drivers" of the current interest in captives.

For example, in late 1997 and early 1998, two federal courts ruled that premiums that a company's subsidiaries pay to its wholly owned captive are deductible (*BI*, Jan. 19, 1998).

Some employers simply mothballed their captives during the soft market and are now considering taking them out of the closet, according to Mr. Zaccanti.

"We saw a lot of clients jump out during the last soft market" and purchase insurance, he said, "because it got ridiculously soft. It didn't make sense for them to self-insure. They were being smart, and we advised them to take that deal," he said of clients' decisions to buy inexpensive coverage in recent years.

"They now are looking at revamping their captives," Mr. Zaccanti said. "They didn't get rid of it, they just put it in quiet mode."

Many companies are self-insuring exposures for which there is an "unsatisfied demand" for coverage in the traditional market, said D. Hugh Rosenbaum, principal with Tillinghast in London.

"There is—even more now than in previous years—a demand for the kinds of insurance and risk financing that buyers cannot find," including such coverages as brand protection and oil-price protection, Mr. Rosenbaum said.

Employers are turning to captives to provide coverages they can't find or afford elsewhere, agreed Mr. Smith of Arthur Andersen.

He said a client recently began insuring a type of earnings protection in a captive. The client produced "high-end luxury items," he said, declining to be more specific. "They are concerned about a recession," he explained, and they want to cover the salaries of highly skilled workers in the event that a downturn in the economy hurts sales.

Workers compensation insurance costs are a particular problem for employers in the current marketplace, and many are turning to pooling arrangements as a way to lower those expenses.

"We're seeing a lot of interest coming back toward pooling business," said Skip Brechtel, president of Management Services USA Inc., a Metairie, La.-based third-party administrator. Workers comp pools are becoming "very competitive again," he noted.

Many employers have always felt they could get better service from a self-insurance pool than from the traditional market, but could not justify the pools' higher costs in recent years, Mr. Brechtel said. "Now, with prices equal, we see them jumping back into the pools."

"We are clearly seeing an increased number of policyholders looking to us for coverage," said David Bondy, chief executive officer of the Louisiana United Business Self Insurers Fund, a workers comp fund run by the Louisiana United Business Assn. in Baton Rouge. "In the last few months, we have seen an influx of larger policyholders, as opposed to what we saw in the soft times, when there were so many other choices," Mr. Bondy said. "We've seen a 50% increase in the size of our accounts in the last year."

There are also rumblings of renewed interest in risk retention groups after several years in which few RRGs were formed.

"They had a great surge in January—three new ones were formed," said Karen Cutts, publisher of the Risk Retention Reporter in Pasadena, Calif. "That's more than all that were formed the year before. In addition, Ms. Cutts said she has been told that a number of potential RRGs "are in the pipeline."

Ms. Cutts noted that one of the groups formed in January was set up in South Carolina to provide coverage for truckers. That state, which recently began operating as a captive domicile, is encouraging the formation of RRGs, Ms. Cutts pointed out.

Most of the groups formed in recent years, including one of the January formations, were set up to provide extended-warranty coverages. All three risk retention groups established in 1999 write such coverage for automobiles. One of the two set up last year writes that coverage, and another provides homeowners with warranty coverage.

Whatever the reason for establishing or participating in a self-insurance vehicle, there are benefits that employers don't get from the traditional market, experts agree.

"People that are proactive from a loss control perspective and are not in it for the short run are going to continue to do things that drive down costs," said Mr. Brechtel. "They know that, in the long term, they are going to save many more dollars from a self-insurance perspective."

In some cases, it's just more comfortable to self-insure, according to Mr. Bondy of the LUBA fund. "Consistency, comfort and dependability are big factors" that lead many employers to choose the fund, he said. And it doesn't hurt, he added, that "we have a friendly attitude." BI

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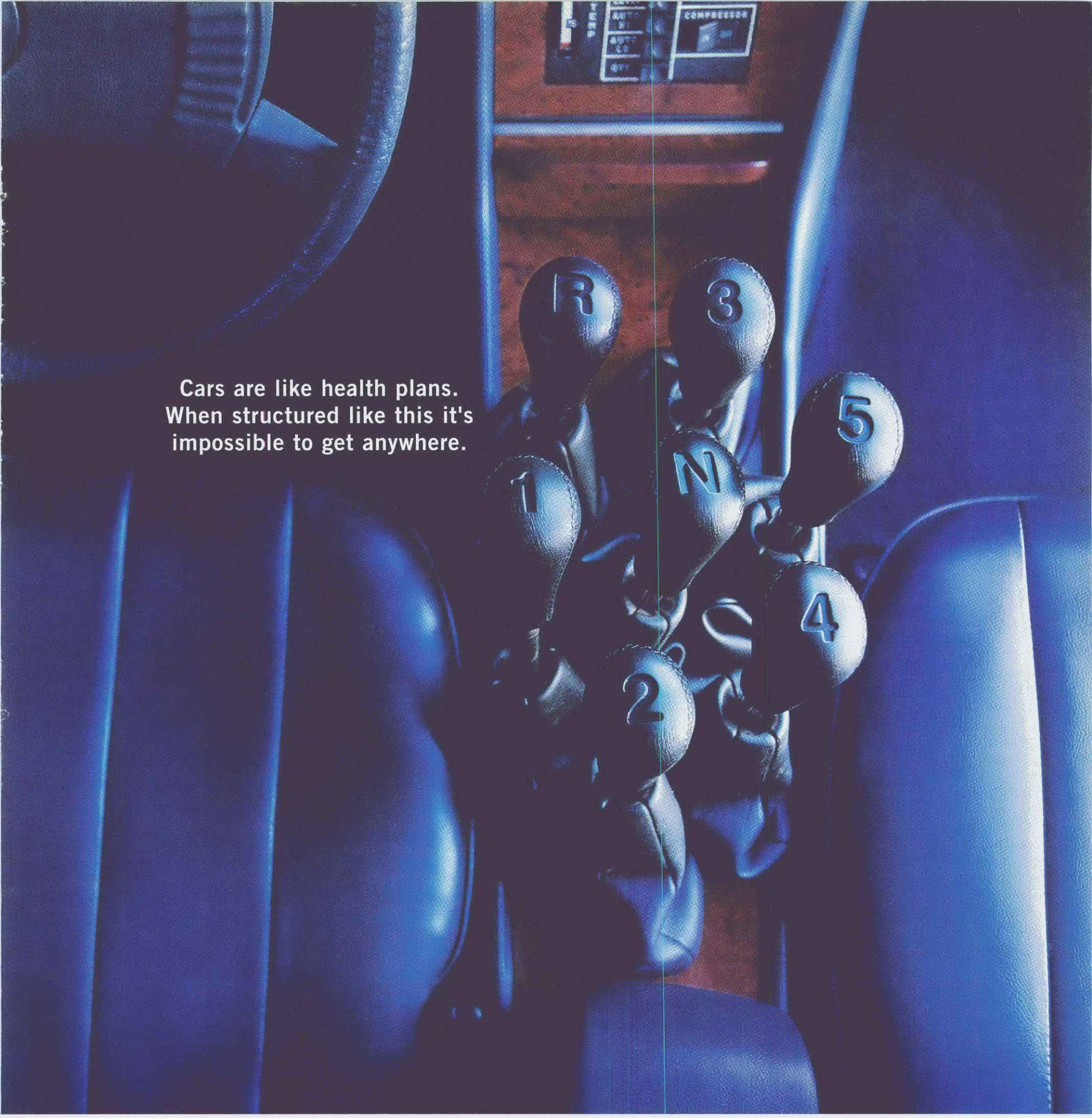
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OPINIONS

Consider federal regulation

IT MAY SOUND LIKE HERESY to some insurers, some agents and even some risk managers, but the time is long overdue for all segments of the U.S. property/casualty industry to rethink regulation.

The American Insurance Assn. is the latest industry association to recognize that a drastic change in regulation is necessary if insurers are to compete effectively amid the many changes taking place in their marketplace and business in general.

As AIA President Robert E. Vagley writes elsewhere in this issue, the current regulatory system has become too cumbersome for today's insurers (see Perspectives, page 24). The AIA, therefore, is calling for companies to be granted the option of obtaining a federal charter as an alternative to being regulated in each state in which they operate.

As Mr. Vagley notes, financial services reform, globalization and technology are all rapidly changing how U.S. insurers and consumers operate. These changes are creating a far broader marketplace than was contemplated more than 50 years ago, when the McCarran-Ferguson Act—which formally stated that insurance regulation is the responsibility of the states—was implemented. While there continue to be many insurers and policyholders that operate in a single state or region, many others have expanded their operations nationwide and worldwide. To them, the current patchwork regulatory system adds extra costs, stifles their flexibility and holds back their ability to compete.

For geographically limited companies, the state-based system likely is still the most effective for meeting their needs and those of their customers. But for larger multistate insurers—particularly commercial lines companies with sophisticated policyholders—a federal charter makes far more sense.

The most dramatic changes to how the U.S. insurance industry operates are due to the Gramm-Leach-Bliley Act. That 1999 financial services modernization law—driven largely by market forces; namely the combination of Citicorp and Travelers—changed the rules of competition for banks, insurers and securities firms. These companies no longer are segregated and artificially protected from one another. As a result, the financial services arena is now governed by survival of the fittest, regardless of whether the fittest happens to be an insurer, a bank or a securities firm.

Banks and securities firms, however, are subject to federal oversight, while insurers are not. That raises valid questions about the tilt of the playing field for insurers in the wake of GLB.

We readily acknowledge that state regulators, through the National Assn. of Insurance Commissioners, have made an effort to streamline and update processes and bring greater uniformity to the state-based system. The NAIC, particularly under the leadership of immediate past President George Nichols III, has worked to promote changes at the state level to reflect the new reality created by the financial services modernization law.

But the pace of reform by the states hasn't kept up with the demands of the changing financial services marketplace.



For example, to date only a handful of states have either approved uniform licensing legislation or agreed to reciprocity for agent licensing. GLB stipulates that if at least 29 jurisdictions don't take one of these steps by November 2002, a national clearinghouse will be created to take over the job of multistate licensing of agents and brokers. Although more legislatures are likely to take up the matter this year, there doesn't seem to be any rush to get this common-sense reform enacted.

On this and other slow-moving issues, state regulators either do not realize what is at stake or lack the power to make their goals a reality. After all, while the NAIC may lead state reform efforts, it ultimately has no authority to make the changes it advocates.

The burden of multistate licensing for agents as well as insurers is but one illustration of how the current system puts the insurance industry at a disadvantage compared with its competitors, be they banks, securities firms, Internet entities or alternative risk financing options. And that means the consumer is put at a disadvantage.

We therefore agree that the concept of optional federal chartering for insurers is an idea worthy of consideration that must be discussed openly by the industry. The insurance industry can no longer afford to worship blindly at the altar of state regulation.

We applaud the AIA for stepping forward to encourage this discussion and urge other industry associations to put aside their unwavering devotion to the state-based model and consider whether an alternative is needed.

Moving into the 21st century, the financial services landscape has changed dramatically. It's time regulation caught up.

LETTERS

Praise for BHCAG care system model

To the editor: Missing from your Jan. 29 article "Refocusing on Quality" was a provider's view on the impact of the care system benefits model developed by the Buyers Health Care Action Group.

From my perspective, the impact has been positive in three important ways. First, it has freed physicians and patients to decide treatments without health plan interference. Second, it has forced provider groups to compete for patient-satisfaction ratings. Third, it has provided financial incentives for providers that treat patients who are sicker than average.

The ability to price and practice medicine without pre-approvals and capitated rates has resulted in gains for employers and employees, including lower administrative costs, quality improvement and substantially lower premium increases than for traditional managed care plans.

We value the direct relationships with employers that the care system model encourages. And we look forward to working directly with the employers of BHCAG to create other approaches that embrace the principles of informed consumer choice, direct patient-provider relationships and competition.

Dr. Robert Burmaster
President
Fairview Physician Associates Network
Edina, Minn.

LETTERS TO THE EDITOR

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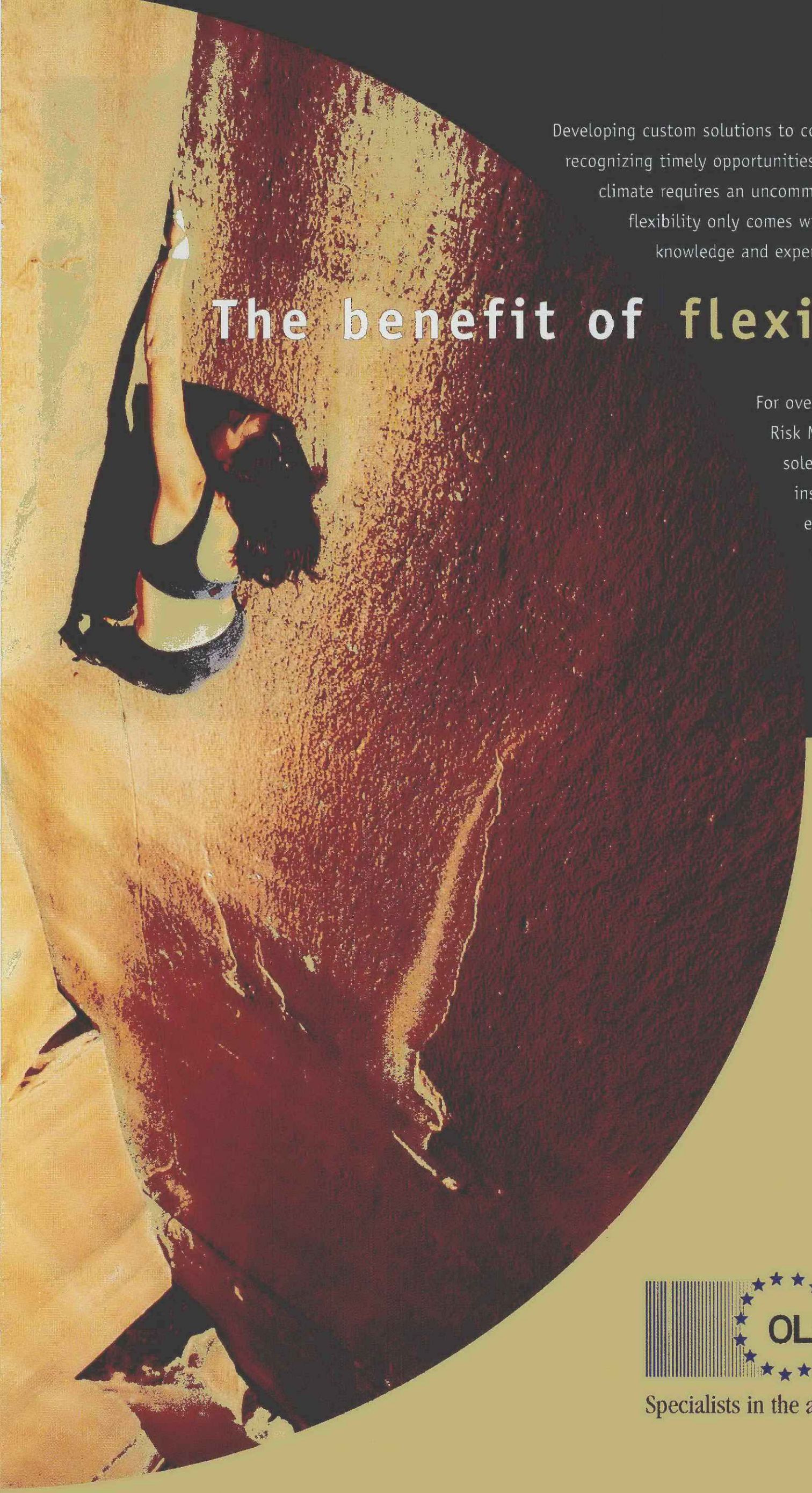
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Top 10 claims administrators

Based on claims paid for self-insurers

Company	2000 claims paid for self-insurers	2000 estimated gross revenues from claims services	2000 self-insured clients
Cambridge Integrated Services Group Inc.	$2,870,000,000	$146,000,000[1]	8,900
Sedgwick Claims Management Services Inc.	$2,808,131,797	$134,420,000	521
Gallagher Bassett Services Inc.	$2,600,000,000	$224,000,000	1,991
Benesight Inc.[2]	$2,200,000,000	$98,000,000	750
CoreSource Inc.	$2,197,088,000	$129,812,256	1,510
ESIS Inc.	$2,000,000,000	$136,000,000	441
RSKCo	$1,958,862,058	$183,700,000	635
Crawford & Co.	$1,700,000,000	$520,000,000	5,100
Harrington Benefit Services Inc.	$1,591,209,138	$65,040,000	1,365
Brokerage Concepts Inc.	$1,516,241,000	$59,267,481	1,042

1. *BI* estimate 2. Formerly The TPA Inc.
Source: *BI* survey

SPOTLIGHT REPORT

Service expectations, capital investments force TPA buyouts

By LEE FLETCHER

To survive the high volume of consolidation in their industry, many third-party administrators are being forced to either cash in their chips or spend the time and capital needed to compete in today's high-tech business environment.

"TPA consolidation has been a recurring theme over the past five years," said David W. Ives, chief executive officer of NIIS/APEX Group Holdings Inc., a claims management and consulting firm in Salem, Mass.

Mr. Ives said there are three main drivers of the consolidation—technology, demographics and regulations. He said that the services expected of administrators have increased significantly between the mid-1980s and today, and that, he said, requires substantial investments in technology.

"Some TPAs not willing to make that capital investment made a decision to sell. Between 1993 and 1998, in that five-year window, technology was a driver of consolidation during that period, as people said, 'I don't want to invest $300,000 in a new system; I'm not big enough,'" Mr. Ives said.

James A. Kinder, the Santa Ana, Calif.-based CEO of the Self-Insurance Institute of America, said that there is a strategic business decision among the TPAs, especially with the growing reliance on technology in business.

"That has a major impact right now, as the smaller, medium-sized TPAs are forced to make additional capital investments in their companies. By joining forces and pooling resources with other, similar organizations that might share the same business philosophies and even perhaps different geographic opportunities," smaller TPAs will have to decide whether to align with others, Mr. Kinder said.

Cambridge Integrated Services Group Inc., a division of Aon Services Group Inc., is an example of the financial strength that can come from an acquisition. In 1999, Cambridge made a series of acquisitions that vaulted it to the top of this year's *Business Insurance* ranking of the 10 largest TPAs. For 2000, Cambridge reported $2.87 billion in claims administered for self-insurers, more than double the $927.1 million it reported in 1999.

Stephen Eisenmann, president of Cranbury, N.J.-based Cambridge, said the TPA was focused on growth through consolidation in 1997 and 1998.

"We sat back and said that, if we wanted to be a main player in the industry, we wanted to do it a little differently. We said, at the end of the day, that we needed to have a decent-sized footprint, so that we would have credibility in the marketplace," Mr. Eisenmann said.

Cambridge's president said the company spent 1999 buying and consolidating.

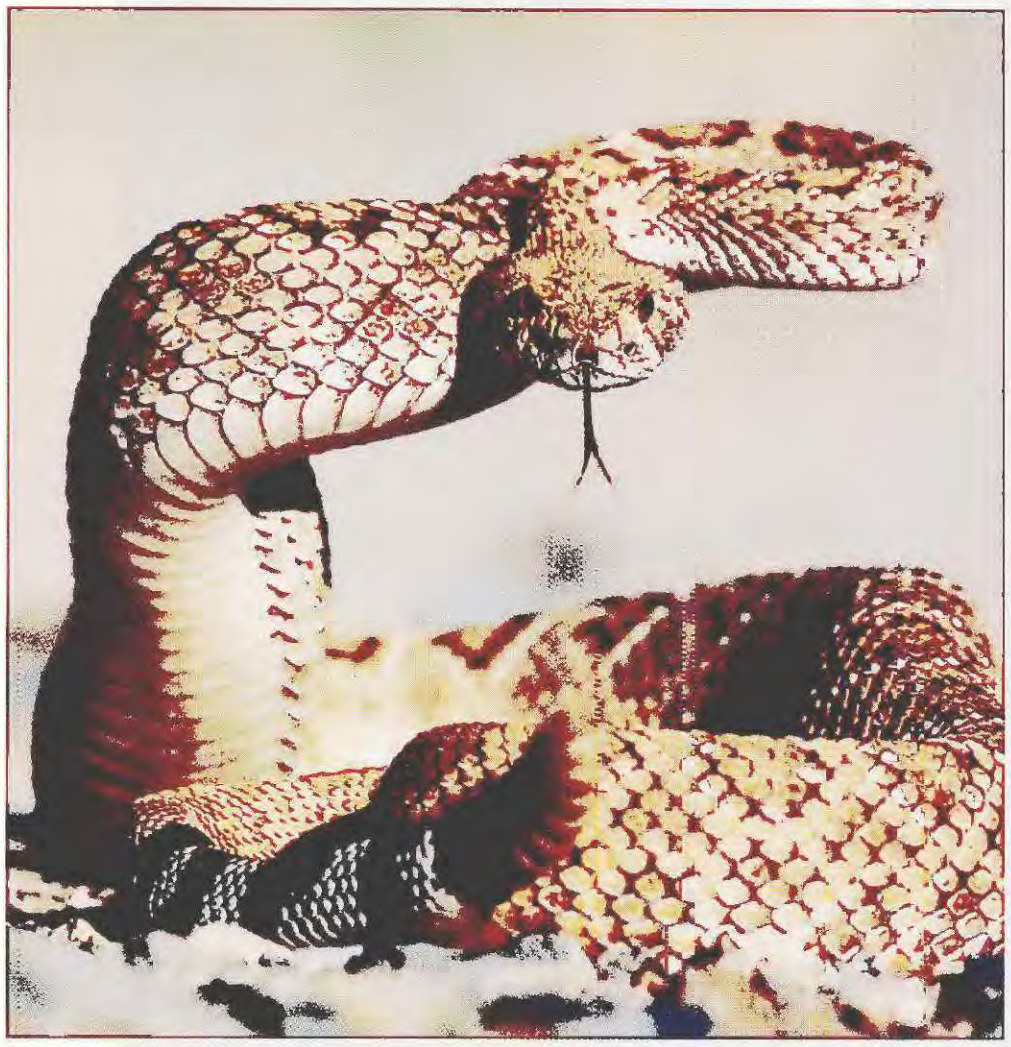
"We bought a number of entities, and then last year, we kind of organized them, put them together, and on the strength of that," developed a diverse product offering, Mr. Eisenmann said.

He emphasized that one of Cambridge's main goals is to find a way to measure and demonstrate the value of its services to clients.

"We all tend to go out and say the same things, but you've got to go out and put some support behind why you're doing a good job for them," Mr. Eisenmann said. "We haven't got the panacea yet, but we're moving closer and clos-

See **TPAs** *on page 14*

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TPAs

Continued from page 12
er" to measuring value to employers.

Christopher E. Barnes, president of ESIS Inc., a unit of ACE USA, said that companies such as ESIS that are part of a large financial services company are in a unique position to provide financial security to their customers.

"That's part of the reason, I think, there is consolidation within some of the TPAs," Mr. Barnes said.

Philadelphia-based ESIS, which reported $2.00 billion in claims administered for self-insurers in 2000, is the sixth-largest TPA in the *BI* ranking. That is down slightly from the $2.10 billion ESIS reported in 1999.

But the TPA industry isn't the only area undergoing consolidation, Mr. Barnes noted. He explained that through mergers and acquisitions, many employers are finding themselves in entirely new geographic areas and needing TPAs that can serve them there.

"It might be a retail store in the Southeast. They may have been doing business with a TPA for many years, and, all of a sudden, they are acquired or acquire a whole new subsidiary in the Southwest and that TPA might not have the ability to handle claims," he said.

TPAs that had no family members to take over were 'pretty much forced into the decision of selling,' says James Kinder.

Mr. Barnes said he has seen a lot of customers switch from smaller regional TPAs to ESIS simply based on the size and complexity of the accounts as they grow.

Also in the TPA industry, pricing is up slightly—in the 3% to 6% range, Mr. Barnes and Cambridge's Mr. Eisenmann said.

The price rise "tends to be based more on payroll increases and cost of business increases within TPAs," Mr. Barnes said. "We're now at a 30-year low for unemployment," which explains why price hikes are "more in the 6% range," he said.

Despite the higher costs of using TPAs, employers' alternatives—going back to fully insured programs and HMO plans—are more expensive as well, Mr. Ives said.

Neil R. Brown, controller for Seco-Carboloy Inc., a self-insured company in Warren, Mich., said the company hasn't seen a significant change in pricing from its TPA, Willis Administrative Services Corp.

"Willis has been very cost effective, with stable rates over the past couple of years," Mr. Brown said.

Mr. Kinder said that he hasn't heard the employer community "yelling and screaming about administrative costs. It's more of controlling cost and being able to deliver solid benefit programs for their staff. They seem to be more concerned with the uprising of HMOs trying to buy business and the negative results that have happened in the employer/employee relationship as a result of that," he said.

SIIA membership, which includes TPAs as well as self-insured employers, has declined with the number of mergers and acquisitions, Mr. Kinder said. About 25% to 30% of the SIIA's more than 1,000 members are TPAs, while self-insured employers account for about 12% to 15%, he said. In 1994, the SIIA's membership peaked at about 1,500, Mr. Kinder said.

But Mr. Kinder said that those TPAs that were able to build their organizations and are committed to succession planning are the ones that are sticking around.

"It's an entrepreneurial business. Unless they had family members to come in and take over, they were probably pretty much forced into the decision of selling. I think that trend started off in the '90s. Up to the '80s, the TPA community was very, very strong," he said.

Mr. Kinder said the SIIA's plan to attract new members to this volatile field is to do "what all good organizations should do—change."

"We're changing in a variety of ways. We're changing in our leadership structure; we're always looking and bringing in the new blood, or the young blood. Also, we're zeroing in on our members who have planned for succession planning," he said.

They are the ones that are becoming the core group, Mr. Kidder said. BI

Largest multiline TPAs

Ranking of TPAs that offer both employee benefits and property & casualty claims administration

Company	2000 claims paid for self-insurers	2000 estimated gross revenues from claims services	2000 self-insured clients
Cambridge Integrated Services Group Inc.	$2,870,000,000	$146,000,000[1]	8,900
Gallagher Bassett Services Inc.	$2,600,000,000	$224,000,000	1,991
Acordia Inc.	$1,015,190,879	$49,000,000	676
The Loomis Co.	$480,000,000	$22,885,602	580
Gates McDonald	$284,000,000	$52,700,000	315[2]

1. *BI* estimate 2. Estimated
Source: *BI* survey



BI's directory of third-party administrators

A

AIG Claim Services Inc.

70 Pine St.,
New York, N.Y. 10270;
212-770-7000; fax: 212-968-0785
www.aigcs.com

Property & Casualty

2000 revenues
Total $225,000,000
Claims revenue $53,700,000
Claims administration 23.7%
Claims auditing 0.2%
Other services 76.1%
Claims business by type
Auto 24%
General liability 10%
Workers compensation 66%
Claims business by volume
Administration claims paid $637,000,000
Adjusting projects conducted 500
Clients*
Total 2,081
Staff
Total 2,708
Claims services since: 1978.
Compensation: Administration: fee per claim, $115 to $950. Adjusting: per hour, $68 to $95.
Administrative offices: 56 offices nationwide.
Sales offices: San Francisco; Chicago; New York; Cleveland; Philadelphia; Dallas.
Officers: Anthony Galioto, president; William Bergs, executive vp; Carol Montgomery, Steve Iler, senior vps.
Contact: Melinda Leary, assistant vp-communications; aigcs@aig.com.
**Estimated.*

The ASU Group

2120 University Park Drive,
Okemos, Mich. 48864;
517-349-2212; fax: 517-349-9063
www.asugroup.com

Property & Casualty

2000 revenues
Total $30,000,000
Claims revenue $8,000,000
Claims administration 20%
Claims adjusting 10%
Other services 70%
Claims business by type
Auto 5%
General liability 15%
Inland marine 3%
Professional liability 4%
Property damage 3%
Workers compensation 70%
Claims business by volume
Administration claims paid $20,000,000*
Adjusting projects conducted 500*
Clients
Total 1,000*
Staff
Total 500
Claims service 110
Claims services since: 1952.
Compensation: Administration: per file, $100 to $1,200. Adjusting: per hour, $50 to $100.
Administrative offices: 76 offices nationwide.
Officers: Larry Musser, president; April Zelinski, secretary; Michael Wooc, treasurer.
Contact: Matt Carl.
**Estimated.*

Acordia Inc.

P.O. Box 3043,
Charleston, W.Va. 25441-3043;
800-332-4732 ext. 8779; fax: 304-353-8748
www.acordianational.com;
www.acordiaservices.com

Employee Benefits/Property & Casualty

2000 revenues
Total $55,000,000
Claims revenue $49,000,000
Claims administration 87.7%
Other services 12.3%
Claims business by type
Disability 1%
Flex compensation 2%
Pensions 1%
Workers compensation 14%
Federal black lung 2%
Health insurance 80%
Employees covered 466,000
Dependents covered 745,600
Claims business by volume
Administration claims paid $1,015,190,879
Clients
Total 676
Staff
Total 925
Claims service 783
Claims services since: 1946.
Compensation: Administration: employee benefits-PEPM, $5 to $30; workers compensation-per claim, monthly fee.
Administrative offices: employee benefits office: Charleston, W.Va.; workers compensation offices: Lexington, Ky.; Washington, Pa.; Abington, Va.; Charleston, W.Va.
Sales offices: nationwide.
Officers: employee benefits: Richard H. Legg, COO-Acordia National; workers compensation: H. Herchiel Sims, COO.
Contact: employee benefits: Richard H. Legg; workers compensation: Gary Waskey, Acordia Employers Service, P.O. Box 3389, Charleston, W.Va. 25333, 800-833-1870, ext. 1162; fax: 304-556-1165.

Alicare Inc.

730 Broadway,
New York, N.Y. 10003;
212-539-5000; fax: 212-473-2913
www.alicare.com

Employee Benefits

2000 revenues
Total $62,246,000
Claims revenue $34,797,000
Claims administration 56%
Other services 44%
Claims business by type
Disability 3%
Flex compensation 1%
Life 5%
Pensions 15%
Health insurance 76%
Employees covered 200,000
Dependents covered 500,000
Claims business by volume
Administration claims paid $375,000,000
Clients
Total 48
Staff
Total 450
Claims service 120
Claims services since: 1943.
Compensation: Administration: PEPM.
Administrative offices: Chicago; Boston; Salem, N.H.; New York.
Sales offices: Chicago; Boston; New York.
Officers: Richard C. Koven, president; Deanna Lang, executive vp; Miriann Lee-Yoo, assistant vp.
Contact: Miriann Lee-Yoo; 212-539-5404; mleeyoo@alicare.com.

Allied Administrators

777 Davis St.,
San Francisco, Calif. 94111;
415-398-2655; fax: 415-439-5858

Employee Benefits

2000 revenues
Total $6,000,000
Claims revenue $2,000,000
Claims administration 30%
Claims adjusting 5%
Claims auditing 5%
Other services 60%
Claims business by type
Disability 5%
Flex compensation 5%
Health insurance 90%
Employees covered 30,000
Dependents covered 100,000
Clients
Total 29
Staff
Total 60
Claims service 20
Claims services since: 1953.
Compensation: Administration: monthly, on retainer. Adjusting: per employee, $10 to $20. Auditing: per hour, $50 to $120.
Administrative offices: San Diego.
Contact: David S. Walker, president/CEO.

Allied Benefit Systems Inc.

208 S. LaSalle St., Suite 1300,
Chicago, Ill. 60604;
312-906-8080; fax: 312-906-8443
www.alliedbenefit.com

Employee Benefits

2000 revenues
Total $8,300,000
Claims revenue $7,600,000
Claims administration 90%
Other services 10%
Claims business by type
Disability 1%
Flex compensation 5%
Health insurance 94%
Employees covered 48,000
Dependents covered 57,600
Claims business by volume
Administration claims paid $108,000,000
Clients
Total 187
Staff
Total 128
Claims service 104
Claims services since: 1980.
Compensation: Administration: PEPM.
Officers: Laurence Wilneff, CEO; Mitchell Wilneff, president; Rob Valerious, senior vp.
Contact: Rob Valerious; 312-906-8080, ext. 229; rvalerious@alliedbenefit.com.

American Insurance Administrators

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

Employee Benefits

2000 revenues
Total $5,000,000
Claims revenue $3,000,000
Claims administration 60%
Claims adjusting 2%
Claims auditing 3%
Other services 35%
Claims business by type
Flex compensation 12%
Health insurance 88%
Employees covered 9,000

Continued on next page

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Continued from previous page

Dependents covered 20,000
Claims business by volume
Administration claims paid $7,500,000
Clients
Total 20
Staff
Total 56
Claims service 15
Claims services since: 1977.
Compensation: Administration: PEPM, $2 to $12. Adjusting: PEPM, $4 to $12. Auditing: PEPM, $40 to $80.
Administrative offices: Los Angeles and Orange, Calif.
Sales offices: Los Angeles and Orange, Calif.
Officers: F.N. Dastur, president; P.H. Dalal, CFO; Herbert Schaffer, executive vp;.
Contact: Herbert Schaffer, herb@mapinc.com.

American Medical & Life Insurance Co.

35 Broadway,
Hicksville, N.Y. 11802-0548;
516-822-8700; fax: 516-931-1010

Employee Benefits

2000 revenues
Total $27,600,000
Claims revenue $1,200,000
Claims administration 7%
Other services 93%
Claims business by type
Life 10%
Health insurance 90%
Employees covered 282,000
Dependents covered 700,000
Claims business by volume
Administration claims paid $15,600,000
Clients
Total 38
Staff
Total 60
Claims service 13
Claims services since: 1966.
Compensation: Administration: PEPM, $3.20 to $27.
Officers: Jules V. Lane, president; Norman Beckoff, CFO; Lorraine Classi, executive vp; Pierre Meisner, senior vp.
Contact: Lorraine Classi.

AmeriHealth Administrators

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

Employee Benefits

2000 revenues
Total $411,000,000
Claims revenue $399,000,000
Claims administration 97%
Other services 3%
Claims business by type
Flex compensation 1%
Health insurance 99%
Employees covered 150,000
Dependents covered 168,000
Claims business by volume
Administration claims paid $345,000,000
Clients
Total 155
Staff
Total 360
Claims service 125
Claims services since: 1987.
Compensation: Administration: PEPM.
Administrative offices: Fort Washington, Horsham and Media, Pa.
Sales offices: Alpharetta, Ga.
Officers: George Gannon, president/CEO; Raymond Stabilito, vp-operations; George Grimes, vp-finance/CFO.
Contact: Mike Guyette; 215-830-2510; mguyette@amerihealth-tpa.com.

Assured Benefits Administrators

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

Employee Benefits

2000 revenues
Total $1,200,000
Claims revenue $1,080,000
Claims administration 90%
Other services 10%
Claims business by type
Flex compensation 1%
Health insurance 99%
Clients
Total 60
Claims services since: 1985.
Compensation: Administration: FEPM, $6.50 to $13.50.
Officers: Joseph Halow, president; Lorri Halow, executive vp; Sueann Austin, vp-marketing.
Contact: Joseph Halow; jhalow@assuredbenefits admin.com.

Automated Benefit Services Inc.

8220 Irving,
Sterling Heights, Mich. 48312;
810-826-4300; fax: 810-826-4835

Employee Benefits

2000 revenues
Total $10,000,000
Claims revenue $10,000,000
Claims administration 80%
Claims adjusting 5%
Claims auditing 10%
Other services 5%
Claims business by type
Flex compensation 3%
Life 2%
Health insurance 95%
Employees covered 50,000
Dependents covered 100,000
Claims business by volume
Administration claims paid $450,000,000
Clients
Total 85
Staff
Total 119
Claims service 63
Claims services since: 1986.
Compensation: Administration: per member per month, $11 to $16.
Administrative offices: Toledo, Ohio.
Sales offices: Sterling Heights, Mich.; Toledo, Ohio.
Officers: Daniel Gorczyca, president; John O'Brien, CFO; Louis Lapiana, executive vp.
Contact: Louis Csordas, vp-business development; lcsordas@abs-tpa.com.

B

Benefit Services Inc.

3636 Copley Road, P.O. Box 4138,
Akron, Ohio 44321;
800-367-3762; fax: 330-666-6685
www.benefit-services.com

Employee Benefits

2000 revenues
Total $8,000,000
Claims revenue $8,000,000
Claims administration 90%
Claims auditing 10%
Claims business by type
Flex compensation 10%
Pensions 5%
Health insurance 85%
Employees covered 60,000
Claims business by volume

Continued on page 20



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Explanation of terms

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 are required to report gross revenues in order to be included.

The directory is published as an editorial service; there is no charge for a company to be included.

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; claims adjusting includes investigating claims and making recommendations to the claims administrator but does not include paying claims; claims auditing includes reviewing the overall integrity of the claims file operation, verifying the accuracy and direction of claims payments and recommending solutions to claims administration problems.

Individual listings begin with the company name, address, phone and fax numbers and Web site address, if applicable. Next follows 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 **2000 revenues**; revenue generated by claims services for self-insured clients in 2000; and the percent breakout of total revenue for claims administration, claims adjusting, claims auditing and other services provided by the company.

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 the largest percentage of business, figures for the number of employees covered and dependents covered are provided. Next is **claims business by volume**, including the dollar amount of claims paid and the number of auditing projects conducted in 2000.

Clients includes the number of administration, adjusting and auditing clients in 2000. Total **staff** figures are given in full-time equivalents and list the number of total employees and the number of employees assigned to self-insured claims services.

The next section of each listing includes the year **claims services began**. This is followed by **compensation**—how the company bills for services; the abbreviation PEPM is used for "per employee per month." Each listing concludes with the locations of **administrative offices** and **sales** offices; the names of company **officers**; and a **contact** for readers seeking additional information.

The reported information is based on each company's responses to a *Business Insurance* questionnaire. Although every effort is made to publish complete and accurate listings, *BI* is unable to verify all information.

If your company did not receive a questionnaire this year and you would like to be included in next year's directory, please contact the *BI* directory department, at 312-649-5279 or 312-649-5313.

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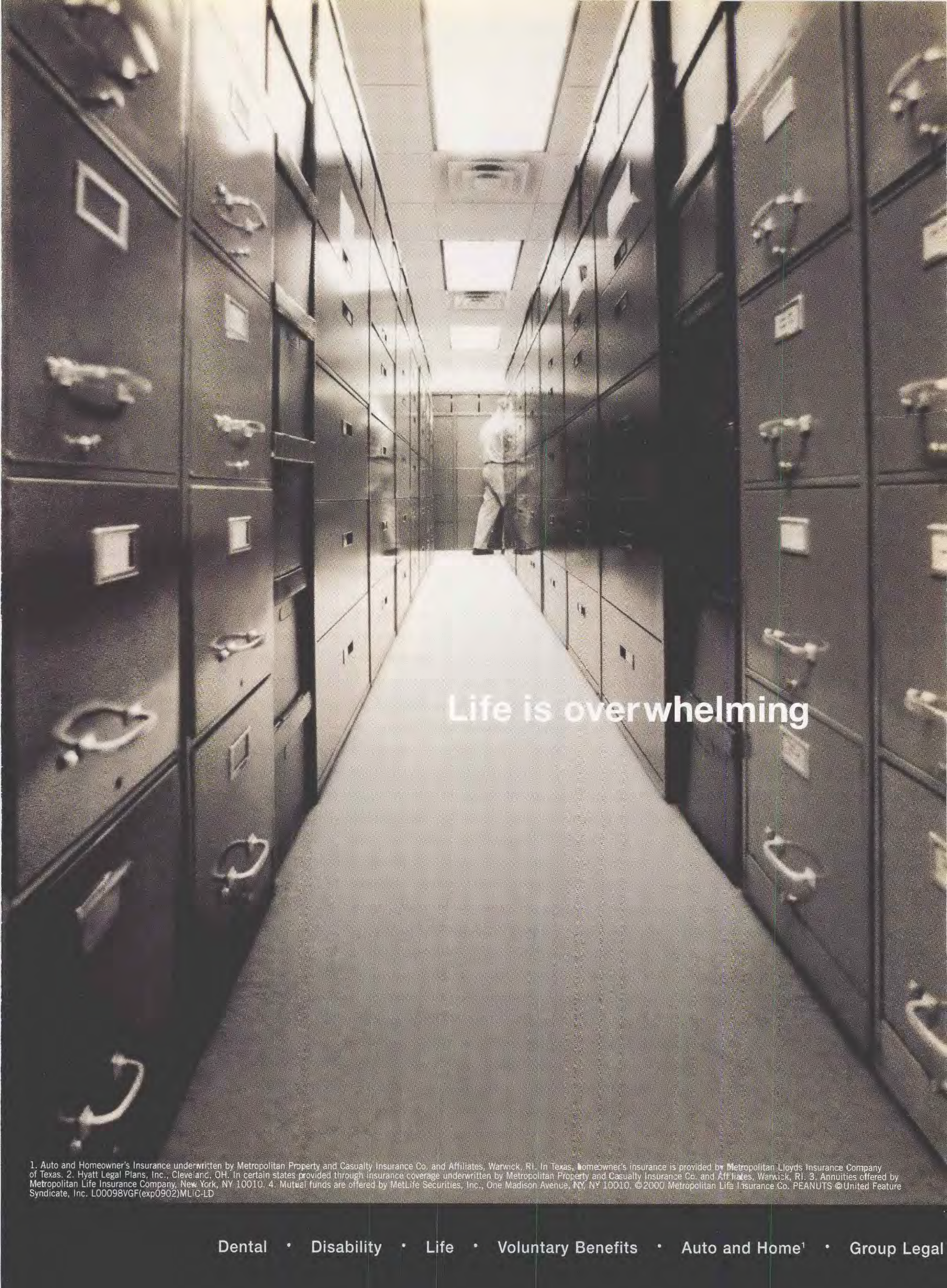


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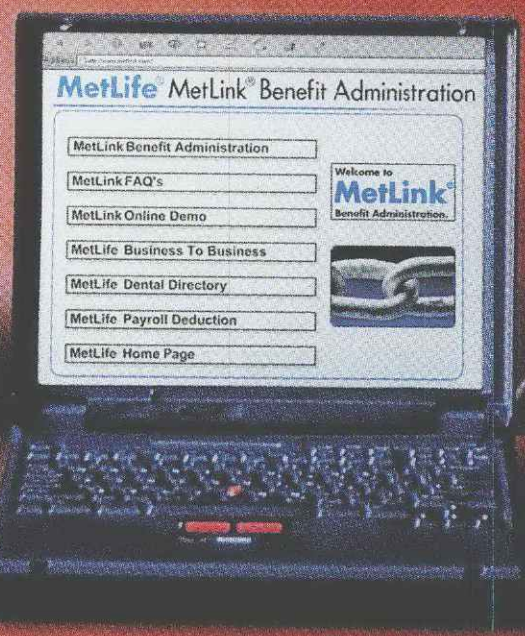
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Continued from page 16

Administration claims paid $200,000,000*
Clients
Total 200*
Staff
Total 156
Claims service 114
Claims services since: 1993.
Compensation: Administration: PEPM.
Sales offices: Los Angeles; Miami and Tampa, Fla.; Fort Wayne, Ind.; Las Vegas; Philadelphia; Milwaukee.
Officers: Robert C. Frazier, chairman; Connie Frazier, president; Jerry Newbauer, vp/COO.
Contact: Robert Frazier Jr., vp-sales; 5465 Blue Ridge Drive, Yorba Linda, Calif. 92887; 717-692-5526; bsircf@eathlink.net.
**Estimated.*

Benefit Systems & Services Inc.

760 Pasquinelli Drive, Suite 320,
Westmont, Il . €0559;
630-789-20£2; fax: 630-789-2093
www.benefit-sys.com

Employee Benefits

2000 revenues
Total $7,083,764
Claims revenue $6,388,054
Claims administration 89%
Claims adjusting 1%
Other services 10%
Claims business by type
Disability 2%
Flex compensation 5%
Health insurance 93%
Employees covered 34,000
Dependents covered 56,000
Claims business by volume
Administration claims paid $97,500,000
Adjusting projects conducted 18,700
Clients
Total 122
Staff
Total 88
Claims service 77
Claims services since: 1986.
Compensation: Administration: PEPM, $0.60 to $13.50. Adjusting: PEPM, $4.50 to $7.
Officers: David Lloyd, president; Carmen Morreale, executive vp; Amy Hartigan, vp.
Contact: David Lloyd.

Benesight Inc.*

708 E. Lake St.,
Wayzata, Minn. 55391-1713;
952-476-6727; fax: 952-745-4875
www.benesight.com

Employee Benefits

2000 revenues
Total $98,000,000
Claims revenue $98,000,000
Claims administration 100%
Claims business by type
Disability 0.5%
Flex compensation 2%
COBRA 2.5%
Health insurance 95%
Employees covered 520,000
Dependents covered 570,000
Claims business by volume
Administration claims paid $2,200,000,000
Clients
Total 750
Staff
Total 1,250
Claims service 850
Claims services since: 1984.
Compensation: Administration: PEPM, $6 to $12.
Administrative offices: Phoenix; Pueblo, Colo.; North Haven, Conn.; Maitland, Fla.; Marietta, Ga.; Naperville and Rockford, Ill.; Minneapolis; Arlington, Texas.
Sales offices: 27 offices nationwide.
Officers: William E. Sagan, chairman/president/CEO; Robert P. Brook, Mark S. Davis; executive vps.
Contact: LeeAnn Schray; 952-745-4882; lschray@benesight.
**Formerly The TPA Inc.*

Berkley Administrators of Connecticut Inc.

195 Scott Swamp Road,
Farmington, Conn. 06034;
860-409-2300; fax: 860-409-9367

Property & Casualty

2000 revenues
Total $8,058,000
Claims revenue $8,058,000
Claims administration 90%
Claims adjusting 10%
Claims business by type
Workers compensation 100%
Claims business by volume
Administration claims paid $63,000,000
Adjusting projects conducted 14,000
Clients
Total 3
Staff
Total 105
Claims service 105
Claims services since: 1997.
Compensation: Administration: per claim, fixed annual fee.
Officers: Lee Johnson, COO; Richard McKenna, vp-claims; Betsy Bertinuson-Bonavita, director-corporate accounts.
Contact: Gina Barresi, supervisor-provider affairs/sales and marketing representative.

Brokerage Concepts Inc.

1021 W. Eighth Ave.,
King of Prussia, Pa. 19406;
610-337-2600; fax: 610-491-4990
www.bcitpa.com

Employee Benefits

2000 revenues
Total $65,971,000
Claims revenue $59,267,481
Claims administration 90%
Other services 10%
Claims business by type
Disability 2%
Flex compensation 4%
Health insurance 94%
Employees covered 329,000
Dependents covered 821,000
Claims business by volume
Administration claims paid $1,516,241,000
Clients
Total 1,042
Staff
Total 594
Claims service 505
Claims services since: 1977.
Administrative offices: Baltimore; Waltham, Mass.; King of Prussia and Warminster, Pa.
Sales offices: Madison, Conn.; Miami; Baltimore; Waltham, Mass.; Red Bank, N.J.; King of Prussia, Philadelphia, Pittsburgh, and Warminster, Pa.
Officers: Arnold M. Katz, president; Aaron Singer, director-finance; Mike Shine, director-operations.
Contact: Arnold M. Katz; arnold.katz@bcitpa.com.

C

C.A.B. Claims Administrators

306 Walnut St.,
Philadelphia, Pa. 19106;
215-627-5900; fax: 215-627-4176
www.cabadministrators.com

Property & Casualty

2000 revenues
Total $2,750,000
Claims revenue $1,600,000
Claims administration 35%
Claims adjusting 22%
Claims auditing 3%
Other services 40%
Claims business by type
Auto 21%
General liability 22%
Professional liability 8%
Property damage 18%
Workers compensation 31%
Claims business by volume
Administration claims paid $1,600,000
Adjusting projects conducted 732
Auditing projects conducted 3
Clients
Total 21
Staff
Total 54
Claims service 28
Claims services since: 1933.

Continued on page 22

Largest property/casualty TPAs

Ranking of TPAs that specialize in property/casualty claims administration

Company	2000 claims paid for self-insurers	2000 estimated gross revenues from claims services	2000 self-insured clients
Sedgwick Claims Management Services Inc.	$2,808,131,797	$134,420,000	521
ESIS Inc.	$2,000,000,000	$136,000,000	441
RSKCo	$1,958,862,058	$183,700,000	635
Crawford & Co.	$1,700,000,000	$520,000,000	5,100
Constitution State Services L.L.C.	$1,000,000,000	$100,000,000	550

Source: BI survey



It's one for the record books! In 1995, Villanova's workers' comp losses were way up. That's when PMA's Kim Laudermilch jumped in. Teaming up with Villanova's benefits administrators and their broker, Kim helped spark the rally. Injury patterns and risk factors were uncovered. Campus supervisors were coached. Modified duty and return-to-work options were put into play, along with an aggressive injury-prevention program. Today, the name of the game at Villanova is reduction in losses—63% to be exact. Does Kim get her own cheering section? No need. For real team players, reaching the goal together is all that counts.

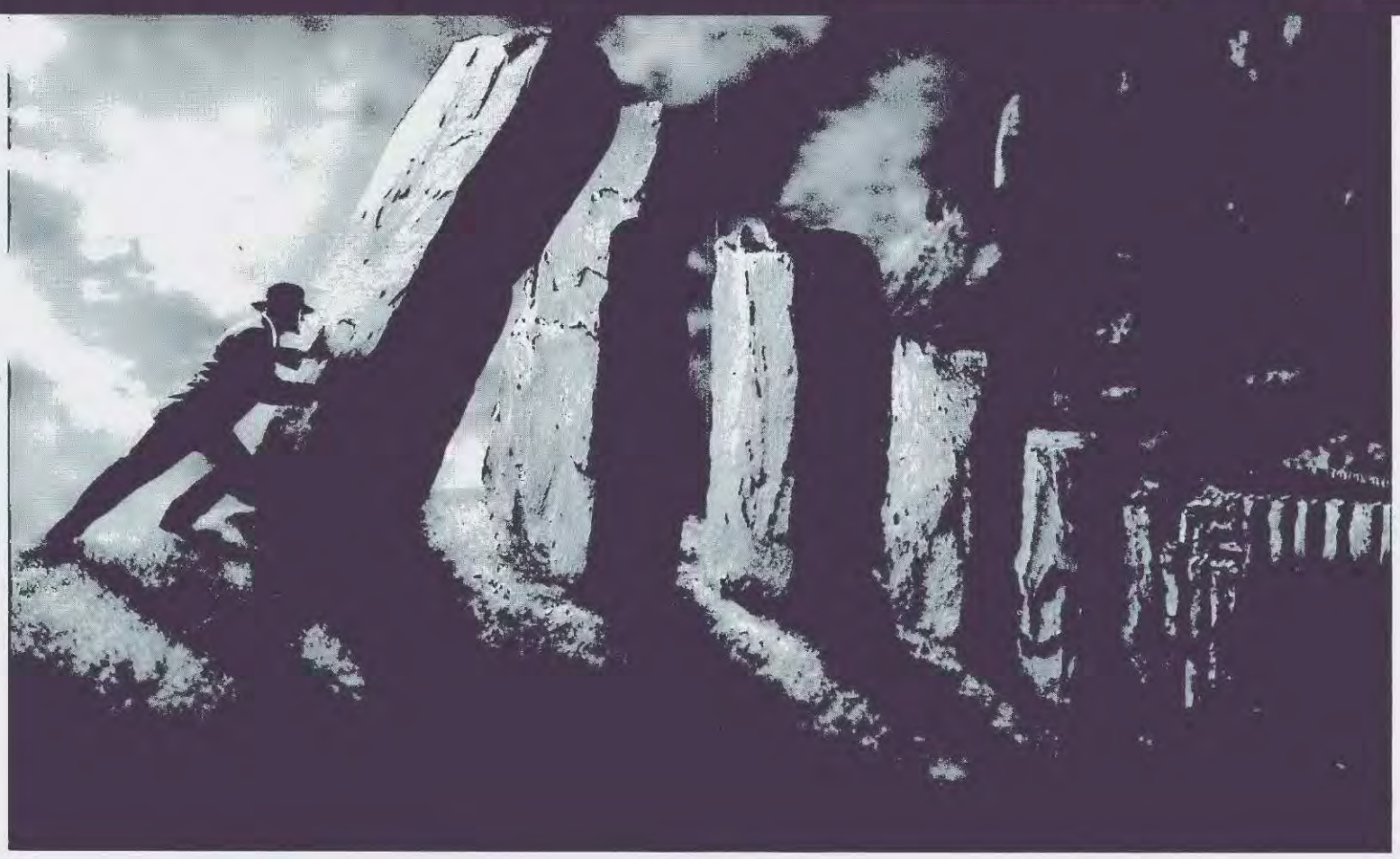
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Continued from page 20

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Sales offices: Wilmington, Del.; Camden and Trenton, N.J.; Allentown, Altoona, Doylestown, Erie, Harrisburg, Homestead, New Castle, Philadelphia, Reading, Scranton and Williamsport, Pa.
Officers: Joseph N. Panichelli, chairman; Francis J. Marx, president/treasurer; Peter Kulaski, vp-operations.
Contact: contact@cabadminstrators.com.

CBIZ-Health Administration Services

100 Glenborough, Suite 450,
Houston, Texas 77067-3614;
281-873-8682; fax: 281-873-5443
www.cbiz.com

Employee Benefits/Property & Casualty

2000 revenues	
Total	$11,000,000
Claims revenue	$8,200,000
Claims administration	75%
Other services	25%
Claims business by type	
Workers compensation	10%
Health insurance	90%
Employees covered	90,000
Dependents covered	30,000
Claims business by volume	
Administration claims paid	$250,000,000
Clients	
Total	60
Staff	
Total	130
Claims service	80

Claims services since: 1984.
Compensation: Administration: per claim, $9 to $11.
Sales offices: Dallas; Houston.
Officers: Richard Hillyer, Stephen Gauen,senior vps; Mike Nicknish, vp-administration.
Contact: Richard Hillyer, dhilyer@healthadmins.

CCS Holdings L.P.

800 W. Airport Freeway, Suite 800,
Irving, Texas 75062;
800-743-2231; fax: 800-743-3293

Property & Casualty

2000 revenues	
Total	$5,000,000
Claims revenue	$5,000,000
Claims administration	100%
Claims business by type	
Workers compensation	100%
Claims business by volume	
Administration claims paid	$26,000,000
Adjusting projects conducted	10,000
Clients	
Total	5
Staff	
Total	50
Claims service	37

Claims services since: 1997.
Compensation: Administration: annual flat fee.
Officers: Sheryl Mendenhall-Roberts, chairman/CEO; Lisa M. McManus, president/COO; Deryck B. Parks, CFO.
Contact: Suzanne Richardson: 800-743-2231, ext. 210; suzanner@ccsi-dallas.com.

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4B Cedar Brook Drive,
Cranbury, N.J. 08512;
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www.cambridgeintegrated.com

Employee Benefits/Property & Casualty

2000 revenues	
Total	$193,000,000*
Claims revenue	$146,000,000*
Claims administration	74%
Claims adjusting	1%
Claims auditing	1%
Other services	24%
Claims business by type	
Auto	10.8%
Disability	1.8%
Flex compensation	0.5%
General liability	13.8%
Life	0.8%
Professional liability	1.6%
Property damage	4.9%
Workers compensation	36%
Other	20.6%
Health insurance	9.2%
Employees covered	70,000
Dependents covered	175,000
Claims business by volume	
Administration claims paid	$2,870,000,000*
Auditing projects conducted	80
Clients	
Total	8,900
Staff	
Total	3,300
Claims service	2,850

Claims services since: 1950.
Compensation: Adjusting: times and expense.
Administrative offices: 119 offices nationwide.
Sales offices: San Francisco; Greenwich, Conn.; Atlanta; Chicago; Detroit; Whippany, N.J.; Seattle.
Officers: Tracy A. Carragher, chairman; Stephen A. Eisenmann, president; James D. Robertson, division president-business development.
Contact: Frank C. Vidrik, senior vp-national sales; 12005 Ford Road, Suite 700, Dallas, Texas, 75234; 972-888-2412; 972-889-2406; frank_vidrik@cisgi.com.
** BI estimate.*

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2 E. Main St., Suite 200,
Danville, Ill. 61832-5850;
217-446-1189; fax: 217-443-0927
www.ccmsi.com

Employee Benefits/Property & Casualty

2000 revenues	
Total	$25,000,000
Claims revenue	$22,500,000
Claims administration	85%
Claims adjusting	3%
Claims auditing	2%
Other services	10%
Claims business by type	
Auto	3%
Flex compensation	1%
General liability	5%
Professional liability	1%
Property damage	2%
Workers compensation	78%
Health insurance	10%
Employees covered	25,000
Dependents covered	30,000
Claims business by volume	
Administration claims paid	$75,000,000
Adjusting projects conducted	20,000
Auditing projects conducted	2,000
Clients	
Total	255
Staff	
Total	310
Claims service	225

Claims services since: 1978.
Compensation: Administration: time and expense, $70 to $125 per hour. Adjusting: workers compensation-per claim, $600 to $1,200. Auditing: time and expense, $90 to $200 per hour.
Administrative offices: Scottsdale, Ariz.; Little Rock, Ark.; Atlanta; Danville, Oakbrook and Peoria, Ill.; Des Moines, Iowa; Overland Park, Kansas; St. Louis; Georgetown, Texas.
Sales offices: Scottsdale, Ariz.; Little Rock, Ark.; Atlanta; Danville, Oakbrook and Peoria, Ill.; Des Moines, Iowa; Overland Park, Kansas; St. Louis; Georgetown, Texas.
Officers: G. Bryan Thomas, president/CEO; Steve Luebbert, executive vp/chief marketing officer; Rod Golden, executive vp/COO.
Contact: Jim Paden, marketing and communication manager; 217-444-1371; jpaden@ccmsi.com.

Caronia Corp.

200 Broadhollow Road, Suite 300,
Melville, N.Y. 11747;
800-227-6642; fax: 631-385-4802
www.caronia.com

Property & Casualty

2000 revenues	
Total	$10,000,000
Claims revenue	$9,500,000
Claims administration	55%
Claims adjusting	30%
Claims auditing	12%
Other services	3%
Claims business by type	
General liability	10%
Professional liability	90%
Claims business by volume	
Administration claims paid	$99,800,000
Adjusting projects conducted	9,000
Auditing projects conducted	98
Clients	
Total	181
Staff	
Total	97
Claims service	80

Claims services since: 1969.
Compensation: Administration: flat fee, fee per file; time and expense, per hour, $65 to $100. Adjusting: flat fee, fee per file; time and expense: per hour, $65 to $70. Auditing: flat fee, fee per file; time and expense: per hour, $75 to $125.
Administrative offices: 27 offices nationwide.
Officers: Charles McGill, president/CEO; Kathleen Conway, Alan Landberg, Jim Page, vps.
Contact: Charles McGill; charles.mcgill@cna.com.

Central Benefits Group

P.O. Box 16526,
Columbus, Ohio 43216;
614-797-5140; fax: 614-797-5103
www.centralbenefits.com

Employee Benefits

2000 revenues	
Total	$78,000,000
Claims revenue	$8,800,000
Claims administration	11%
Other services	89%
Claims business by type	
Life	1%
Health insurance	99%
Employees covered	55,000
Dependents covered	45,000
Claims business by volume	
Administration claims paid	$55,000,000
Clients	
Total	165
Staff	
Total	140
Claims service	50

Claims services since: 1938.
Compensation: Administration: PEPM, $10 to $30.
Sales offices: 27 offices nationwide.
Officers: John B. Reinhardt, CEO; William C. Mechling, senior vp/secretary; Joseph H. Hoffman, vp/CEO/treasurer.
Contact: Ted M. Georges, vp-sales.

Chubb Services Corp.

15 Mountain View Road,
Warren, N.J. 07059;
908-903-7181; fax: 908-903-7187
www.chubb.com

Employee Benefits/Property & Casualty

2000 revenues	
Total	$12,000,000
Claims revenue	$10,800,000
Claims administration	89%
Claims auditing	1%
Other services	10%
Claims business by type	
Auto	3%
General liability	42%
Property damage	6%
Workers compensation	49%
Claims business by volume	
Administration claims paid	$40,000,000
Adjusting projects conducted	17,000

Continued on page 26

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INSIDE:

New administration giving insurance industry reasons for optimism

page 22B

Anticipating market opportunities of trade deal with Singapore

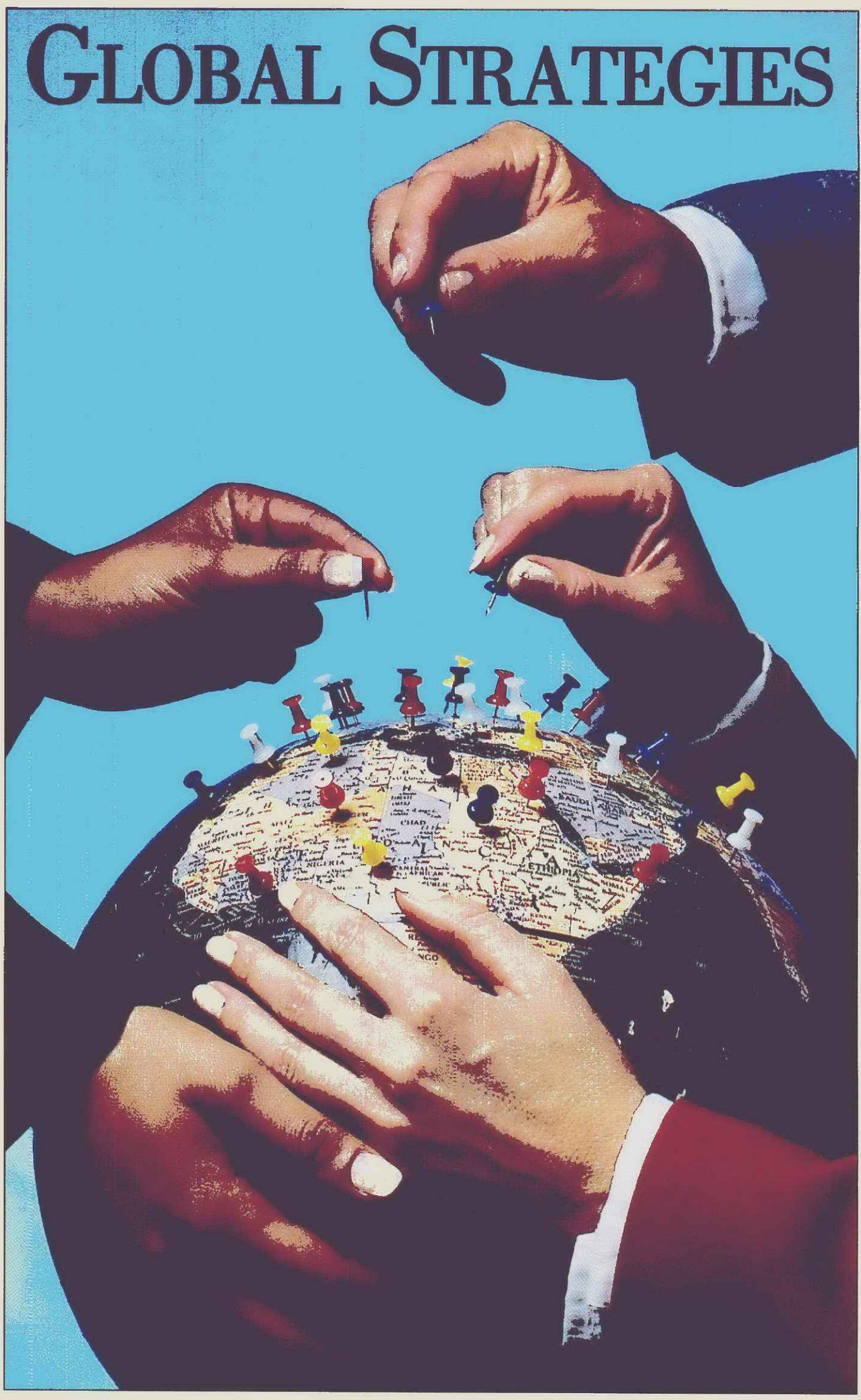
page 22E

Foreign markets opening, but slow to welcome intermediaries

page 22F

IVANS forum explores industry's Internet tools

page 22H



Analysts expect strong Bush trade policy

By RODD ZOLKOS

As a new administration takes over in Washington, the insurance industry is watching for signs of policy changes that might affect its business, hopeful that any changes will be for the better.

In terms of international business, the expectation is that the George W. Bush administration will continue in the direction set by the Clinton administration.

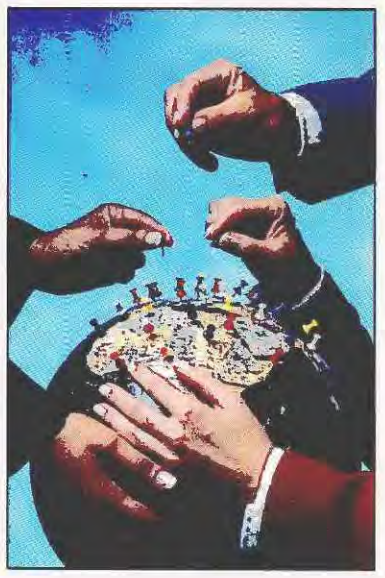
"Frankly, on the trade side, I don't know even the most hardened Republican who wasn't pleased with the overall accomplishments of the Clinton administration, with NAFTA and China being the two most outstanding accomplishments," said Joel Wood, senior vp-government affairs at the Council of Insurance Agents & Brokers in Washington.

"My general impression is, particularly with the Asian-Pacific area, some of the things I've seen with the World Trade Organization and Japan, I think that generally the Bush administration will be a little tougher in seeing that certain markets are opened up," said Christopher J. Swift, a partner and national industry director of the insurance practice at KPMG L.L.P. in Chicago.

"Japan is obviously going to need help solving their problems, so sort of out of necessity they're going to have to open up," Mr. Swift said. "Their life insurance industry, a lot of companies are looking to merge with global players."

According to Gregory Wilson, a principal with McKinsey & Co. in Washington, new U.S. Trade Representative Robert Zoellick is likely to play both offense and defense on trade issues affecting the insurance industry.

Offensively, "I think Bob would be doing everything he can to create more opportunities for U.S. insurance companies overseas and helping to open markets...to make it a more market-driven world and a more open trading environment for financial services broadly speaking," Mr. Wilson said.



"I think defensively he's going to have quite a time explaining what I would define as our very bizarre, Byzantine, costly, inefficient, not very customer-friendly system of state regulation," the McKinsey consultant continued.

"So I think he's going to have to play good defensive ball as well in terms of trying to explain that to foreign competitors that want to compete here and find a very different system than what they're used to in other markets and one they could arguably make a very good claim is relatively closed because of the nature of the 50-state-based system," Mr. Wilson said.

Coletta I. Kemper, vp-industry affairs at the CIAB, said her organization had participated in an informal meeting with Bush transition team members, "just getting them up to speed with where we are as an industry."

"We're fairly comfortable they'll continue a strong trade agenda," Ms. Kemper said.

"We're sort of narrowly focused right now, and we're looking to open any doors we can to liberalize markets for intermediaries," she said. "There aren't as many commitments for us right now as there are for insurance companies."

"If we look at Republicans and their history, for the most part, Republicans are more in favor of open markets, free trade," said Bennett Cooper, a senior consultant-financial services with an emphasis on distribution at Tillinghast-Towers Perrin in New York.

"What's going on in the Far East right now would indicate that the movement is much more toward those kinds of open markets," Mr. Cooper said.

The Far East, and China in particular, is an area of particular interest to the insurance industry as the new administration takes power.

For those in the insurance industry, the goal is "trying to get a piece of this market of 1.2 billion people," Mr. Cooper noted.

"China is very important to us," the CIAB's Mr. Wood said. "It is a big brokerage issue for us that's ongoing."

Much of the attention is aimed at negotiations toward China's entry into the World Trade Organization. For now, China's trade relationships with various countries are based on individually negotiated bilateral

See **Bush** *on page 22D*



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Bush

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agreements, and its agreement with the United States does not provide for U.S. broker involvement in China.

"China did not make a commitment to allow foreign intermediaries to establish in China in the U.S.-China bilateral agreement. However, they did in the China-E.U. bilateral agreement," Ms. Kemper noted.

But "if China wants to join the WTO, all their bilateral agreements are put into one big agreement," she said. Thus, if China does join the WTO, it would open the door for U.S. intermediaries to establish themselves in China.

"However, China is now trying to put conditions on that," Ms. Kemper said.

"They really want you to establish a presence on the ground there before they consider a license," Tillinghast's Mr. Cooper said. "They also want you to have a partner there." And for now, he said, it appears China doesn't want foreign companies to have a majority stake in those partnerships.

"It's going to take some time," Mr. Cooper said. "Of course, we are assuming that Bush will follow through."

"Republicans have always been pretty strong on trade," Ms. Kemper said. "It's too early to tell. We haven't heard any speeches yet, but we don't expect them to go back on any of the progress that has been made. We feel pretty comfortable with the new administration so far."

With the U.S. economy slowing, the insurance industry's interest in global business opportunities will increase, Mr. Cooper said. "South America looks like it's coming back," he said. "And with our own economy slowing, suddenly Western Europe, some parts of the Far East and some parts of South America are starting to look more interesting."

"The other thing is, there's a tremendous amount of consolidation going on right now, and the industry is really global," he added. As that process continues, large companies like American International Group Inc. or France's AXA Group are looking to increase their presence worldwide, with domestic companies such as AIG investing as a way to increase overseas presence and foreign companies doing the same in the United States.

Mr. Cooper said there also will likely be continued discussion of insurance business that is done offshore to gain particular advantages, though he thinks any real action to address tax issues or other implications of that business will probably fall behind other, more important Bush administration priorities.

"There is some significant presence offshore in doing things for foreign nationals and for some particular products that, for certain reasons, are easier to do offshore," he noted.

"I'm sure a lot of countries would like to try to get their arms around what their citizens are doing in using offshore products to try to avoid certain things," Mr. Cooper said. "I think somebody will look at that. It's just a matter of time. But in the scheme of things, there's probably a lot of things that are going to be looked at first."

Some of the expressed top priorities of the Bush administration may well affect other aspects of the insurance business in significant ways, however. In particular, Mr. Bush's drive to eliminate the estate tax and allow individuals to control the investment of a portion of their Social Security account assets may shape some companies' business.

"It seems to me it's not a matter of whether we're going to get some reduction in taxes or change in estate taxes or change in marriage penalty taxes—it's a question of how much of a reduction we're going to get," Mr. Cooper said.

Mr. Cooper suggested that any repeal or reform of the estate tax could force an entire group of insurance companies to change their business, because, for a number of companies, second-to-die life policies represent a significant portion of their premium volume.

"Probably the companies that have gotten into it—and they're the larger companies—many have 30% to 35% of their premium in second-to-die life insurance," Mr. Cooper said. "So what they'll have to do is find something in lieu of that and change to something that is not a death benefit but an accumulation product."

One option might be long-term care products.

Long-term care insurance is becoming a hot product, Mr. Cooper said, with only 10% to 20% of the market penetrated thus far. And, he said, "it sounds like the government is supportive of long-term care."

"So there's some terrific potential for growth, but the real challenge is nobody really knows what the profitability of that area is going to be," Mr. Cooper said. One key question is whether insurers are pricing long-term care insurance properly. "We would think some are and some aren't," he said.

The new mindset in Washington is, "Don't we need to give our people some significant tax relief, and isn't it the time to do it, when our surplus is as large as it is?," Mr. Cooper noted. Couple that with the goal of allowing individuals to direct a portion of Social Security assets in mutual funds, and "Everything that we're moving toward really talks about accumulation—get enough money toward retirement and then in your waning years so you can care for yourself."

One other area some might

See **Bush** *on next page*



Bush

Continued from previous page

watch for signs of change is the issue of federal chartering of insurance companies, as the convergence among financial services companies continues. While talk is likely to continue on that subject, Mike Pritula, a director at consulting firm McKinsey & Co. in New York, said he doesn't anticipate action on federal chartering this year.

"The prospects for any significant movement in the federal charter issue in 2000 remain highly uncertain," he said. "While the Bush administration clearly would be supportive of states' rights, they're also outspoken opponents of inefficient regulation where it exists. So it remains to be seen if these two opposing views collide in the committee process."

"In addition, there's no doubt that some factions within the life and property/casualty segments are very supportive of a federal charter, but there also remain those segments that are more questioning of the value of a federal charter," Mr. Pritula said. "So the industry itself has some work to do in shaping their views toward the federal charter."

KPMG's Mr. Swift said it will also be interesting to see how the Bush administration deals with a number of regulations affecting the insurance industry that the Clinton administration put in place.

"I know a lot of our HMO clients really have a concern with some of the things that Clinton rammed through at the end on privacy matters," he said.

But with the new Bush administration having other, higher political and legislative priorities, any changes significantly affecting the insurance industry won't come soon, Mr. Swift suggested.

"I think it will be at least six to 12 months before we see anything substantial affecting the insurance industry," he said. BI

Sizing up Singapore for industry growth

By LEE FLETCHER

Many U.S. insurers that want to conduct business overseas look with favor on the relatively open market of Singapore, though there are some reforms those insurers would like to see implemented.

"It's a vibrant, competitive, open insurance market," said Brad Smith, managing director-international relations with the American Council of Life Insurers in Washington.

"The reason it represents a real opportunity for us is that it will allow the U.S. to set a very high standard for a market access agreement in a region where Singapore is about as good as it gets, currently," Mr. Smith said.



Gary Crist, managing director of Russell Miller Advisors P.L. in Singapore, said, "Singapore's insurance regulatory environment is as open as you can find in Asia." He noted that, currently, foreign companies can establish branch operations and representative offices in Singapore.

In January, the ACLI and the American Insurance Assn. co-wrote a letter to then-U.S. Trade Rep. Charlene Barshefsky, pushing for market reforms in Singapore that would further open the insurance market to foreign investment.

In the letter, the trade organizations recommended that the U.S. government use the ongoing U.S.-Singapore Free Trade Agreement negotiations, which began last year, to help reach the insurance industry's goals.

"The U.S. insurance industry views Singapore as a vital center of Asian insurance activity," the letter said. "We believe that Singapore can help set the standard for insurance services liberalization in Asia."

There are several reforms on the property/casualty side that the AIA would like to see in any final trade agreement with Singapore, said John Savercool, Washington-based vp of federal affairs for the insurer trade group.

"One is that we would like to see any compulsory reinsurance cession imposed by the government of Singapore eliminated. Currently, there is a compulsory reinsurance cession (with a state-run reinsurer) ranging between 2.5% and 5% on many non-life

See **Singapore** *on next page*

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Singapore

Continued from previous page

risks. We would like to see those requirements eliminated. There is also a law that states that a foreign insurer cannot purchase a majority stake in a domestic insurance company," he said.

For example, Mr. Savercool said, if a U.S. company sought to buy a domestic insurer in Singapore that was struggling for lack of good management, the U.S. company could intervene in the management of the company but could not purchase a majority share of the business.

"We would like to see that provision and that restriction eliminated, so that we could buy all of the business or a majority share of the business," he said.

Mr. Smith said the ACLI's greatest concern in Singapore is the current restriction on ownership by foreign insurers.

"Right now," Mr. Smith explained, "you can only be a branch (of a company). You cannot be a majority or a wholly owned subsidiary; you've got to be a minority joint venture partner. There's a series of other restrictions that the government of Singapore has on foreign insurance companies operating there, but compared to other markets-such as China or Vietnam or a lot of other places in the world-Singapore is actually a pretty good market."

Mr. Smith said that the U.S. negotiations with Singapore could serve as a model for the development of trade arrangements in other Asian countries.

"It would set a good example for markets such as Malaysia, Indonesia, Thailand, the Philippines, Vietnam," he said.

"Singapore is, by and large, an open market, and the Singapore government should be able to commit to very broad, very comprehensive trade commitments, because it's not like they have to change a whole lot," Mr. Smith said.

In early December, when the trade talks began, Mr. Smith said the Clinton administration anticipated finishing up by Dec. 22. That, he said, would have "set an all-time speed record for negotiating an agreement."

Despite the fact that no agreement was reached before President Clinton left office, the two sides set a strong foundation, Mr. Smith said.

Indeed, the ACLI, along with the AIA, had encouraged the administration to take its time to negotiate "the right agreement, not just any agreement fast," Mr. Smith said.

The AIA's Mr. Savercool agreed that it made sense not to scramble to reach a hasty settlement.

"We feel good that the Clinton administration did not follow through and try to conclude a trade agreement by the time it left office. We were very concerned that a deal would be struck prematurely and that the best deal possible would not have been made if there were unreasonable time constraints on its conclusion," Mr. Savercool said.

Mr. Savercool said that the associations have held several meetings with negotiators from the U.S. trade representative's office, the U.S. Treasury Department and the Commerce Department, and that it will continue to do so.

"We have included mention of the importance of doing the right type of agreement with Singapore in briefings we have provided for the transition teams for the Bush administration and the USTR, Treasury and Commerce. Additionally, we are briefing the committees of jurisdiction both in the House and the Senate," Mr. Savercool said.

Mr. Smith of the ACLI noted that the negotiations regarding trade reforms in Singapore are similar to those talks that are now under way between the United States and Chile, except that the Chilean discussions are about one month behind.

"It's virtually identical to what we're trying to get out of Singapore," Mr. Smith said.

"In a broader context," the AIA's Mr. Savercool said, "what we'd like to see in the U.S.-Singapore agreement, however, is the adoption of what we call a 'model schedule,' which is a document that we have created-along with others in the industry, including the ACLI-which pretty much constitutes an insurance wish list of what a foreign market would look like as it regulates insurance." The model schedule seeks, among other steps, the elimination of government monopolies, the removal of compulsory reinsurance cessions and the implementation of faster review processes for new products, Mr. Savercool explained.

He said that it has always been the industry's goal to promote the model schedule through the World Trade Organization. Doing so, he said, would increase the likelihood that WTO member countries would adopt the model.

"We believe that if the U.S.-Singapore agreement doesn't include the model schedule, it will send a potentially counterproductive signal to other WTO countries that they, too, can refuse to adopt it as well," Mr. Savercool said.

"Not only Singapore but, we believe, the agreement with Chile ought to include the model schedule as well," he said.

Mr. Crist of Russell Miller Advisors said it is unclear what exactly will happen in regard to the unfinished Singapore trade agreement now that the Bush administration has taken over.

Mr. Smith emphasized that the negotiations in Singapore are not limited to the insurance industry. "This is on telecommunications, agriculture, textiles, banking-there are a lot of things going on. The original commitment was to try and do this in a very quick manner and, to their credit, they actually have established a framework. This kind of thing usually takes six months to a year to get done," he said.

Mr. Smith said he expects an agreement to be reached within the year, unless serious problems develop in regard to some industry other than insurance.

Mr. Savercool said it is unfortunate that the insurance industry negotiations are linked to those of other industries, "like agriculture issues and other issues that are more contentious."

Consequently, he predicted that little progress will be made on negotiations in regard to financial services and insurance in the first six months of 2001.

"It's more likely that we see more-substantive negotiations in the second half of this year," he said. BI

Many doors still closed for intermediaries

By MICHAEL PRINCE

Although many countries around the world have recently welcomed foreign insurers into their markets, the reception given to foreign insurance agents and brokers has been significantly colder.

This difference in treatment has not been lost on intermediaries, who, in recent years, have pushed for equal treatment from these newly liberalized markets.

Generally, an unwelcoming country does not establish an outright prohibition on foreign intermediaries. Rather, it creates barriers that prevent them from operating as freely as do other foreign businesses, including insurers.

"Typically, the market is opened to insurers before it's opened to the intermediaries," said Robert Gibbons, executive director and president of the International Insurance Foundation in Washington, a non-profit think tank that deals with emerging insurance markets.

"Less attention has been paid (to) the freedom of the market to intermediaries and the contributions they can make to an efficient insurance market," Mr. Gibbons said.

Currently, China is the area of most concern to intermediaries. Last April, the United States signed a trade agreement with China, but the deal contained no provision to permit foreign insurance intermediaries to operate there. Later in the year, though, China signed a bilateral trade agreement with the European Union that did open the door to foreign intermediaries.

"This was a major victory," said Coletta Kemper, vp-industry affairs for the Council of Insurance Agents & Brokers in Washington.

Negotiations are now under way to permit China's entry into the World Trade Organization. Admission, though, will require China to honor all bilateral trade agreements it has previously entered into, including the provision permitting foreign brokers to operate in the Chinese market, Ms. Kemper said.

But precisely what China will allow remains unclear, because "the details are now under negotiation," said Nic De Maesschalck, director of the World Federation of Insurance Intermediaries. The WFII is an umbrella organization in Brussels, Belgium, that represents agent and broker associations from 50 countries. Those details, Mr. De Maesschalck explained, will establish the way the WTO trade agreement translates into actual business activity, Mr. De Maesschalck explained.

"They are now in a very crucial phase," he said.

For example, Ms. Kemper noted that China initially sought to set certain asset requirements for foreign brokers to gain access that were so large that they would, in effect, have barred all foreign brokers. China has since backed away from this position. Nonetheless, such details become critical in determining the extent to which foreign agents and brokers will be able to conduct business in China.

Even if China were to be admitted into the WTO, subsequent rounds of negotiations with the country might give additional access to brokers or tear down any remaining barriers.

This WTO agreement "is just the floor of their commitments," Ms. Kemper said.

Although not explicitly stated, the reluctance of foreign markets to open themselves to foreign intermediaries is a way to protect their own industries, Ms. Kemper said. Countries recognize the need to bring in foreign insurers to help spread the risks, she noted. With intermediaries, though, "they can go home grown. But the problem is, they often don't have the expertise, particularly on the commercial side," she said.

Furthermore, the role that brokers play in the insurance industry isn't well known in some countries. For example, Japan, China and India lack their own brokers. Consequently, "they probably don't understand fully the benefits the broker can bring to the market," said Harold Skipper, professor of risk management and insurance at Georgia State University in Atlanta.

Denying entry to intermediaries may also be a way to hinder those foreign insurers that rely on brokers and independent agents to produce business. Without its agents and brokers, the foreign insurer is forced to reconstruct its entire distribution system from the ground up.

"It's a non-tariff barrier to market access," Mr. Skipper said. "It delays the foreign insurers' ability to penetrate the market."

Educating the policymakers in liberalizing markets about the importance of intermediaries has become a major goal of both U.S.-based organizations, such as the CIAB, and those in the international community, such as the WFII.

"Intermediaries are the essential, practical link in the whole insurance process," Mr. De Maesschalck said. "If you don't liberalize your market for intermediaries while, at the same time, you liberalize your market for international insurers, then your system is less efficient."

The WFII is most interested in pushing liberalizing countries to make commitments under the General Agreement on Trade and Services, the international treaty that governs the provision of services. That's because such commitments are enforceable through the World Trade Organization. Any agreement of lesser status, such as a government license for foreign businesses, can be revoked and doesn't offer foreign agents and brokers the assurance they need to make a major investment, Mr. De Maesschalck said.

China isn't the only country where the international broker community is pushing for greater access. India recently allowed foreign insurers to operate, but it has yet to pass regulations that would allow foreign brokers to conduct business, Mr. Gibbons said.

Other countries receiving the attention of intermediaries include



Egypt, South Korea and Indonesia. Each of these countries has made commitments through GATS to lower the barriers to foreign insurers, and, to a lesser degree, the barriers that impede foreign intermediaries, Mr. De Maesschalck said.

In addition, Russia seeks to become a WTO member. This requires Russia to negotiate with WTO member nations that have placed the entry of foreign intermediaries on their list of demands, he said.

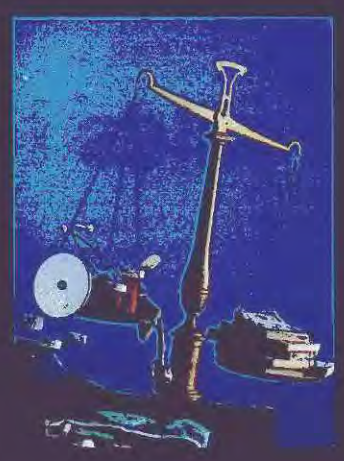
But even in some nations in which brokers can operate legally, the nature of the market itself can keep them out. For example, in some countries in which foreign insurers can compete, such as India, the government has mandated fixed prices for policies.

In such places, a broker can help a client with claims and customer service, but not in its primary role in shopping for the best price, Mr. Gibbons said. "So," he admitted, "there is very little a broker can add." BI











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Insurers reflect on industry's use of Internet

By MICHAEL BRADFORD

Unlike other financial services companies, insurers are not making great technological strides and are seeing little benefit from offering their products over the Internet.

In two separate panel discussions, experts at the IVANS Chief Executive Forum in Atlanta earlier this month agreed that insurers, in many cases, have been misguided in their technology efforts.

Insurers are concentrating too hard on what kinds of technological capabilities they can implement, said Jack Gohsler, senior vp at insurance research firm Conning & Co. in Hartford, Conn. "But what they are not focusing on is the 'why.' Why are we developing this technology? What is this technology going to do for our overall strategy? For our bottom line?"

Mr. Gohsler said Conning recently completed a study of property/casualty insurers' use of their Web sites. "And quite honestly, people, we're not real happy," he told conference attendees. "In many cases, there is tremendous functionality. But when we talked to companies about what this tremendous functionality would do for their bottom line, it was not very much."

A reinsurance company panelist said that, currently, there isn't much productive insurance industry activity on the Internet.

"Where we are on the Internet, from my perspective as a reinsurer, is that I don't think we're doing very much as an industry," said Chris Henson, vp and e-business analyst at General Reinsurance Co. in Stamford, Conn.

"We have a number of companies that have adapted very quickly to marketing across the Internet, but they tend to be the direct writers, which have less of a channel conflict as many of the stock companies and other mutual companies."

Most insurers that use the Internet to sell are "disappointing their customers first" and then binding coverage that costs too much to sell, Mr. Gohsler said. "That's not a very good use of technology."

Mr. Gohsler said Conning believes that an insurer's overall strategy must drive the selection and implementation of its technological efforts. "It can't be the opposite way."

"Secondly," he said, "technology initiatives are not real dissimilar from marketing initiatives, new agency programs, and so forth. There has got to be very sound implementation. You've got to perform."

Another panelist pointed out that many insurers that are racing to the Internet are jumping the gun.

Many insurers that are "embarking on customer-focused e-business initiatives don't actually understand their customers well enough to do that," said Graham Clark, national vp of business solutions for Xcelerate Solutions, an Atlanta-based Internet consulting firm. "And what their Internet initiatives have proven is that they have absolutely no idea how they make money, why their customers come back to them or why their customers do business with them vs. with another person."

Mr. Clark said insurers' Web services often lack a "value proposition" that is "clear and tangible" to customers.

> *'Where we are on the Internet, from my perspective as a reinsurer, is that I don't think we are doing very much as an industry.'*
>
> — Chris Henson

Mr. Gohsler pointed out that there are some cases in which insurers have successfully used the Internet. "If you have a small commercial writer that has a program that appeals to a certain sector of business, the Internet can very well extend marketing reach to any state in which the provider wants to be licensed."

In addition, he said, "I've seen many, many instances where companies have used e-commerce to support their agents...to pay bills, to support companies that need to change their policies" and provide other services.

"Many companies are using the Internet extremely well," Mr. Gohsler said. But, he added, "using the Internet for things that don't bring value to distributors and to customers is where we're getting problems."

Mr. Henson of Gen Re suggested that insurers should find ways to increase their interaction with policyholders, in much the way banks do with their customers. "I think you've got to use technology to somehow accelerate the rate at which you are in touch with your insureds," and not just offer a way to pay premiums and file claims, he said. "You've somehow got to use this to integrate yourselves into the financial lives of your customers, pretty much as banks do."

Technology can be used to create a platform through which insurers can "deliver a suite of products to customers that will take care of their financial needs and, obviously, keep them loyal and keep them in profitable relationships," Mr. Henson noted.

Some insurers, such as American Family Insurance Co., have been able to do just that, he said. They have been able to counter banks' effective use of the Internet by offering their own financial services products and by steering customers to those products via the Web, he explained.

Most insurers, though, will find such strategies difficult, according to Tom Rourke, the Dublin-based country manager for e-start, a company that helps technology entrepreneurs launch their businesses.

"We have, as an industry, low-interaction products," said Mr. Rourke. "And the lesson seems to be that the most successful ventures online, in a consumer sense, are going to be those that are highly interactive."

Mr. Rourke said he doesn't believe that "an insurance company, with products as they are fundamentally structured today, can ever hope to achieve that kind of relationship." While some investment-type products might be restructured so that, for example, insurance company customers can access their accounts over the Internet, Mr. Rourke said he thinks it is unlikely that property/casualty insurance will ever be such a product.

In response to an audience question, Mr. Henson said he thinks it is unlikely that the insurance and reinsurance market will be transformed into a sort of "virtual market in the sky," as the questioner put it.

"Personally I don't believe that is feasible," he said.

"I think it's probably possible for individual coverages, like catastrophic coverages," Mr. Henson noted. And, he pointed out that Gen Re is soliciting facultative reinsurance business through its Web site "as a way to reduce our processing costs. But we do have an underwriter at the other end. I don't know of any truly virtual reinsurance operations which have been able to dispense, not so much with the personal touch, but with the business relationship that underlies a reinsurance relationship."

Technology may augment or enhance the relationship between insurers and reinsurers but probably will never replace it, Mr. Henson said.

Brian T. Casey, a partner with the Atlanta law firm of Morris, Manning & Martin L.L.P., also participated in one of the panel discussions.

The sessions were moderated by Dan Carmichael, president and chief executive officer of Ohio Casualty Corp. in Fairfield, Ohio, and William Tedrick, vp of customer service and industry sales at IVANS Inc. in Cincinnati. BI

Internet seen as service provider, not sales tool

By MICHAEL BRADFORD

Insurers are realizing that the Internet's greatest value is not as a sales tool but as a way to enhance customer service.

A survey of 110 insurance company Web sites found that insurers are focusing more on providing better service over the Internet than on selling coverage online. Online insurance sales were estimated to make up only 1% of the $420 billion insurance market in 2000 and they will rise to just 2% to 5% by 2004, according to IVANS Inc.

IVANS, a Greenwich, Conn.-based provider of technology services to insurers, surveyed the insurer Web sites in January. A report of IVANS' findings was distributed at the group's Chief Executive Forum, held Jan. 31 through Feb. 2 in Atlanta.

A key discovery of the survey is that "many of the insurance company Web sites provide consumers with the ability to do self-service. This is important, because it makes the insurance process a 24/7 operation," the report said.

The survey findings show that, of 110 Web sites surveyed, 20% allow customers to file claims online, 16% let customers check the status of payments, and 16% allow policyholders to make policy updates and changes through the site. "IVANS sees these numbers increasing in the next year, as companies look to enhance their perception as full-service financial firms allowing consumers to easily do business with them," the report pointed out.

Only 18% of the insurer Web sites offered coverage quotes, and just 5% sell directly to policyholders.

Insurers are loading up their Web sites with information that traditionally is provided through telephone service calls. Of the sites reviewed, 85% offer policy information, company contacts and instructions about how to do business with the insurer.

In their efforts to inform consumers, insurers are offering access to research and other insurance industry information. Approximately 64% of the surveyed insurers have access to such information through their Web sites and 34% include links to industry sites.

But the survey also found shortcomings among the Internet offerings. Twenty percent of the Web sites left out "the most-basic information," such as mailing addresses or corporate telephone numbers, according to the survey, and only 20% of the sites have "frequently asked questions" sections.

The survey report indicates that agents reap benefits from insurer Web sites. Seventy-one percent of the sites steer insurance buyers to agents.

"In fact," the report noted, "the role of the agent appears to be bigger than ever, as Web sites direct customers to agents to obtain more information and buy policies." While it was thought by some that the Internet would eliminate agents, the report pointed out that it has, "in fact, enhanced their role by steering business to them."

The survey showed that 38% of insurers provided agents with access to their systems through password-protected intranets, but the report said that that percentage is likely to increase. "If insurance carriers stay committed to providing customer service via the Internet, expect an explosion in the amount of agent intranets carriers provide online," the report said. BI

Forum draws a crowd

IVANS Inc. drew about 134 attendees to its Chief Executive Forum in Atlanta to hear discussions on insurance technology and Internet issues that insurance companies are facing.

The audience heard speeches and panel discussions on topics that covered insurance e-commerce, Internet security, advancements in broadband communications, successful business strategies in the digital world and other issues.

IVANS, a Greenwhich, Conn.-based provider of technology services to insurers, hosted the forum held Jan. 31 throughFeb. 2 at the Ritz Carlton Buckhead Hotel. Apart from the sessions, attendees toured the Jimmy Carter Library and Museum just outside downtown.

Details for next year's forum have not been finalized. Information will be available at *www.ivans.com*.

Insurer Topics

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PERSPECTIVES

Regulation out of step with industry

By Robert E. Vagley

Today, the property/casualty insurance marketplace faces major challenges. The many stakeholders—underwriters, producers, risk managers, regulators and others—collectively must decide whether we respond by moving boldly to take charge of our future or whether we continue to accept incremental changes in the existing, outmoded regulatory system.



The first set of challenges involves operational and competitive tests posed by external events, including the reconfiguring of the U.S. financial services sectors into a single entity, the ever-advancing state of technology and e-commerce, and the further integration of nations and regions into a truly global economy.

Insurers have to compete with new rivals created by enactment of the federal Gramm-Leach-Bliley Act as we continue to compete among ourselves. The Internet and electronic commerce offer tremendous commercial and transactional possibilities that should not be lost to insurers and their customers. Likewise, U.S. insurers that wish to operate on the world stage must not be hampered by restrictive regulation.

The second set of challenges comes from within the insurance regulatory structure itself. Multiple, inconsistent layers of regulation in various jurisdictions present insurers with needlessly high barriers to an efficient and effective insurance market.

The current regulatory machine, while trying to rebuild and modernize itself, continues to contain a lot of needless parts. While most insurers and risk managers have learned to live with this situation, it cannot last. The friction that results from all the needless parts is overtaking the machine. Unfortunately, despite well-intentioned reform efforts among the current regulators, progress on most fronts has been marginal and too slow in coming.

As an industry, we must now talk openly and seriously about overhauling the entire insurance regulatory environment.

Confining reform efforts to tweaking and oiling the existing machine merely delays the inevitable. For too long, some members of the insurance industry have been in denial about the gravity of the situation. As an industry, we must now talk openly and seriously about overhauling the entire insurance regulatory environment, with all options placed on the table for consideration. The powerful market and technological factors that are shaping our industry leave us no choice. Insurers and risk managers must engage in this debate over our future in whatever forum debate occurs. Of course, the debate will continue at the state level, where implementation of recent National Assn. of Insurance Commissioners' speed-to-market reforms is a high priority—a priority that the American Insurance Assn. and the rest of the industry support.

In the interest of considering all viable options, we cannot exclude what has always been the "elephant in the room"—namely, optional federal chartering. Under such a system, an insurer would be able to obtain a federal charter in lieu of the current state-by-state system of licensing and regulation. A well-designed federal charter would employ a market-based approach to insurance regulation that would not rely on prior government approval of prices or products, but rather would permit competitive forces to respond to consumer demand.

Even if an ideal federal charter were developed, however, we know that many companies would choose to remain in a state-based regulatory environment. This is why the discussion is about *optional* federal chartering. It is another choice, an alternative to state regulation, not a replacement.

So, the real question before us is not a procedural, political, "federal vs. state" dilemma. We must leave aside the distracting, fractious political discussion of whether federal insurance regulation per se is good or evil. It is time, if not past time, to get on with finding the answer to the real question: What operating environment do we need to get us successfully through today and tomorrow—irrespective of who the regulator or regulators may be?

The AIA put forth a set of principles last summer to

Continued on next page



Continued from previous page
articulate our vision of this new operating environment. The guiding principles serve as our benchmark against which all regulatory reform proposals, whether federal or state, are judged. These principles are:

- **A market-based system.** Competitive forces, rather than regulatory approvals, should dictate the products sold by insurers and the prices they charge.
- **National treatment.** Companies should have the option of obtaining a single charter that would allow them to do business in all regulatory jurisdictions.
- **Uniform regulatory requirements.** Insurers operating in multiple jurisdictions should be subject to one-stop, nonduplicative rules and uniform laws governing only those areas where an ongoing regulatory role serves the public interest.
- **Timely and fair enforcement.** Regulatory requirements should be enforced in a timely, impartial and professional manner, and fines and other penalties should be proportional to the violation at issue.
- **Level playing field.** Insurers should be on equal regulatory footing with other financial services firms that provide similar products, as well as with global competitors and the alternative market.
- **Technology.** Regulators should embrace the use of new technologies by insurers in every aspect of their business.

The benefits of an insurance marketplace based on these principles are obvious and undeniable. And so we must commit ourselves to ensuring that whatever new regulatory structure we are under embodies the core principles expressed above. These principles should be used, in effect, as a litmus test to pass or fail regulatory reform proposals and to evaluate our progress. This shift away from politics and toward end goals has the virtue of focusing the discussion on what is in the long-term best interests of consumers, the industry and regulators.

As Ben Franklin said to those who were reluctant to sign the Declaration of Independence, "We must, indeed, all hang together, or, most assuredly, we shall all hang separately." If we fail to "hang together" and move forward as an industry, our competitors in the financial services arena will drive the insurance regulatory reform train.

We may not like where they take us. Their reform proposals already are stirring interest on Capitol Hill, specifically within the newly created House Financial Services Committee. This committee is the first to have insurance explicitly named as part of its jurisdiction, and the state of our marketplace will be a topic of active interest among panel members. If we are not open-minded to the new possibilities presented to us through this venue, we risk being marginalized and made irrelevant.

The time for denial is over. The insurance regulatory system is not keeping pace with the evolution of financial services on the world stage, despite the all the good-faith efforts to make it work. Now is the time to explore every option and to take advantage of this opportunity to help shape our own future in a way that is good for both the industry and consumers. BI

Robert E. Vagley is president of the American Insurance Assn., a Washington-based property/casualty insurance trade association. More than 370 insurers that collectively write more than $60 billion in annual premium volume belong to the AIA.

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Auditing projects conducted 30
Clients
Total 100
Staff
Total 153
Claims service 116
Claims services since: 1990.
Compensation: Adjusting: per claim, administration fee. Auditing: per hour, per day.
Administrative offices: Los Angeles; Tampa, Fla.; Atlanta; Itasca, Ill.; Troy, Mich.; Florham Park, N.J.; Mechanicsburg, Pa.
Sales offices: Los Angeles; Atlanta; Itasca, Ill.; Westborough, Mass.; Troy, Mich.; Florham Park and Warren, N.J.; Charlotte, N.C.
Officers: Steven M. Chirico, CFO; Robert F. Santovo, managing senior vp, Sam K. Lee, vp-risk management services; Kenneth W. Nietzer, vp-operations.
Contact: Kenneth W. Nietzer.

Claims Administrative Services Inc.

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Employee Benefits/Property & Casualty

2000 revenues
Total $8,772,077
Claims revenue $8,555,007
Claims administration 97.5%
Other services 2.5%
Claims business by type
Workers compensation 80%
Health insurance 20%
Claims business by volume
Administration claims paid $25,712,921
Clients
Total 414
Staff
Total 73
Claims service 24
Claims services since: 1990.
Compensation: Administration: monthly, quarterly.
Sales offices: Amarillo, Dallas, Houston, LaPorte, Tyler, Texas.
Officers: Billy Hibbs Sr., CEO; Barry L. Jones, president; Wesley Slade, senior vp.
Contact: Barry L. Jones.

Claims Management Services Inc.

P.O. Box 1447,
Roswell, Ga. 30077-1447;
770-998-7411; fax: 770-998-7686
www.claimsmgmtservices.com

Property & Casualty

2000 revenues
Claims revenue $2,100,000
Claims administration 98%
Claims adjusting 2%
Claims business by type
Auto 45%
General liability 15%
Professional liability 5%
Property damage 5%
Workers compensation 30%
Clients
Total 58
Staff
Total 25
Claims service 14
Claims services since: 1984.
Officers: Gene Jones, president; Niell Stevens, vp; Barry Lamanno, assistant vp.
Contact: Barry Lamanno; blamanno@claimsmgmtservices.com.

Colonial HealthCare Inc.

9901 Business Parkway, Suite B,
Lanham, Md. 20706;
301-459-0055; fax: 301-459-5405
www.colonialhealthcare.com

Employee Benefits/Property & Casualty

2000 revenues
Total $5,500,000
Claims revenue $4,500,000
Claims administration 80%
Claims auditing 2%
Other services 18%
Claims business by type
Auto 2%
Disability 1%
Flex compensation 15%
General liability 1%
Property damage 1%
Workers compensation 20%
Health insurance 60%
Employees covered 185,000
Claims business by volume
Administration claims paid $40,000,000
Clients
Total 75
Staff
Total 55
Claims service 25
Claims services since: 1980.
Compensation: Administration: PEPM. Adjusting: PEPM. Auditing: hourly.
Administrative offices: Lanham, Md.; Norristown, Pa.
Sales offices: Rye, N.Y.; Pittsburgh; Reston, Va.
Officers: William G. Franey, president; Frank Neubauer, CFO; James Fleming, Patricia Biederman, Richard Slater, executive vps.
Contact: William G. Franey; wfraney@colonialhealthcare.com.

Commercial Risk Management Inc.

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813-289-3900; fax: 813-289-3771

Property & Casualty

2000 revenues
Total $1,540,000
Claims revenue $1,480,000
Claims administration 97%
Other services 3%
Claims business by type
Workers compensation 100%
Claims business by volume
Administration claims paid $15,000,000
Clients
Total 22
Staff
Total 25
Claims service 15
Claims services since: 1975.
Compensation: Administration: percentage of manual premium, 2.5% to 8%.
Officers: Susan E. Theis, president/CEO; Robert F. Widmer, vp; Sharon Anderson, vp-claims.
Contact: Robert F. Widmer; crm-su@worldnet.att.net.

Companion Third Party Administrators L.L.C.

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Columbia, S.C. 29202;
803-264-6672; fax: 803-865-2496

Property & Casualty

2000 revenues
Total $2,310,000
Claims revenue $2,310,000
Claims administration 10%
Claims adjusting 85%
Claims auditing 1%
Other services 4%
Claims business by type
Auto 4%
General liability 3%
Property damage 3%
Workers compensation 90%
Claims business by volume
Administration claims paid $15,000,000
Clients
Total 5
Staff
Total 21
Claims service 21
Claims services since: 1999.
Compensation: Administration: per claim. Adjusting: per claim. Auditing: per project.
Administrative offices: Altanta; Columbia, S.C.
Officers: Charles M. Potok, president; Curtis C. Stewart, vp/CFO.
Contact: Kevin M. Elmore, director; kevin.elmore@companiongroup.com.

CompManagament Inc.

6377 Emerald Parkway,
Dublin, Ohio 43016;
800-825-6755; fax: 614-766-0702
www.compmgt.com

Employee Benefits/Property & Casualty

2000 revenues
Total $50,000,000
Claims revenue $35,000,000
Claims administration 10%
Claims adjusting 30%
Claims auditing 30%
Other services 30%
Claims business by type
Disability 5%
Workers compensation 95%
Clients
Total 125
Staff
Total 590
Claims services since: 1984.
Administrative offices: Indianapolis; Lexington, Ky.; Canton, Cincinnati, Cleveland, Columbus and Toledo, Ohio; Seattle; Charleston, W. Va.
Officers: Robert J. Bossart, CEO; Jonothan R. Wagner, president; Paul A. Miller, CFO.
Contact: Paul Bode, vp-national sales; bodep@compmgt.com.

Constitution State Services L.L.C.

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

Property & Casualty

2000 revenues
Total $100,000,000*
Claims revenue $100,000,000*
Claims administration 100%
Claims business by type
Auto 12%
General liability 13%
Workers compensation 75%
Claims business by volume
Administration claims paid $1,000,000,000*
Clients
Total 550
Claims services since: 1980.
Compensation: Administration: flat fee. Adjusting: per claim/claimant fee, loss control factor.
Administrative offices: nationwide.
Sales offices: Los Angeles; Hartford, Conn.; Atlanta; Chicago, New York; Richmond, Va.
Officers: J. David Gibbs, chairman; John N. Wilson, CEO; Andrew J. Apicella, president; James M. Michener, director.
Contact: Andrew J. Apicella; aapicell@travelers.com.
**Estimated.*

CoreSource Inc.

400 Field Dtive,
Lake Forest, Ill. 60046;
847-604-9200; fax: 847-615-3900
www.coresource.com

Employee Benefits

2000 revenues
Total $165,312,256
Claims revenue $129,812,256
Claims administration 95%
Claims adjusting 4%
Claims auditing 1%
Claims business by type
Disability 5%
Flex compensation 15%
Health insurance 80%
Employees covered 2,505,372
Dependents covered 3,605,372
Claims business by volume
Administration claims paid $2,197,088,000
Clients
Total 1,510
Staff
Total 2,152
Claims service 1,160
Claims services since: 1975.
Compensation: Administration: PEPM.
Administrative offices: Tucson, Ariz.; Anderson and Matteson, Ill.; Kansas City, Kan.; Baltimore; Brooklyn Centerand Jackson, Minn.; Charlotte, N.C.; Columbus, Ohio; Lancaster and Wayne, Pa.
Sales offices: Los Angeles; San Francisco; Clearwater, Fla.; Lake Forest and Matteson, Ill.; Anderson, Ind.; Kansas City, Kan.; Boston; Baltimore; Minneapolis; Newark, N.J.; Charlotte and Raleigh, N.C.; Columbus, Ohio; Lancaster and Wayne, Pa.; Dallas.
Officers: Mark W. Schmidt, president/COO; Richard Moxley, Jerry Castelloe, Barb Wurfel, senior vps.

Continued on next page

BIG THINGS COME IN SMALL PACKAGES



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July 16
Agents & Brokers
July 30
Risk Management Consultants
August 13
Property Loss Control Consultants
September 3
Leading Reinsurers Worldwide
September 10
Surplus Lines Insurers
September 10
Insurance Wholesalers
October 8
Industry Web Sites
October 22
Safety Consultants
October 22
Rehabilitation Services
November 5
Reinsurance Brokers
November 12
Policyholder-owned Facilities
November 12
International P/C Insurers
December 3
Risk Management Information Systems
December 10
Benefit Consultants

Continued from previous page

Corporate Benefit Services of America Inc.

10159 Wayzata Blvd.,
Minnetonka, Minn. 55305-1503;
952-546-0062; fax: 952-545-6235
www.cbsainc.com

Employee Benefits

2000 revenues
Total $43,000,000
Claims revenue $24,000,000
Claims administration 36%
Claims adjusting 14%
Claims auditing 8%
Other services 42%
Claims business by type
Disability 2%
Flex compensation 2%
Life 1%
Health insurance 95%
Employees covered 150,000
Dependents covered 195,000
Claims business by volume
Administration claims paid $375,000,000
Clients
Total 875
Staff
Total 600
Claims service 300

Claims services since: 1979.
Administrative offices: Tampa, Fla.; Ames, Iowa; Minnetonka, Minn.
Sales offices: Tampa, Fla.; Boise, Idaho; Ames, Iowa; Grand Rapids, Mich.; Minnetonka, Minn.; Richardson, Texas.
Officers: Clifford M. Koltes, president/CEO; James V. McMahill, executive vp; Craig R. Nelson executive vp/chief marketing officer; Roger C. Pederson, vp/CFO.
Contact: David C. Parker, senior vp-sales and marketing; dparker@cbsainc.com.

Corporate Diversified Services Inc.

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

Employee Benefits

2000 revenues
Total $2,899,165
Claims revenue $2,259,327
Claims administration 78%
Other services 22%
Claims business by type
Flex compensation 15%
Health insurance 85%
Employees covered 19,075
Claims business by volume
Administration claims paid $55,557,178
Clients
Total 67
Staff
Total 50
Claims service 19

Claims services since: 1983.
Compensation: Administration: PEPM.
Officers: Richard L. Guffey, president/CEO; Cheri L. Kowal, executive vp/COO; Pam Silverman, vp-TPA operations.
Contact: Cheri L. Kowal.

Corporate Plan Management Inc.

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

Employee Benefits

2000 revenues
Total $1,400,000
Claims revenue $980,000
Claims administration 66%
Claims adjusting 2%
Claims auditing 2%
Other services 30%
Claims business by type
Health insurance 100%
Claims business by volume
Administration claims paid $23,112,000
Clients
Total 71
Staff
Total 25
Claims service 16

Claims services since: 1990.
Compensation: Administration: PEPM, $8 to $15.
Officers: Mike R. Falley, president; Tim Carson, John Matalome, vps.
Contact: Mike R. Falley.

Crawford & Co.

5620 Glenridge Drive, N.E.,
Atlanta, Ga. 30342;
404-256-0830; fax: 404-847-4028
www.crawfordandco.com

Property & Casualty

2000 revenues
Total $712,000,000
Claims revenue $520,000,000
Claims administration 24%
Claims adjusting 40%
Claims auditing 9%
Other services 27%
Claims business by type
Auto 8%
Disability 2%
General liability 27%
Inland marine 6%
Ocean marine 4%
Property damage 21%
Workers compensation 23%
Other 9%
Claims business by volume
Administration claims paid $1,700,000,000
Adjusting projects conducted 542,000
Clients
Total 5,100
Staff
Total 5,275
Claims service 2,400

Claims services since: 1941.
Compensation: Administration: annual fee, flat rate with tails. Adjusting: annual fee, flat rate with tails. Auditing: annual fee, flat rate, time and expense.
Administrative offices: 700 offices worldwide.
Sales offices: Brea, Calif.; Atlanta; Chicago; Mahwah, N.J.; Dallas.
Officers: Grover Davis, CEO; Jim McGee, president-domestic operations; Jeffrey Bowman, president-international operations.
Contact: Pat Sandor; 404-845-3158; pat_sandor@us.crawco.com.

Cunningham Lindsey

3910 Brookside Drive,
Tyler, Texas 75701;
903-561-6700; fax: 903-581-2536
www.cunninghamlindsey.com

Property & Casualty

2000 revenues
Total $443,000,000
Claims revenue $40,000,000
Claims administration* 80%
Claims adjusting* 15%
Claims auditing* 5%
Claims business by type
Auto 14%
General liability 17%
Inland marine 2%
Professional liability 2%
Property damage 5%
Workers compensation 60%
Claims business by volume
Administration claims paid $250,000,000
Clients
Total 700
Staff
Total 5,000
Claims service 400

Claims services since: 1923.
Compensation: Administration: per hour, $64 to $150. Adjusting: per claim, $50 to $1,800. Auditing: per hour, $75 to $250.
Administrative offices: Phoenix; Sacramento, Calif.; Atlanta; Chicago; Kansas City, Kan.; Baton Rouge, La.; Charlotte, N.C.; Oklahoma City; Philadelphia; Dallas, El Paso and Houston, Texas.
Sales offices: Sacramento, Calif.; Kansas City, Kan.; Louisville, Ky.; Parsippany, N.J.; Philadelphia; Dallas and Tyler, Texas.
Officers: Ken Polley, chairman/CEO; Farid Nagji, president/COO; Paul Maggi, executive senior vp/general manager.
Contact: Bob Morris; Parsippany Plaza, 959 Route 46 E., Third Floor, Suite 3-C, Parsippany, N.J. 07054; 973-402-8844.

** Percentages are based on total claims management revenues including insurance claim administration.*

Terms used in the directory of third party administrators are defined on page 16

D

Delta Dental Plan of California

100 First St.,
San Francisco, Calif. 94105;
415-972-8300; fax: 415-972-8466
www.deltadentalca.org

Employee Benefits

2000 revenues
Total $2,600,000,000*
Claims revenue $1,019,500,000*
Claims administration 38.2%
Claims adjusting 1.6%
Claims auditing 1.6%
Other services 58.6%
Claims business by type
Health insurance 100%
Employees covered 3,047,027**
Dependents covered 5,405,025**
Claims business by volume
Administration claims paid $949,400,000
Clients
Total 7,586
Staff
Total 1,807
Claims service 469

Claims services since: 1955.
Compensation: Administration: percentage of revenue-charge, per enrollee per month, weekly invoice.
Administrative offices: Cerritos, Fresno, Rancho Cordova, San Diego and San Francisco, Calif.
Officers: Gary D. Radine, president/CEO; Elizabeth Russell, senior vp/CFO; Marty Whelan, senior vp/chief information officer.
Contact: sales-Northern California, ncasales@delta.org; sales-Southern California, scasales@delta.org.

** Estimated.*
*** Employee and dependent coverage numbers include all risk and self-insured business*

E

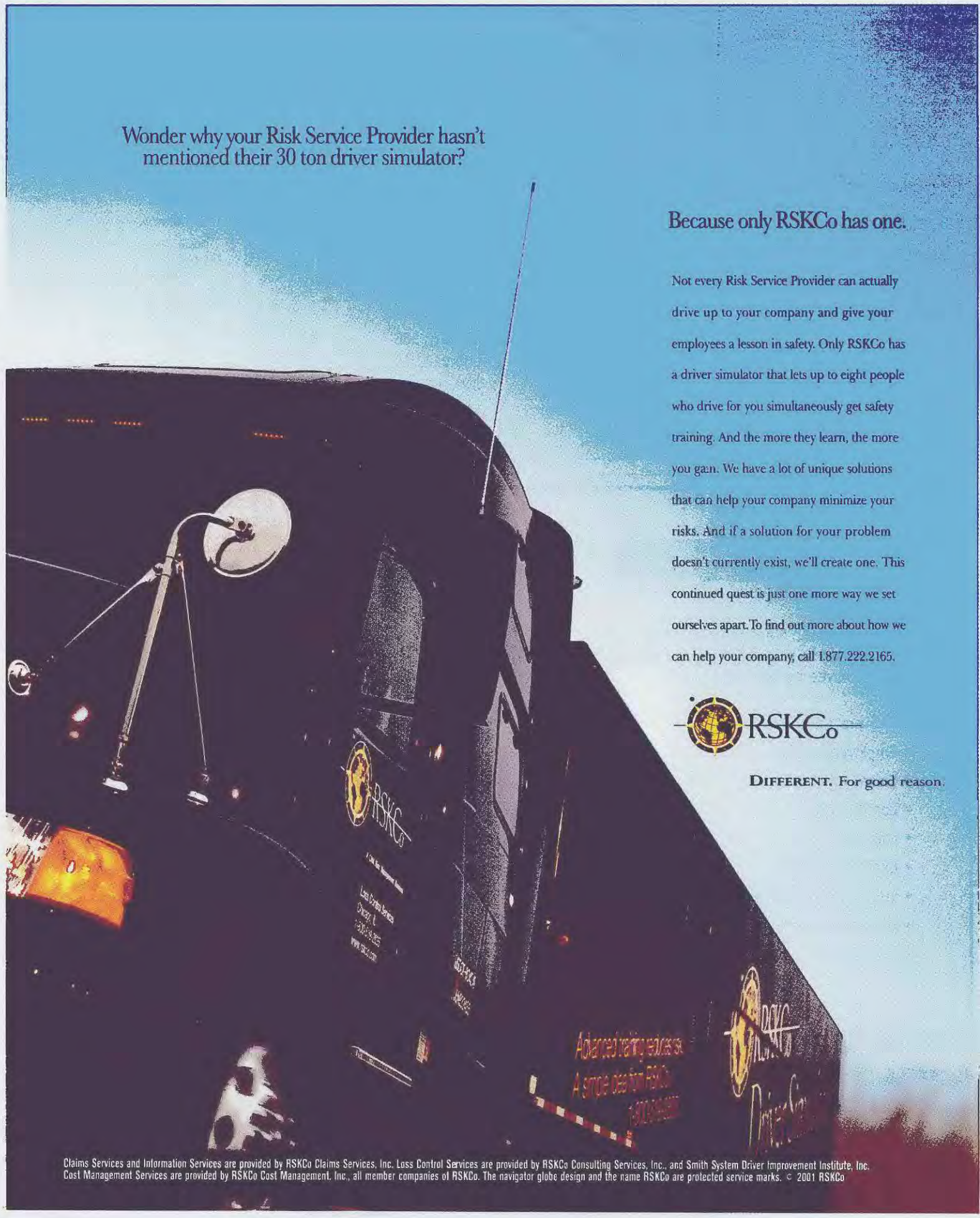
ECS Claims Administrators Inc.

520 Eagleview Blvd., P.O. Box 688,
Exton, Pa. 19341;
610-458-7445; fax: 610-458-5743
www.escinc.com

Employee Benefits/Property & Casualty

2000 revenues
Total $10,000,000
Claims revenue $1,000,000
Claims adjusting 8%
Claims auditing 2%
Other services 90%
Claims business by type
Auto 30%
General liability 5%
Inland marine 5%
Professional liability 20%
Property damage 5%

Continued on next page



Continued from previous page

Environmental 35%
Clients
Total 45
Staff
Total 79
Claims services since: 1990.
Compensation: Adjusting: time and expense. Auditing: time and expense.
Administrative offices: San Francisco; Atlanta.
Sales offices: Los Angeles and San Francisco, Calif.; Atlanta; Chicago; Exton, Pa.; Houston.
Officers: William Kronenberg III, president/CEO; Randall E. Hobbs, senior vp.
Contact: Randall E. Hobbs; hobbsr@ecsinc.com.

ESIS Inc.

1601 Chestnut St.,
Philadelphia, Pa. 19192;
215-640-1847; fax: 215-640-5571
www.esis.com

Property & Casualty

2000 revenues
Total $163,000,000
Claims revenue $136,000,000
Claims administration 80%
Claims adjusting 3%
Claims auditing 2%
Other services 15%
Claims business by type
Auto 15%
General liability 17%
Professional liability 1%
Property damage 1%
Workers compensation 66%
Claims business by volume
Administration claims paid $2,000,000,000
Auditing projects conducted 35
Clients
Total 441
Staff
Total 1,700
Claims service 1,300
Claims services since: 1953.
Compensation: Administration: by account, $100 to $300,000. Adjusting: fee per claim, $65 to $3,000. Auditing: per audit, $1,000; per day, $600; per hour, $100.
Administrative offices: 51 offices nationwide.
Sales offices: Los Angeles; San Francisco; Atlanta Chicago; Boston; New York; Portland, Ore.; Philadelphia; Dallas; Houston.
Officers: Christopher Barnes, president; John Cummings, senior vp-operations; Mark Cafaro, senior vp-client relations.
Contact: Mark Cafaro; mark.cafaro@ace-ina.com.

Employee Benefit Claims of Wisconsin

9275 N. 49th St., Suite 3N,
Milwaukee, Wis. 53223;
414-365-4600; fax: 414-365-4611
www.ebc-tpa.com

Employee Benefits

2000 revenues
Total $15,000,000
Claims revenue $9,000,000
Claims adjusting 60%
Other services 40%
Claims business by type
Disability 5%
Flex compensation 5%
Health insurance 90%
Employees covered 125,000
Dependents covered 287,000
Claims business by volume
Administration claims paid $200,000,000
Clients
Total 522
Staff
Total 205
Claims service 165
Claims services since: 1977.
Compensation: Administration: PEPM, $10 to $15. Adjusting: PEPM. Auditing: PEPM.
Administrative offices: Mid-America, Ky.; Cleveland and Findlay, Ohio; Milwaukee and Appleton, Wis.
Sales offices: Louisville, Ky.; Cleveland and Findlay, Ohio; Milwaukee and Appleton, Wis.
Contact: Bruce Flunker, president; 414-365-4600, ext. 238; bruflu@ebc-tpa.com.

Employee Benefit Management Corp. (EBMC)

4789 Rings Road,
Dublin, Ohio 43017-1599;
614-766-5800; fax: 614-766-0901
www.ebmconline.com

Employee Benefits

2000 revenues
Total $8,350,000
Claims revenue $5,940,000
Claims administration 71.1%
Other services 28.9%
Claims business by type
Flex compensation 2.5%
Health insurance 97.5%
Employees covered 47,200
Claims business by volume
Administration claims paid $179,500,000
Clients
Total 72
Staff
Total 149
Claims service 80
Claims services since: 1979.
Compensation: Administration: PEPM.
Officers: Thomas C. Jack, chairman; Randall Rabe, president; Bill Weatherholt, executive vp-TPA operations; David Coleman, executive vp-business development and compliance.
Contact: David Coleman; dcoleman@ebmconline.com.

Employee Benefit Management Services Inc.

2075 Overland Ave.,
Billings, Mont. 59102;
406-245-3575; fax: 406-652-5380

Employee Benefits

2000 revenues
Total $11,800,000
Claims revenue $11,333,158
Claims administration 88%
Claims adjusting 2%
Claims auditing 6%
Other services 4%
Claims business by type
Disability 1%
Flex compensation 3%
Life 4%
Pensions 2%
Health insurance 90%
Employees covered 54,000
Dependents covered 70,200
Claims business by volume
Administration claims paid $202,923,907
Clients
Total 170
Staff
Total 171
Claims service 68
Compensation: Administration: PEPM.
Administrative offices: Billings, Mont.; Salt Lake City.
Sales offices: Billings, Mont.; Portland, Ore.
Officers: Frederick H. Larson, president; Nicki Larson, vp.
Contact: Frederick H. Larson.

The EPOCH Group L.C.

10795 Watson Road,
St. Louis, Mo. 63127;
314-821-3957; fax: 314-821-4349
www.epochgrp.com

Employee Benefits

2000 revenues
Total $25,950,000
Claims revenue $22,200,000
Claims administration 80%
Claims adjusting 5%
Other services 15%
Claims business by type
Disability 1%
Flex compensation 3%
Health insurance 96%
Employees covered 201,000
Dependents covered 341,540
Claims business by volume
Administration claims paid $456,000,000
Adjusting projects conducted 130,000
Clients
Total 293
Staff
Total 441
Claims service 360
Claims services since: 1974.
Compensation: Administration: PEPM. Adjusting: PEPM.
Administrative offices: Louisburg and Overland Park, Kan.; St. Louis.
Sales offices: Waterloo, Iowa; Overland Park, Kan.; St. Louis.
Officers: Thomas A. Sax, president/CEO; Steve Disch, Mark Williams, senior vps.
Contact: Thomas A. Sax.

Essential Services & Programs Inc.

45 Crossways Park Drive,
Woodbury, N.Y. 11797;
516-773-8650; fax: 516-478-0498

Property & Casualty

2000 revenues
Total $1,000,000
Claims revenue $1,000,000
Claims administration 50%
Claims adjusting 50%
Claims business by type
General liability 75%
Workers compensation 25%
Claims business by volume
Administration claims paid $5,000,000
Clients
Total 50
Staff
Total 15
Claims services since: 1989.
Compensation: Administration: per hour, $60 to $125. Adjusting: per hour, $60 to $125.
Contact: Gary Ricker, president.

F

FARA

2360 Fifth St.,
Mandeville, La. 70471;
985-624-8383; fax: 985-624-8489
www.fara.com

Employee Benefits/Property & Casualty

2000 revenues
Total $21,691,434
Claims revenue $10,512,012
Claims administration 43%
Claims adjusting 3%
Claims auditing 4%
Other services 50%
Claims business by type
Auto 10%
Disability 3%
General liability 11%
Inland marine 7%
Ocean marine 4%
Professional liability 3%
Property damage 8%
Workers compensation 44%
Health insurance 10%
Claims business by volume
Administration claims paid $200,000,000
Adjusting projects conducted 25,000
Clients
Total 153
Staff
Total 294
Claims service 130
Claims services since: 1978.
Compensation: Administration: flat fee, per claim, percentage of premium. Adjusting: time and expense, schedule fee. Auditing: time and expense, project fee.
Administrative offices: Mobile, Ala.; Clovis and Long Beach, Calif.; Boca Raton, Fla.; Alpharetta, Ga.; Baton Rouge, Houma, Lafayette, New Orleans and Shreveport, La.; Pascagoula, Miss.; Gloucester City, N.J.; North Charleston, S.C.; Brownsville, Corpus Christi and Houston, Texas; Norfolk, Va.
Sales offices: Boca Raton, Fla.; New Orleans; Houston; Norfolk, Va.
Officers: M. Todd Richard, president/CEO; Reed A. Bell, executive vp; Dan J. Clark, senior vp.
Contact: Jim Tannehill.

First American Administrators Inc.

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

Employee Benefits

2000 revenues
Total $3,600,000
Claims revenue $2,700,000
Claims administration 75%
Other services 25%
Claims business by type
Flex compensation 5%
Health insurance 95%
Employees covered 25,500
Dependents covered 29,900
Claims business by volume
Administration claims paid $99,200,000
Clients
Total 95
Staff
Total 49
Claims service 18
Claims services since: 1983.
Compensation: Administration: PEPM, $6 to $14.
Sales offices: Joe Dobbs, president/CEO; Cheryl Thulson, administrative manager; Nancy Crist, claims manager.
Officers: Joe Dobbs.

First Cardinal Corp.

210 Washington Ave. Extention,
Saratoga Springs, N.Y. 12866;
518-456-6144; fax: 518-456-6978

Employee Benefits/Property & Casualty

2000 revenues
Total $10,000,000
Claims revenue $3,000,000
Claims administration 30%
Other services 70%
Claims business by type
Disability 1%
Workers compensation 99%
Claims business by volume
Administration claims paid $12,500,000
Clients
Total 16
Staff
Total 80
Claims service 34
Compensation: Administration: percentage of premium, 4.5%.
Administrative offices: Boston; Albany, N.Y.
Sales offices: Boston; Albany, Buffalo, New York, Rochester and Syracuse, N.Y.
Officers: Gary L. Keehfus, president/CEO; Richard S. Flaherty, COO.
Contact: Richard S. Flaherty; rflaherty@firstcardinal.com.

C.L. Frates & Co.

P.O. Box 26967,
Oklahoma City, Okla. 73126;
405-290-5600; fax: 405-290-5717
www.clfrates.com

Employee Benefits

2000 revenues
Total $2,950,000
Claims revenue $550,000
Claims administration 19%
Other services 81%
Claims business by type
Flex compensation 1%
Health insurance 99%
Employees covered 2,200
Dependents covered 5,000
Claims business by volume
Administration claims paid $12,000,000
Clients
Total 14
Staff
Total 29
Claims service 8
Claims services since: 1982.
Compensation: Administration: capitated.
Officers: Rooman Frates, president; Dale Neikirk, executive vp; Marc Marion, senior vp.
Contact: David Spence; spence@clfrates.com.

Fringe Benefit Services Inc.

7000 N. Broadway, Suite 106, P.O. Box 21240,
Denver, Colo. 80214;
303-426-4984; fax: 303-429-1359

Employee Benefits

2000 revenues
Total $1,950,000
Claims revenue $1,650,000
Claims administration 92%
Other services 8%
Claims business by type
Health insurance 100%
Employees covered 18,000
Dependents covered 46,000
Claims business by volume
Administration claims paid $45,000,000
Clients
Total 16
Staff
Total 38
Claims service 22
Claims services since: 1972.
Compensation: Administration: PEPM, $7 to $19.
Administrative offices: Phoenix.
Officers: Mabel LaChappell, president; Harry Auston, executive vp; Tom Laake, vp.
Contact: Harry Auston; 303-487-4301; harrya@fringeinc.com.

Continued on next page

Largest employee benefit TPAs

Ranking of TPAs that specialize in employee benefit claims

Company	2000 claims paid for self-insurers	2000 estimated gross revenues from claims services	2000 self-insured clients
Benesight Inc.[1]	$2,200,000,000	$98,000,000	750
CoreSource Inc.	$2,197,088,000	$129,812,256	1,510
Harrington Benefit Services Inc.	$1,591,209,138	$65,040,000	1,365
Brokerage Concepts Inc.	$1,516,241,000	$59,267,481	1,042
Principal Financial Group	$1,391,558,303	$84,535,063	218

1 Formerly The TPA Inc.
Source: *BI* survey



Continued from previous page

Fringe Benefits Management Co.

1720 S. Gadsden St.,
Tallahassee, Fla. 32301-5547;
800-872-0345; fax: 850-425-6220
www.fbmc-benefits.com

Employee Benefits

2000 revenues
Total $16,200,000
Claims revenue $7,938,000
Claims administration 49%
Other services 51%
Claims business by type
Flex compensation 100%
Claims business by volume
Administration claims paid $54,707,155
Clients
Total 50
Staff
Total 200
Claims service 130

Claims services since: 1976.

Compensation: Administration: payroll reduction, PEPM, $1.75 to $5.

Officers: Mike Sheridan, chairman; Lorraine Ritch, president; Mel Yoder, senior vp.

Contact: Bob McKnight, senior vp-marketing; 800-892-0345, ext. 213; bmcknight@pbmc-benefits.com.

Future Comp

P.O. Box 9040,
Springfield, Mass. 01102;
800-688-7256; fax: 413-739-9330
www.palmergoodell.com

Employee Benefits/Property & Casualty

2000 revenues
Total $2,900,000
Claims revenue $2,000,000
Claims administration 70%
Claims auditing 2%
Other services 28%
Claims business by type
Disability 5%
Workers compensation 95%
Claims business by volume
Administration claims paid $9,500,000
Auditing projects conducted 5
Clients
Total 46
Staff
Total 28
Claims service 14

Compensation: Administration: flat fee, per hour, per claim. Adjusting: flat fee, per hour, per claim. Auditing: flat fee, per hour, per claim.

Administrative offices: Wetherfield, Conn.; Portland, Maine; Springfield, Mass.

Sales offices: Wetherfield, Conn.; Portland, Maine; Springfield, Mass.

Officers: Robert Carnevale, CEO; Timm Marini, president/COO; Anthony Szwez, vp.

Contact: Anthony Szwez; 413-750-4261; tszwez@palmergoodell.com.

G

GAB Robins North America Inc.

9 Campus Drive,
Parsippany, N.J. 07054;
800-422-4436; fax: 973-993-3346
www.gabrobinsna.com

Property & Casualty

2000 revenues
Total $350,000,000
Claims revenue $69,718,000
Claims administration 17%
Claims adjusting 2%
Other services 81%
Claims business by type
General liability 26.8%
Property damage 2.4%
Workers compensation 42.2%
Managed care 26.2%
Special investigation unit 2.4
Claims business by volume
Administration claims paid $915,377,800
Adjusting projects conducted 257,873
Clients
Total 232
Staff
Total 4,000
Claims service 1,822

Claims services since: 1872.

Compensation: Administration: per claimant, time and expense.

Administrative offices: 437 offices nationwide.

Officers: Joseph M. Zubretsky, chairman/president/ CEO; Philippe Res, global COO; Robert Meyers, executive vp-business development; Robert Broatch, CFO.

Contact: Pamela McKinlay, assistant vp-marketing communications.

Gallagher Bassett Services Inc.

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

Employee Benefits/Property & Casualty

2000 revenues
Total $234,000,000
Claims revenue $224,000,000
Claims administration 95%
Other services 5%
Claims business by type
Auto 15%
General liability 11%
Professional liability 3%
Property damage 2%
Workers compensation 48%
Health insurance 21%
Claims business by volume
Administration claims paid $2,600,000,000
Adjusting projects conducted 4
Auditing projects conducted 7
Clients
Total 1,991
Staff
Total 2,400

Claims services since: 1962.

Compensation: Administration: annual fee, flat fee, per claim, per employee, time and expense. Adjusting: per claim, time and expense. Auditing: flat fee, per project, time and expense.

Administrative offices: 116 offices nationwide, 23 offices worldwide.

Sales offices: 13 offices nationwide, 4 offices worldwide.

Officers: Richard McKenna, president; Robert Mason, CFO; Gary Fansler, president-Gallagher Benefit Administrators.

Contact: Emil J. Bravo, executive vp-claims management.

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

2000 revenues
Total $90,000,000
Claims revenue $33,000,000
Claims administration 25%
Claims adjusting 10%
Other services 65%
Claims business by type
Auto 1%
Inland marine 1%
Ocean marine 1%
Property damage 1%
Workers compensation 95%
Health insurance 1%
Claims business by volume
Administration claims paid $220,000,000
Adjusting projects conducted 1,000
Auditing projects conducted 1
Clients
Total 413
Staff
Total 1,000
Claims service 200

Claims services since: 1946.

Compensation: Administration: per claim, per hour.

Administrative offices: 28 offices nationwide.

Sales offices: Phoenix; Orlando, Fla.; Atlanta; Akron and Columbus, Ohio; Dallas; Seattle.

Officers: J. Robinson McCormick, chairman; Niles C. Overly, president/CEO; Gregory P. Smith, CFO.

Contact: Charles Freutel; 800-777-4283.

Gates McDonald

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

Employee Benefits/Property & Casualty

2000 revenues
Total $116,000,000
Claims revenue $52,700,000
Claims administration 45%
Other services 55%
Claims business by type
Auto 0.3%
Disability 2%
General liability 0.4%
Workers compensation 97.3%
Claims business by volume
Administration claims paid $284,000,000
Clients*
Total 315
Staff
Total 1,372
Claims service 350

Claims services since: 1929.

Compensation: Administration: per claim, per hour, cost plus. Adjusting: per claim, per hour, cost plus. Auditing: per hour.

Administrative offices: 39 offices nationwide.

Officers: Danny Fullerton, president/CEO; Diane Reed, vp-finance; Jim Bryant, vp-sales.

Contact: Scot Van Marter, vp-marketing; 614-777-3522; vanmars@gatesmcdonald.com.

**Estimated.*

Gilsbar Inc.

P.O. Box 998,
Covington, La. 70434;
504-892-3520; fax: 504-898-1500
www.gilsbar.com

Employee Benefits

2000 revenues
Total $25,000,000*
Claims revenue $7,000,000*
Claims administration 28%
Other services 72%
Claims business by type
Health insurance 100%
Employees covered 67,118
Dependents covered 147,660
Claims business by volume
Administration claims paid $148,000,000
Clients
Total 267
Staff
Total 373
Claims service 173

Compensation: Administration: PEPM, $8.50 to $25.

Administrative offices: Metairie, La.; Jackson, Miss.

Officers: Henry J. Miltenberger Jr., president; W. Robert Ellis, senior vp; Harold A. Aucoin, COO.

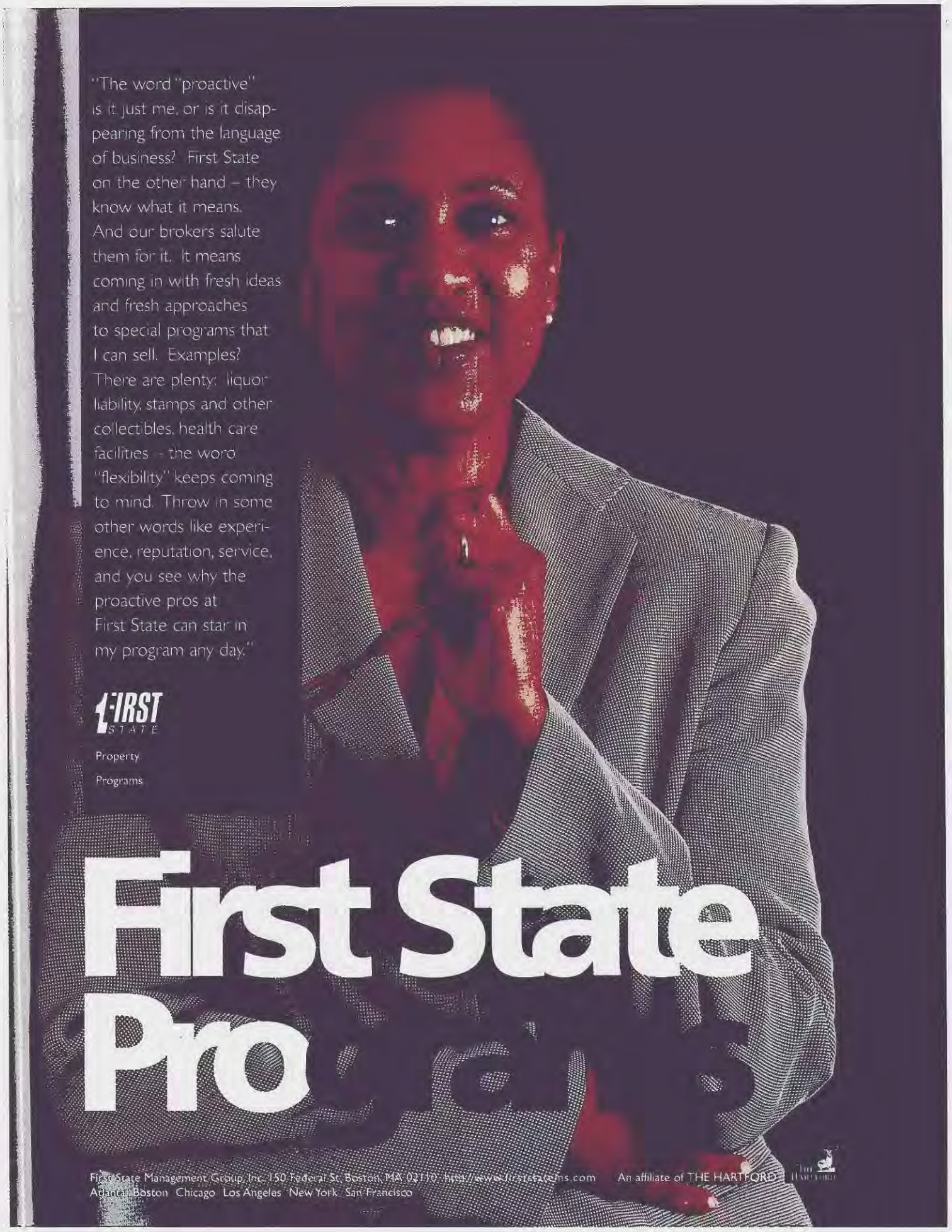
Contact: Joseph A. Luquet Jr.

**Fiscal year ends April 30.*

Group Administrators Ltd.

1880 N. Roselle Road,
Shaumburg, Ill. 60195;
847-519-1880; fax: 847-519-1979
www.groupadministrators.com

Continued on next page



Continued from previous page

Inland marine 1%
Professional liability 5%
Property damage 1%
Workers compensation 85%
Claims business by volume
Administration claims paid $19,000,000
Clients
Total 345
Staff
Total 83
Claims service 20
Claims services since: 1987.
Compensation: Administration: flat fee; per project. Adjusting: flat fee; per claim, $80 to $900. Auditing: per hour, per project, $35 to $200.
Officers: Gene Klein; Larry Kaminsky; Charlie Kaufmann.
Contact: Ed Treadwell, risk manager; 816-843-4443; etreadwell@thomasmcgee.com.

Meadowbrook Claims Service

26600 Telegraph Road,
Southfield, Mich. 48034-2438;
248-358-1100; fax: 248-358-3251
www.meadowbrook.com

Property & Casualty

2000 revenues
Total $17,000,000
Claims revenue $14,500,000
Claims administration 76%
Claims adjusting 9%
Other services 15%
Claims business by type
Auto 6%
Bonds 1%
Disability 1%
General liability 35%
Inland marine 1%
Professional liability 6%
Property damage 4%
Workers compensation 46%
Claims business by volume
Administration claims paid $75,000,000
Clients
Total 91
Staff
Total 160
Claims service 125
Claims services since: 1980.
Compensation: Administration: per claim.
Administrative offices: Montgomery, Ala.; Cerritos and Sacramento, Calif.; Sarasota, Fla.; Overland Park, Kan.; Andover, Mass.; Grand Rapids and Southfield, Mich.; Bloomington, Minn.; Nashville, Tenn.
Sales offices: Montgomery, Ala.; Cerritos and Sacramento, Calif.; Sarasota, Fla.; Overland Park, Kan.; Andover, Mass.; Grand Rapids and Southfield, Mich.; Bloomington, Minn.; Nashville, Tenn.
Officers: Randolph W. Fort, senior vp; Curtis Kirkland, Thomas Tucker, vps.
Contact: Randolph W. Fort; 248-204-8014; rfort@meadowbrook.com.

Medcom

1061 Riverside Ave.,
Jacksonville, Fla. 32204;
904-596-4500; fax: 904-354-3168
www.emedcom.net

Employee Benefits

2000 revenues
Total $2,500,000
Claims revenue $2,500,000
Claims administration 100%
Claims business by type
Flex compensation 5%
Life 5%
Health insurance 90%
Employees covered 8,000
Dependents covered 10,000
Claims business by volume
Administration claims paid $32,000,000
Clients
Total 55
Staff
Total 38
Claims service 28
Claims services since: 1983.
Compensation: Administration: PEPM, $10 to $40. Adjusting: PEPM, $10 to $40.
Sales offices: Fort Myers and Jacksonville, Fla.
Officers: Bryan Simpson Jr., CEO; Michael J. Bracken, president.
Contact: Robert J. Young, senior sales consultant; ryoung@emedcom.net.

Mountain States Administration

13901 E. Exposition,
Aurora, Colo. 80012;
303-360-9600; fax: 303-360-9100

Employee Benefits

2000 revenues
Total $3,250,000
Claims revenue $3,100,000
Claims administration 99%
Other services 1%
Claims business by type
Disability 1%
Flex compensation 1%
Health insurance 98%
Employees covered 24,200
Dependents covered 53,000
Claims business by volume
Administration claims paid $95,000,000
Clients
Total 87
Staff
Total 63
Claims service 30
Claims services since: 1980.
Compensation: Administration: PEPM, $10 to $15.
Administrative offices: Aurora, Colo.; Salt Lake City.
Officers: Clarence Gray, president; Tim Catron, vp; Bettina Gray, secretary/treasurer.
Contact: Liz Whitney, director-marketing and client services.

N

National Health Plan

7 Penn Plaza,
New York, N.Y. 10001;
212-279-3232; fax: 212-629-0749

Employee Benefits

2000 revenues
Claims revenue $800,000
Claims administration 90%
Other services 10%
Claims business by type
Health insurance 100%
Claims business by volume
Administration claims paid $4,000,000
Clients
Total 71
Staff
Total 13
Claims service 13
Claims services since: 1975.
Compensation: Administration: percentage of charges; per member per month, $4 to $7.
Officers: Alvin Konigsberg, chairman; David Konigsberg, president; David Zaback, executive vp.

NATLSCO-TPA Services

1 Kemper Drive,
Long Grove, Ill. 60049;
847-320-2000; fax: 847-320-5335
www.natlsco.com

Property & Casualty

2000 revenues
Total $90,000,000
Claims revenue $90,000,000
Claims administration 100%
Claims business by type
Auto 10%
Disability 10%
General liability 10%
Workers compensation 70%
Clients
Total 20
Staff
Total 1,800
Claims services since: 1912.
Compensation: Administration: per claim, $110 to $1,700; contract agreement.
Administrative offices: most major U.S. cities.
Sales offices: Los Angeles, Calif.; Atlanta; Chicago; Berkeley Heights, N.J.; New York; Dallas.
Officers: David B. Mathis, chairman/CEO-Kemper Insurance Cos.; William D. Smith, president/COO-Kemper Insurance Cos.; Dennis F. Kane, president/CEO-Kemper Casualty Co.
Contact: Ray Waters; 847-320-5112; rwaters@kemperinsurance.com.

North American Benefits Network Inc.

19800 Detroit Road,
Cleveland, Ohio 44116;
800-356-622€; fax: 440-356-8959
www.nabn.com

Employee Benefits

2000 revenues
Total $12,700,000
Claims revenue $7,000,000
Claims administration 55%
Other services 45%
Claims business by type
Disability 5%
Flex compensation 5%
Health insurance 90%
Employees covered 52,000
Dependents covered 115,000
Claims business by volume
Administration claims paid $150,000,000
Clients
Total 174
Staff
Total 160
Claims service 25
Claims services since: 1962.
Compensation: Administration: per enrollee per month, $8.50 to $22.
Sales offices: Cincinnati.
Officers: Donald T. Baker, president/CEO; Ronald K. Dewsnup, Cheryl A. Tidwell, executive vps.
Contact: Donald T. Baker.

The Nyhart Co. Inc.

9320 Priority Way W. Drive,
Indianapolis, Ind. 46240-1468;
317-803-7700; fax: 317-803-7895
www.nyhartco.com

Employee Benefits

2000 revenues
Total $10,374,300
Claims revenue $7,900,000
Claims administration 76%
Other services 24%
Claims business by type
Flex compensation 5%
Health insurance 95%
Employees covered 41,500
Dependents covered 103,750
Claims business by volume
Administration claims paid $186,500,000
Clients
Total 135
Staff
Total 160
Claims service 112
Claims services since: 1943.
Compensation: Administration: per covered member per month, $10 to $20.
Administrative offices: Evansville and Indianapolis, Ind.
Sales offices: Evansville, Ind.
Officers: Daryl Dean, chairman/president/CEO; Gary Chattin, senior vp-consulting, marketing and sales; Kimberly L. Zirrillo, senior vp-health and welfare administration.
Contact: Gary Chattin; P.O. Box 1090, Evansville, Ind., 47706-1090; 812-423-1938; garyc@nyhartco.com.

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

2000 revenues
Total $10,000,000
Claims revenue $7,250,000
Claims administration 62.5%
Claims adjusting 5%
Claims auditing 5%
Other services 27.5%
Claims business by type
Auto 10%
Disability 5%
General liability 10%
Property damage 5%
Workers compensation 70%
Claims business by volume
Administration claims paid $97,854,578
Clients
Total 1,382
Staff
Total 85
Claims service 76
Claims services since: 1915.
Compensation: Administration: per claim.
Administrative offices: Wilmington, Del.; Atlanta; Hunt Valley, Md.; Mount Laurel, N.J.; Syracuse, N.Y.; Charlotte, N.C.; Allentown, Blue Bell, Erie, Harrisburg, Philadelphia, Pittsburgh and Williamsport, Pa.; Richmond and Roanoke, Va.
Sales offices: Wilmington, Del.; Atlanta; Hunt Valley, Md.; Mount Laurel, N.J.; Syracuse, N.Y.; Charlotte, N.C.; Allentown, Blue Bell, Erie, Harrisburg, Philadelphia, Pittsburgh and Williamsport, Pa.; Richmond and Roanoke, Va.
Officers: Frank X. Altiere III, president; George R. Dugan, assistant vp-claims; Michael S. MacAulay, assistant vp-sales.
Contact: Michael S. MacAulay; Century Corporate Center, 100 Century Parkway, Mount Laurel, N.J. 08054; 856-727-3157; michael_macaulay@pmagroup.com.

Pinnacle Risk Management Services

P.O. Box 571647,
Murray, Utah 84157-1647;
801-288-4288; fax: 801-288-4245

Property & Casualty

2000 revenues
Total $12,800,000
Claims revenue $12,600,000
Claims administration 94%
Claims adjusting 2%
Claims auditing 2%
Other services 2%
Claims business by type
Auto 10%
General liability 30%
Professional liability 10%
Property damage 5%
Workers compensation 45%
Claims business by volume
Administration claims paid $103,000,000
Auditing projects conducted 2
Clients
Total 92
Staff
Total 160
Claims service 148
Claims services since: 1968.
Compensation: Administration: per file; flat fee; per hour, $100 to $1,100. Adjusting: per file; flat fee; per hour, $100 to $1,100. Auditing: per file; flat fee; per hour, $120 plus expenses.
Administrative offices: Scottsdale, Ariz.; Cypress and Sacramento, Calif.; Boise, Idaho; Las Vegas; Albuquerque, N.M; Portland, Ore.; Philadelphia; Irving, Texas; Salt Lake City; Everett, Federal Way and Spokane, Wash.
Sales offices: Scottsdale, Ariz.; Portland, Ore.; Irving, Texas; Seattle.
Officers: Kenneth F. Palmer Jr.; CEO; Jim Broyles, president; Shelley Kaas, vp-marketing; Steven Self, vp-operations.
Contact: Shelly Kaas; skaas@pinnaclerisk.com.

Principal Financial Group -National Accounts

7745 Office Plaza Drive N.,
West Des Moines, Iowa 50266;
515-235-9288; fax: 515-235-9280
www.principal.com

Employee Benefits

2000 revenues
Total $111,051,318
Claims revenue $84,535,063
Claims administration 75%
Other services 25%
Claims business by type
Disability 2%
Flex compensation 2%
Life 7%
Health insurance 89%
Employees covered 334,152
Dependents covered 514,594
Claims business by volume
Administration claims paid $1,391,558,303
Clients
Total 218
Staff
Total 988
Claims service 400
Claims services since: 1950.
Compensation: Administration: PEPM, $12 to $20.
Administrative offices: Jacksonville, Fla.; Ames, Cedar Rapids and Des Moines, Iowa; Kansas City, Kan.; Springfield, Mo.; Salt Lake City.
Sales offices: 55 offices nationwide.
Officers: John Maynard, Steve Kammeyer, executive directors; Jim Charling, vp.
Contact: David Todd, marketing director; todd.dave@principal.com.

Proclaim America Inc.

9800 Centre Parkway, Suite 650,
Houston, Texas 77036;
713-771-3500; fax: 713-771-7749
www.proclaimamerica.com

Property & Casualty

2000 revenues
Total $3,319,000
Claims revenue $3,150,000
Claims administration 61%
Claims adjusting 29%
Claims auditing 8%
Other services 2%
Claims business by type
General liability 10%
Professional liability 90%
Claims business by volume
Administration claims paid $41,275,000
Adjusting projects conducted 3,015
Auditing projects conducted 19
Clients
Total 54
Staff
Total 51
Claims service 49
Claims services since: 1996.
Compensation: Administration: fixed fee; per hour, $75 to $100. Adjusting: per hour, $75 to $85. Auditing: fixed fee; per hour, $100 to $125.
Administrative offices: Los Angeles and San Francisco; Tampa and West Palm Beach, Fla.; Atlanta; Chicago; New Orleans; New York; Charlotte, N.C.; Oklahoma City; Dallas, Fort Worth, Houston and San Antonio, Texas; Seattle.
Sales offices: New York; Houston.
Officers: Joseph Costantino, president; Rhonda Mosier, COO; Joseph D' heron, executive vp-marketing.
Contact: Joseph D'heron; 800-771-9818; jdheron@proclaimamerica.com.

Professional Benefit Administrators

2255 N. 44th St.,
Phoenix, Ariz. 85008;
602-914-1315; fax: 602-914-9239

Employee Benefits

2000 revenues
Total $550,000
Claims revenue $550,000
Claims administration 100%
Claims business by type
Health insurance 100%
Employees covered 7,000
Dependents covered 14,000
Claims business by volume
Administration claims paid $10,000,000
Clients
Total 2
Claims services since: 1972.
Compensation: Administration: PEPM, $8 to $12.
Administrative offices: Denver.
Officers: Mable LaChappell, president; Harry Auston, executive vp; Tom Laake, vp.
Contact: Mable LaChappell.

Continued on next page



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Continued from previous page

Professional Benefit Administrators

15 Spinning Wheel Road, Suite 210,
Hinsdale, Ill. 60559;
630-655-3755; fax: 630-887-7001

Employee Benefits

2000 revenues
Total $8,731,752
Claims revenue $6,784,678
Claims administration 77.8%
Other services 22.2%
Claims business by type
Flex compensation 5%
Health insurance 95%
Employees covered 41,899
Dependents covered 54,589
Claims business by volume
Administration claims paid $195,892,239
Clients
Total 152
Staff
Total 154
Claims service 144
Claims services since: 1985.
Compensation: Administration: medical-PEPM, $10 to $12.
Officers: Ronald Walter, president; David W. Plumb, vp.
Contact: Ronald Walter, ronw@pbaclaims.com.

Professional Benefits Services

2959 Lucerne S.E., Suite 205,
Grand Rapids, Mich. 49546;
800-732-3412; fax: 616-285-9965
www.tpaservices.com

Employee Benefits

2000 revenues
Total $3,700,000
Claims revenue $2,300,000
Claims administration 62%
Other services 38%
Claims business by type
Flex compensation 15%
Health insurance 85%
Employees covered 17,600
Dependents covered 42,500
Claims business by volume
Administration claims paid $23,500,000
Clients
Total 72
Staff
Total 30
Claims service 13
Claims services since: 1992.
Compensation: Administration: PEPM, $3 to $12.
Officers: Bud Gottlick, president; Dawn Reynolds, vp-claims; Cathy Windfield, vp-client relations.
Contact: Gregg L. Pranger, vp-sales and marketing; gpranger@professionalbenefits.net.

Professional Claims Management Inc.

4845 Fulton Drive N.W.; P.O. Box 35276,
Canton, Ohio 44735;
330-493-7278; fax: 330-493-5878
www.pcmtpa.com

Employee Benefits

2000 revenues
Total $5,180,159
Claims revenue $5,180,159
Claims administration 97%
Other services 3%
Claims business by type
Flex compensation 3%
Health insurance 97%
Employees covered 52,000
Dependents covered 34,000
Claims business by volume
Administration claims paid $90,000,000
Clients
Total 394
Staff
Total 100
Claims service 24
Claims services since: 1983.
Compensation: Administration: PEPM, $10 to $15.
Administrative offices: Indianapolis.
Sales offices: Winston-Salem, N.C.
Officers: David Bratton, CEO; Mike Novelli, president; Bob Archibald, executive vp.
Contact: Jeffrey A. Mertic, director-marketing; jeffm@pcmtpa.com.

R

RMSCO Inc.

115 Continuum Drive,
Liverpool, N.Y. 13088;
315-448-9000; fax: 315-476-8440
www.rmscoinc.com

Employee Benefits/Property & Casualty

2000 revenues
Total $13,151,000
Claims revenue $11,891,000
Claims administration 90%
Claims auditing 1%
Other services 9%
Claims business by type
Auto 1%
Disability 9%
Flex compensation 5%
Workers compensation 40%
Health insurance 45%
Employees covered 140,000
Dependents covered 90,000
Claims business by volume
Administration claims paid $265,000,000
Auditing projects conducted 20
Clients
Total 185
Staff
Total 210
Claims service 144
Claims services since: 1981.
Compensation: Administration: per claim, PEPM. Auditing: flat fee.
Administrative offices: Albany and Rochester, N.Y.
Sales offices: Albany and Rochester, N.Y.
Officers: Richard H. Sykes, president; Michael Hotaling, vp.
Contact: Richard H. Sykes.

Risk Enterprise Management Ltd.

2540 Route 130, Suite 109,
Cranbury, N.J. 07815;
609-495-0020; fax: 609-495-0250
www.remltd.com

Property & Casualty

2000 revenues
Total $103,000,000
Claims revenue $74,000,000
Claims administration 70.8%
Claims auditing* 1%
Other services 28.2%
Claims business by type
Auto 3%
General liability 7%
Professional liability 3%
Property damage 2%
Workers compensation 85%
Clients
Total 3,500
Staff
Total 600
Claims service 330
Claims services since: 1995.
Compensation: Administration: life of contract, monthly carry, cost plus, dedicated unit.
Auditing: per hour, per project.
Administrative offices: 20 offices nationwide.
Sales offices: Brea, Calif.; Atlanta; Chicago; Minneapolis; Cranbury, N.J.; New York; Philadelphia; Memphis: Dallas; London.
Officers: Michael Riney, president; Paula Maquire, senior vp; Matthew T. Craig, vp.
Contact: Matthew T. Craig; matthew.craig@remltd.com.
**Estimated.*

Risk Management Services Corp.

9100 Marksfield Road, P.O. Box 22989,
Louisville, Ky. 40252-0989;
502-326-5900; fax: 502-326-5909
www.rmsc.com

Employee Benefits/Property & Casualty

2000 revenues
Total $2,000,000
Claims revenue $1,500,000
Claims administration 75%
Other services 25%
Clients
Total 20
Staff
Total 31
Claims service 20
Claims services since: 1995.
Compensation: Administration: percentage of premiums, per claim. Adjusting: percentage of premiums, per claim. Auditing: per hour.
Administrative offices: Bowling Green and Lexington, Ky.
Officers: Don Turner, president; David Witte, secretary; Julie Wuest, treasurer.
Contact: Don Turner; dturner@rmsc.com.

RSKCo

333 S. Wabash,
Chicago, Ill. 60604;
312-822-5593; fax: 312-817-3350
www.rskco.com

Property & Casualty

2000 revenues
Total $312,400,000
Claims revenue $183,700,000
Claims administration 59%
Other services 41%
Claims business by type
Auto 8%
General liability 13%
Professional liability 1%
Property damage 6%
Workers compensation 72%
Claims business by volume
Administration claims paid $1,958,862,058
Clients
Total 635
Staff
Total 2,410
Claims service 1,447
Claims services since: 1932.
Compensation: Administration: flat fee, percentage of fee, per claim.
Administrative offices: 42 offices nationwide.
Sales offices: San Francisco; Atlanta; Chicago; Louisville, Ky.; New York; Dallas.
Officers: Robert Kulbick, president/CEO; Randall Hollenback, senior vp; David Preissler, CFO.
Contact: Kevin Battle, senior vp-marketing communication.

S

Sedgwick Claims Management Services Inc.

1100 Ridgeway Loop,
Memphis, Tenn. 38120;
901-415-7400; fax: 901-415-7406
www.sedgwickcms.com

Property & Casualty

2000 revenues
Total $143,000,000
Claims revenue $134,420,000
Claims administration 94%
Other services 6%
Claims business by type

Continued on next page

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Ordinarily "stealing" your client's employees doesn't win you kudos. But by converting our client's internal claims administration staff into Cambridge Integrated Services Group employees, we helped United Rentals, a Fortune® 500 equipment rental company, expand its capabilities to control loss costs and administer its workers compensation claims without limiting its capacity to grow.

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That may not be the kind of problem solving you expect from a loss cost manager. But at Cambridge we don't just manage claims. We help our clients manage their businesses better.

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Continued from previous page

Auto 7%
Disability 14%
General liability 19%
Workers compensation 60%
Claims business by volume
Administration claims paid $2,808,131,797
Clients
Total 521
Staff
Total 1,800
Claims service 1,530
Claims services since: 1971.
Compensation: Administration: budget based, cost plus, per claim.
Administrative offices: 31 offices nationwide.
Sales offices: Orange, Calif.; Stamford, Conn.; Atlanta; Chicago; Philadelphia; Memphis, Tenn.
Officers: David A. North, president; Jim Wiertelak, COO; Robert J. Peterson, senior vp.
Contact: Robert J. Peterson; rpeterson@sedgwick-cms.com.

Self Insured Benefit Administrators

18167 U.S. Highway 19 N., Suite 300,
Clearwater, Fla. 33764;
727-532-0400 est. 161; fax: 727-530-0882
www.sibatpa.com

Employee Benefits

2000 revenues
Total $2,000,000
Claims revenue $2,000,000
Claims administration 100%
Claims business by type
Disability 1%
Flex compensation 2%
Health insurance 97%
Employees covered 12,000
Dependents covered 20,000
Claims business by volume
Administration claims paid $20,000,000
Clients
Total 42
Staff
Total 30
Claims service 22
Claims services since: 1988.
Compensation: Administration: PEPM, $10 to $18.
Sales offices: Clearwater and Jacksonville, Fla.
Officers: Earl E. Horton, CEO; Michael McClain, president; Terrell V. Hawkins, executive vp.
Contact: Ronnie S. Brown, vp-TPA operations; rbrown.siba@onesourcegrp.com.

Southern California Risk Management Associates Inc.

313 E. Foothill Blvd.,
Upland, Calif. 91786-3952;
909-608-7171; fax: 909-608-7165
www.scrma.com

Property & Casualty

2000 revenues
Total $5,250,000
Claims revenue $5,250,000
Claims administration 100%
Claims business by type
Workers compensation 100%
Claims business by volume
Administration claims paid $125,000,000
Clients
Total 145
Staff
Total 72
Claims services since: 1988.
Compensation: Administration: annual fee, per reported claim, $150 to $1,200.
Administrative offices: Newport Beach, Oxnard and Upland, Calif.
Officers: Dale H. Jones, president; Jody A. Gray, vp.
Contact: Dale H. Jones.

Southern Risk Services Inc.

2211 Seventh Ave. S.,
Birmingham, Ala. 35233;
800-277-7500; fax: 205-581-9172
www.southernrisk.com

Property & Casualty

2000 revenues
Total $6,200,000
Claims revenue $5,400,000
Claims administration 88%
Claims auditing 2%
Other services 10%
Claims business by type
Auto 5%
General liability 10%
Professional liability 2%
Property damage 3%
Workers compensation 80%
Claims business by volume
Administration claims paid $69,000,000
Clients
Total 78
Staff
Total 6
Claims service 3
Claims services since: 1965.
Compensation: Administration: per claim, percentage of premium, time and expense. Auditing: percentage of premium.
Administrative offices: Birmingham, Ala.; Jackson, Miss.; Albuquerque, N.M.; Raleigh, N.C.; Houston.
Sales offices: Birmingham, Ala.; Raleigh, N.C.; Houston.
Officers: L. B. Feemster, president; Kevin McCormick, senior vp; Frank Wear, vp-sales; Michael Pritchett, vp-claims.
Contact: Frank Wear.

Specialty Risk Services Inc.

Goodwin Square, 225 Asylum St., 16th Floor,
Hartford, Conn. 06103;
888-236-4684; fax: 860-520-2503
www.specialtyriskservices.com

Employee Benefits/Property & Casualty

2000 revenues
Total $135,500,000
Claims revenue $121,500,000
Claims administration 88%
Other services 12%
Claims business by type
Auto 9.8%
Disability 0.5%
General liability 4.4%
Inland marine 0.5%
Professional liability 1%
Property damage 3%
Workers compensation 80.8%
Claims business by volume
Administration claims paid $127,850,445
Clients
Total 412
Staff
Total 1,107
Claims service 1,060
Claims services since: 1990.
Compensation: Administration: life of claim, $989 to $1,450.
Administrative offices: 67 offices nationwide.
Sales offices: Santa Clarita, Calif.; Hartford, Conn.; Atlanta; Chicago; Kansas City, Kan.; New York; Dallas.
Officers: Dennis R. Replogle, president; Kenneth F. Martino, senior vp-product development and performance measurement;
Annette L. Sanchez, senior vp-business development.
Contact: Annette L. Sanchez; 860-520-2575; annette.sanchez@thehartford.com.

Spectrum Administrators Inc.

2166 S. 12th St.,
Allentown, Pa. 18103;
800-925-E459; fax: 610-402-7411
www.spectrumadministrators.com

Employee Benefits/Property & Casualty

2000 revenues
Total $2,400,000
Claims revenue $2,000,000
Claims administration 80%
Other services 20%
Claims business by type
Flex compensation 5%
Workers compensation 10%
Health insurance 85%
Claims services since: 1988.
Compensation: Administration: PEPM.
Contact: Stacey V. Asbell; stacey.asbell@lvh.com.

Summit Risk Services Inc.

424 S. York Road,
Hatboro, Pa. 19040;
215-773-7701; fax: 215-773-7725
www.pennindependent.com

Property & Casualty

2000 revenues
Total $2,250,000
Claims revenue $2,250,000
Claims administration 70%
Claims adjusting 10%
Claims auditing 20%
Claims business by type
General liability 20%
Inland marine 10%
Professional liability 70%
Claims business by volume
Administration claims paid $20,000,000
Adjusting projects conducted 100
Auditing projects conducted 10
Clients
Total 126
Staff
Total 22
Claims service 15
Claims services since: 1994.
Compensation: Administration: flat fee per claim, $825 to $1500. Adjusting per hour, $75. Auditing: per hour, $75.
Administrative offices: Chicago; Hatboro, Pa.; Glen Allen, Va.
Sales offices: Chicago; Hatboro, Pa.; Glen Allen, Va.
Officers: Charles Henderson, claims manager; Sheryl Morris assistant claims manager; Dianne Gray, office manager.
Contact: Charles Henderson; henderson@summit-risk.com.

Superior Insurance Services Inc.

54 Corporate Park,
Irvine, Calif. 92606;
800-424-1343; fax: 949-476-8517
www.superior-tpa.com

Employee Benefits

2000 revenues
Total $1,500,000
Claims revenue $1,400,000
Claims administration 93%
Other services 7%
Claims business by type
Flex compensation 3%
Health insurance 97%
Employees covered 19,000
Dependents covered 30,000
Claims business by volume
Administration claims paid $30,000,000
Clients
Total 37
Staff
Total 49
Claims service 21
Claims services since: 1985.
Compensation: Administration: PEPM.
Administrative offices: Irvine, Oxnard, Riverside and Salinas, Calif.
Sales offices: Irvine, Oxnard, Riverside, Salinas and Santa Maria, Calif.
Officers: Bill Goodrich, president: Clare Einsmann, executive vp; Ed McClements, senior vp.

T

T R Paul Inc.

14 Commerce Road,
Newtown, Conn. 06470;
203-426-8161; fax: 203-270-0927
www.trpaul.com

Employee Benefits

2000 revenues
Total $3,130,000
Claims revenue $2,096,000
Claims administration 70%
Other services 30%
Claims business by type
Flex compensation 5%
Health insurance 95%
Employees covered 19,000
Dependents covered 47,000
Claims business by volume
Administration claims paid $70,000,000
Clients
Total 100
Staff
Total 62
Claims service 21
Claims services since: 1973.
Compensation: Administration: PEPM, $15 to $20.
Officers: Robert Levy, president; Mary Griffin, George Romer, vps.
Contact: Mary Griffin; mary.griffin@trpaul.com.

TEDRO & Associates Inc.

2160 S. Foster Ave.,
Wheeling, Ill. 60090;
847-577-8828; fax: 847-577-8869

Employee Benefits

2000 revenues
Total $4,300,000
Claims revenue $3,700,000
Claims administration 75%
Claims auditing 11%
Other services 14%
Claims business by type
Disability 3%
Life 2%
Health insurance 95%
Employees covered 36,000
Dependents covered 105,000*
Claims business by volume
Administration claims paid $90,000,000*
Adjusting projects conducted 100,000
Clients
Total 48
Staff
Total 67
Claims service 32
Claims services since: 1980.
Administrative offices: Washington; Kansas City, Kan.; St. Louis; Milwaukee.
Officers: Gerald A. Mele, president/CEO; Robert C. Calamari, executive vp/treasurer; Patricia Ann Mele, vp-administration.
**Estimated.*

TRISTAR Risk Management

2835 Temple Ave.,
Long Beach, Calif. 90806;
562-506-0300; fax: 562-426-0683
www.tristarrisk.com

Property & Casualty

2000 revenues
Total $10,000,000
Claims revenue $7,000,000
Claims administration 45%
Claims adjusting 20%
Claims auditing 5%
Other services 30%
Claims business by type
Auto 5%
General liability 10%
Professional liability 20%
Property damage 5%
Workers compensation 60%
Claims business by volume
Auditing projects conducted 5
Clients
Total 73
Staff
Total 160
Claims service 90
Claims services since: 1987.
Compensation: Administration: flat fee. Adjusting: per hour. Auditing: flat fee, per hour.
Administrative offices: Phoenix; Long Beach, Sacramento, San Diego and Santa Ana, Calif.; Denver.
Officers: Tom Veale, president; Denise Cotter, CFO; Russ O'Donnell, vp.
Contact: Kevin Burke; kevin.burke@tristargroup.net.

U

UICI Administrators Inc.

5201 N. O'Connor Blvd., Suite 400,
Irving, Texas 75039;
972-443-2500; fax: 972-443-2596
www.uiciadministrators.com

Employee Benefits

2000 revenues
Total $20,000,000*
Claims revenue $18,000,000
Claims administration 90%
Other services 10%
Claims business by type
Flex compensation 5%
Health insurance 95%
Employees covered 140,000
Dependents covered 100,000

Continued on next page

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Continued from previous page

Claims business by volume
Administration claims paid $500,000,000
Clients
Total 20
Staff
Total 250
Claims service 120
Claims services since: 1964.
Compensation: Administration: PEPM.
Administrative offices: Costa Mesa, Calif.; Reno, Nev.; Irving and North Richard Hills, Texas.
Officers: Daniel Graf, president; Diana Valdez, senior vp-operations; Ken Goodheart, vp-sales; Michele Gulley, vp-client transitions.
Contact: Ken Goodheart; 972-443-2560; kgoodheart@uicia.com.
**Estimated.*

USI Administrators Inc.

4150 International Plaza, Suite 900,
Fort Worth, Texas 76109;
817-737-1700; fax: 817-737-1758
www.usi-administrators.com

Employee Benefits

2000 revenues
Total $86,232,000
Claims revenue $63,300,000
Claims administration 73%
Claims adjusting 5%
Claims auditing 5%
Other services 17%
Claims business by type
Disability 1%
Flex compensation 4%
Health insurance 95%
Employees covered 352,800
Dependents covered 757,200
Claims business by volume
Administration claims paid $780,500,000
Clients
Total 731
Staff
Total 1,052
Claims service 800
Claims services since: 1994.
Compensation: Administration: PEPM, $2 to $23; per number of claims per month, $5 to $20; percentage of premiums billed/collected, 2% to 10%.
Administrative offices: Riverside and Stockton, Calif.; Danbury and New Haven, Conn.; Savannah, Ga.; Las Vegas; Melville, N.Y.; Fort Worth, Texas.
Sales offices: Riverside and Stockton, Calif.; Danbury and New Haven, Conn.; Atlanta and Savannah, Ga.; Reno and Las Vegas,
Nev.; Melville, N.Y.; Fort Worth, Texas.
Officers: James M. Pennington, president/CEO; Christopher Sherlock, executive vp/CFO.
Contact: Ralph M. Gill, director-corporate communications; ralph_gill@usia-c.com.

Underwriters Safety & Claims Inc.

11405 Park Road,
Louisville, Ky. 40223;
502-244-1343; fax: 502-244-1411
www.uscky.com

Employee Benefits/Property & Casualty

2000 revenues
Total $19,100,000
Claims revenue $6,450,000
Claims administration 34%
Other services 66%
Claims business by type
Auto 5%
General liability 5%
Property damage 5%
Workers compensation 60%
Health insurance 25%
Employees covered 22,500
Dependents covered 51,800
Claims business by volume
Administration claims paid $187,000,000
Clients
Total 130
Staff
Total 324
Claims service 131
Claims services since: 1941.
Compensation: Administration: group medical-PEPM: $10 to $15; workers compensation-per claim: $70 to $600.
Administrative offices: Tallahassee, Fla.; Savannah, Ga.; Chicago and Marion, Ill.; Henderson, Louisville and Paintsville, Ky.; Knoxville and Memphis, Tenn.; Richmond, Va.
Sales offices: Savannah, Ga.; Louisville, Ky.; Nashville, Tenn.
Officers: Bruce W. Ferguson, president; Scott C. Ferguson, Jack D. Stewart, executive vps.
Contact: Gary G. Gilmour.

Unisource Administrators Inc.

5951 Cattleridge Blvd., Suite 200,
Sarasota, Fla. 34232;
888-242-3646; fax: 941-342-6939
www.unisourceadmin.com

Property & Casualty

2000 revenues
Total $5,000,000
Claims revenue $3,500,000
Claims administration 60%
Claims auditing 10%
Other services 30%
Claims business by type
Workers compensation 100%
Clients
Total 17
Staff
Total 55
Claims services since: 1995.
Officers: Andrew W. Olwert, president/CEO.
Contact: Laura Graves, 888-242-3646, ext. 151.

Terms used in the directory of third party administrators are defined on page 16.

United Medical Resources Inc.

5151 Pfeiffer Road,
Cincinnati, Ohio 45242-4805;
800-436-3100; fax: 513-619-3021
www.umr.com

Employee Benefits

2000 revenues
Total $27,200,000
Claims revenue $27,200,000
Claims administration 99%
Other services 1%
Claims business by type
Disability 1%
Flex compensation 1%
Health insurance 98%
Employees covered 164,700
Dependents covered 168,000
Claims business by volume
Administration claims paid $419,000,000*
Clients
Total 155
Staff
Total 379
Claims service 175
Claims services since: 1983.
Compensation: Administration: PEPM, $9.50 to $25.
Officers: Vickie Buyniski Gluckman, president; Julie Mueller, executive vp.
Contact: Julie Mueller.
**Estimated.*

United Safety & Claims Inc.

4867 S. Sheridan Road, Suite 7080,
Tulsa, Okla 74145;
800-553-4659; fax: 918-665-7310
www.unitedsafety.com

Property & Casualty

2000 revenues
Total $1,500,000
Claims revenue $1,400,000
Claims administration 92%
Other services 8%
Claims business by type
Workers compensation 100%
Claims business by volume
Administration claims paid $10,000,000
Adjusting projects conducted 1,500
Clients
Total 18
Staff
Total 25
Claims service 17
Claims services since: 1983.
Compensation: Administration: based on payroll, flat fee. Adjusting: percentage of premium.
Officers: Brad Smallwood, president; Chali Stevens, CFO; Conrad Bergschneider, vp.
Contact: Conrad Bergschneider; safetyl@unitedsafety.com.

The directory begins on page 15.

V

VIA Claims Management Inc.

6198 Butler Pike, Suite 120,
Blue Bell, Pa. 19422;
215-283-9100; fax: 215-283-3141

Property & Casualty

2000 revenues
Total $2,750,000
Claims revenue $600,000
Claims adjusting 22%
Other services 78%
Claims business by type
Auto 35%
General liability 35%
Professional liability 5%
Property damage 5%
Workers compensation 10%
Claims business by volume
Adjusting projects conducted 1,412
Clients
Total 22
Staff
Total 21
Claims service 5
Claims services since: 1967.
Compensation: Administration: per employee. Adjusting: per hour; flat rate. Auditing: per hour, flat rate.
Administrative offices: Marlton, N.J.
Sales offices: Baltimore; Cranford and Marlton, N.J.; Allentown, Blue Bell, Harrisburg and Shenandoah, Pa.
Officers: Leslie J. Tolles, president; Anthony G. Montuori, executive vp; Linda Carickhoff, vp-finance; Terry Cavaliere, vp-management information systems and branch office support.
Contact: Anthony G. Montuori; 25 Commerce Drive, Cranford, N.J. 07016.

VPA Inc.

24025 Park Sorrento, Suite 200,
Calabasas, Calif. 91302;
818-591-9444; fax: 818-591-7664
www.vpainc.com

Employee Benefits

2000 revenues
Total $13,000,000
Claims revenue $13,000,000
Claims administration 100%
Claims business by type
Disability 100%
Claims business by volume
Administration claims paid $222,000,186
Clients
Total 107
Staff
Total 166
Claims service 114
Claims services since: 1979.
Compensation: Administration: per claim, $100 to $400;

Continued on next page



Continued from previous page

PEPM, $1 to $3.
Sales offices: Calabasas and Irvine, Calif.; White Plains, N.Y.
Officers: Jack H. Bredehorn, president; John Gernert, executive vp.
Contact: Robert Trotta.

Valley Health Administrators

1580 Broad Ave., Suite 1,
Belle Vernon, Pa. 15012;
724-929-6334; fax: 724-929-6394
www.valuehealth.com

Employee Benefits

2000 revenues
Total $871,346
Claims revenue $511,476
Claims administration 50%
Claims adjusting 5%
Claims auditing 3%
Other services 42%
Claims business by type
Health insurance 100%
Employees covered 1,000
Dependents covered 2,500
Claims business by volume
Administration claims paid $5,243,649
Adjusting projects conducted 372
Auditing projects conducted 52
Clients
Total 1
Staff
Total 11
Claims service 5
Claims services since: 2000.
Compensation: Administration: PEPM, $12 to $15.
Administrative offices: Belle Vernon and Monongahela, Pa.
Officers: Sue Flynn, CEO; Angel Oddo, COO.
Contact: Sue Flynn.

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

2000 revenues
Total $62,000,000
Claims revenue $40,000,000
Claims administration 43%
Claims adjusting 17%
Claims auditing 5%
Other services 35%
Claims business by type
Auto 17%
General liability 22%
Inland marine 2%
Professional liability 6%
Property damage 7%
Workers compensation 35%
Health insurance 11%
Employees covered 36,000
Dependents covered 82,000
Claims business by volume
Administration claims paid $106,375,000
Auditing projects conducted 42
Clients
Total 667
Staff
Total 810
Claims service 530
Claims services since: 1928.
Compensation: Administration: flat fee, $400 to $1,200. Adjusting: time and expense, $55 to $65 per hour. Auditing: time and expense, $95 to $125 per hour.
Administrative offices: 35 offices in the United States and five offices in Canada.
Sales offices: Sacramento, San Diego and Tustin, Calif.; Denver; Tampa, Fla.; Atlanta; Chicago; Philadelphia; Dallas.
Officers: Jeffrey S. Ward, chairman/CEO; Craig Bowlus, Liz Nelson, Kevin Thar, Diana Rollinson, senior vps.
Contact: Liz Nelson, 17862 E. 17th St., Suite 111, Tustin, Calif. 92780, 714-544-0980; Kevin Thar, 150 S. Wacker Drive, Suite 1300, Chicago, Ill. 60606, 312-960-9273.

Carl Warren & Co.

750 The City Drive S.,
Orange, Calif. 92868;
714-740-7999; fax: 714-740-7992
www.carlwarren.com

Property & Casualty

2000 revenues
Total $22,000,000
Claims revenue $18,000,000
Claims administration 74%
Claims adjusting 8%
Other services 18%
Claims business by type
Auto 30%
General liability 70%
Clients
Total 750
Staff
Total 235
Claims service 235
Claims services since: 1946.
Compensation: Administration: time and expense. Adjusting: time and expense. Auditing: time and expense.
Sales offices: 22 offices in Arizona, California, Colorado, Florida, Hawaii, Nevada, New Mexico, Oregon and Washington.
Officers: Roy S. George, CEO; Michael Dekema, Larry Hunt, executive vps.
Contact: Michael Dekema; 401 Park Place, Kirkland, Wash. 98033; 888-252-4601; mdekema@carlwarren.com.

Willis Administrative Services Corp.

1415 Murfreesboro Road,
Nashville, Tenn. 37217;
615-360-4560; fax: 800-353-7150
www.willisadmin.com

Property & Casualty

2000 revenues
Total $13,954,483
Claims revenue $9,847,249
Claims administration 69%
Claims adjusting 1%
Claims auditing 1%
Other services 29%
Claims business by type
Auto 5%
General liability 16%
Professional liability 1%
Property damage 1%
Workers compensation 77%
Claims business by volume
Administration claims paid $112,330,477
Adjusting projects conducted 17
Auditing projects conducted 1
Clients
Total 118
Staff
Total 156
Claims service 130
Claims services since: 1975.
Compensation: Administration: per claim, $40 to $995. Adjusting: per hour, $65 to $125. Auditing: per hour, $65 to $125.
Administrative offices: 24 offices nationwide.
Sales offices: Windermere, Fla.; Covington, La.
Officers: Domer Collins, CFO; Robert Bennett, senior vp; Robert Gallagher, chief information officer.
Contact: Robert Bennett; 615-360-2820; bennett_ro@willis.com.

WRAMSCO

1431 Opus Drive, Suite 622,
Downers Grove, Ill. 60515;
630-960-1020; fax: 630-960-9725
www.wramsco.com

Property & Casualty

2000 revenues
Total $3,000,000*
Claims revenue $2,750,000*
Claims administration 43%
Claims adjusting 2%
Claims auditing 50%
Other services 5%
Claims business by type
Auto 2%
General liability 4%
Workers compensation 94%
Claims business by volume
Administration claims paid $3,500,000*
Adjusting projects conducted 350
Auditing projects conducted 13
Clients
Total 17
Staff
Total 12
Claims service 6
Claims services since: 1981.
Compensation: Administration: annual; per claim. Adjusting: per project; per claim. Auditing: contingency, per project, time and expense.
Officers: Thomas G. Walker, president; Dan McKinney, senior vp-sales and marketing; C.J. Schoolcraft, vp.
Contact: Dan McKinney.
**Estimated.*

Y

York Claims Services Inc.

111 John St.,
New York, N.Y. 10038;
212-732-0505; fax: 212-732-1789
www.yorkclaims.com

Property & Casualty

2000 revenues
Total $25,000,000
Claims revenue $9,500,000
Claims administration 24%
Claims adjusting 12%
Claims auditing 2%
Other services 62%
Claims business by type
Auto 30%
General liability 30%
Inland marine 3%
Professional liability 2%
Property damage 20%
Workers compensation 10%
Other 5%
Claims business by volume
Administration claims paid $500,000,000
Clients
Total 780
Staff
Total 312
Claims service 112
Claims services since: 1962.
Compensation: Administration: percentage of premium, flat rate, time and expense. Adjusting: flat rate, time and expense. Auditing: flat rate, time and expense.
Administrative offices: Sacramento, Calif.; Fort Lauderdale, Jacksonville, Orlando, Rockledge, St. Lucie, Tallahassee and Tampa, Fla.; Chicago; Boston; Las Vegas; Parsippany, N.J.; New York; Pittsburgh.
Sales offices: Orlando, Fla.; Chicago; Parsippany, N.J.; New York.
Officers: Thomas MacArthur, president; Mark Aussicker, vp; Art Barry, divisional vp.
Contact: Mark Aussicker; 212-676-3538; mark.aussicker@york-claims.com.

Z

Zenith Administrators

7645 Metro Blvd.,
Edina, Minn. 55439;
952-838-3780; fax: 952-835-2803
www.zenithtpa.com

Employee Benefits

2000 revenues
Total $70,000,000
Claims revenue $50,000,000
Claims administration 15%
Claims adjusting 55%
Claims auditing 5%
Other services 25%
Claims business by type
Disability 5%
Life 5%
Health insurance 90%
Employees covered 250,000
Dependents covered 650,000
Claims business by volume
Administration claims paid $500,000,000
Clients
Total 194
Staff
Total 950
Claims service 400
Claims services since: 1967.
Compensation: Administration: contract; per month; per member per month, $6 to $15.
Officers: Robert A. Georgine; Jerome P. Pollack; Joann Kaminski.

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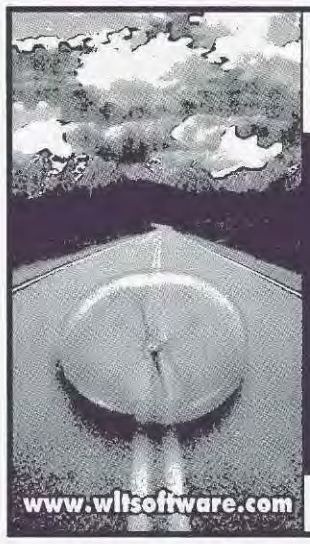
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Paris-based reinsurer SCOR S.A. has joined **inreon**, the independent, Internet-based reinsurance exchange. inreon Ltd., which was launched last December by Swiss Reinsurance Co., Munich Reinsurance Co., Internet Capital Group and consulting firm Accenture, allows brokers and insurers to place risks online....**SCOR S.A.**'s premium volume leapt 14.5%, to 3.5 billion euros ($3.24 billion), in 2000. Ahead of the publication of its full, consolidated annual results in March, SCOR announced last week that its life, accident and health division saw a 19.5% rise in premium volume, to 1.07 billion euros ($991.0 million). Property/casualty premiums, however, declined from 1999; on a variable-exchange rate basis, nonlife premium volume fell 9% on the 1.31 billion euros ($1.21 billion) recorded for 1999....Moody's Investors Service Ltd. in London has downgraded its insurance financial strength rating on Stockholm, Sweden-based **If Property & Casualty Insurance Ltd.** to A2 from A1. Moody's said the change reflected a material deterioration in the company's solvency position and its weak operating performance....**The Swedish nonlife insurance market** could be facing a period of uncertainty, according to Standard & Poor's Ltd. in London. S&P said it had a stable outlook for the market but said that possible foreign involvement could alter the marketplace. S&P pointed out that although If is due to be floated on the stock exchange next year, there is a possibility that a foreign insurer may step in and buy the company. S&P also noted that a rise in compensation litigation in the auto market and a 10% rate of fraud among auto claims could prove costly....Detailed guidelines for the implementation of the London market **LMP2001 reforms** were published last week. In a separate development, the largest single syndicate at Lloyd's of London, ACE Ltd. composite syndicate 2488, signed a letter of intent to join the reform program, which aims to improve service and reduce costs in the London market. In terms of premium volume, 65% of the Lloyd's market has now signed on to the reforms....French transportation insurer **Continent I.A.R.D.**, part of the Italian auto manufacturing Fiat Group, has joined co-insurance pools La Reunion Aerienne and La Reunion Spatiale. The two Paris-based groups specialize in insurance and reinsurance for aviation and space insurance risks, respectively....Sir Howard Davies, chairman of the Financial Services Authority, the U.K. financial services regulator, last week appeared before a Treasury Select Committee to face questions about the **regulation of Equitable Life Assurance Society**. The troubled London-based mutual life insurer was forced to close its doors to new business in December and is now expected to be acquired by U.K. mortgage bank Halifax Group P.L.C. Last week, Vanni Treves, chairman of the London Business School and U.K. broadcasting company Channel 4, was appointed chairman of Equitable Life, effective at the beginning of March....Paris-based credit insurer **Coface LBF** has opened a company in Bombay, India. Coface India Credit Management Services Pvt. Ltd will coordinate the group's activities in that country....Iain Webb-Wilson will become chairman of London-based broker **Miller Insurance Group Ltd.** in April. Mr. Webb-Wilson, currently deputy chairman and managing director of Miller's marine division, will succeed Mike Mahoney.

E.U. seeks to broaden bias laws

By CAROLYN ALDRED

European employers, which already face a growing exposure to discrimination claims, may see that exposure increase more as European Union member states adopt a new, broader directive on employment discrimination.

"There are definitely more and more discrimination claims coming through employment tribunals. Every year, we are seeing an increase in discrimination claims, whether it be race, sex or disability claims," said David Appleton, a partner in the employment department of London-based law firm Lewis Silkin. "People are more and more aware of their rights and aware that discrimination awards—as opposed to other employment related awards—are unlimited," he said. Compensation awards for racial and sexual discrimination and harassment have increased in both frequency and size since a cap such on awards was removed in the early 1990s.

Meanwhile, a new European Commission directive that must be adopted by E.U. member states next year will widen current discrimination law to cover religion, age and sexual orientation, he said.

In addition, Mr. Appleton noted that human rights laws already implemented in some E.U. countries, such as last year's U.K. Human Rights Act, also may give rise to discrimination claims (*BI*, April 24, 2000).

"It is obvious that employees are becoming increasingly aware of their rights and seeking to assert them," said Matthew Carr, corporate manager in the London-based financial lines division of American International Group Inc.

Employment practices is no longer an area that companies can ignore and EPL insurance products remain a key source of new business for AIG, he said, pointing out that the company is writing more policies for smaller companies.

The European Commission directive, which establishes a framework for equal treatment in employment, must be adopted by all E.U. countries by Dec. 31, 2002. Recent amendments to the directive, proposed by the European Parliament and adopted earlier this year by the Commission, include a broader definition of "harassment"; clarification that the legislation applies to private employers as well as public authorities; and a statement that penalties may include payment of compensation to the victim.

The directive prohibits any direct or indirect discrimination in employment based on religion or belief, disability, age, and sexual orientation. "Employment and occupation are key elements in guaranteeing equal opportunities for all," the directive states.

"Persons who have been subject to discrimination based on religion or belief, disability, age or sexual orientation should have adequate means of legal protection. To provide a more effective level of protection, associations or other legal entities should also be empowered to

See **Bias** *on page 40*

Australian P/C market hardening

By DAMIEN TOMLINSON

Property/casualty insurance rates are hardening for most lines of business in Australia, a new survey shows.

The change in pricing marks the first time in six years that rate increases have occurred across all lines of business, including property, general liability, motor vehicle, business interruption, workers compensation, professional indemnity, and directors and officers liability insurance, according to the eighth annual nonlife insurance survey by Ord Minnett Securities Ltd./Deloitte Touche Tohmatsu.

The survey polled 21 of Australia's major underwriters, 34 brokers and 16 reinsurers.

The report found that property/casualty rates increased by an average 13%, based on June 30, 2000 renewals. Property rates went up 13%; commercial motor vehicle, up 11%; liability, up 17%; professional indemnity, up 12%; and D&), up 7%. Workers compensation showed the highest average rate hike, up 19%.

Bruce Ferguson, president of the Assn. of Risk & Insurance Managers of Australasia, said risk managers who have relied on the soft market "will not be pleased about the current trend."

"Some risk managers might look at negotiating longer-term policies, or other risk financing options," he said.

Mr. Ferguson, who is also group risk and insurance manager with Sydney Water, the New South Wales state government-owned water authority, said risk managers would have been "wise not to get excited over a softening market."

"The people we work for are always looking for budgetary stability, so it is hard to explain the insurance market to them," he said. "With every rise in rates, there comes a fall, but it works the other way as well, which is what risk managers have to look out for. The impact depends on how well you manage that risk."

Shane Fitzgerald, an analyst with Sydney-based Ord Minnett Securities Ltd., said while rate increases will improve profitability for insurers, rate hikes will have to continue if companies are to recoup their losses from past rate reductions and a deterioration in underwriting results.

"The industry has followed a classic insurance cycle," he said. "The most disappointing aspect of this behavior is how predictable it is."

Mr. Fitzgerald said it should have been apparent to the market that when surplus capital grew between 1995 and 1998, "it would only be a matter of time before a deterioration in the claims environment would lead to substantial losses."

"However, as a collective industry, no real action was taken to avoid this outcome," Mr. Fitzgerald said.

The main problems facing the Australian insurance industry are the market's structure, capital management and management deficiencies.

See **Market** *on page 40*

Termination payment doesn't end liability for Wyeth reinsurers

By CAROLYN ALDRED

LONDON—Reinsurers must pay John Wyeth & Brother Ltd. for legal costs the pharmaceutical company incurred defending benzodiazepine litigation in Great Britain and Ireland, despite the fact that its primary insurers had earlier made a payment in exchange for terminating Wyeth's coverage, the London Court of Appeal ruled this month.



The Appeal Court judges handed down their decision during a hearing on preliminary issues in regard to an action that Burnham, England-based Wyeth brought to recover about £17.5 million ($25.3 million) from its reinsurers.

Those reinsurers—including CIGNA Insurance Co. of Europe SA/NV, Home Insurance Co. Ltd., St. Paul Mercury Insurance Co., Aetna Insurance Co. and INA Corp.—argued that because Wyeth's primary insurers, led by Guardian Royal Exchange P.L.C., had bought out their liabilities, the reinsurers were no longer liable.

But the Appeal Court judges ruled that, despite the underlying settlement reached between the primary insurers and Wyeth, the reinsurers still had an obligation to take over the defense or to pay the costs of the defense for claims that might pierce the excess layer written by the reinsurers. The judges noted that most of those policies were drawn up according to the laws of New York.

In New York, legal decisions typically rule that reinsurers continue to meet their contractual obligations despite the settlement of underlying insurance arrangements.

Between 1972 and 1980, Wyeth's primary product liability insurance in Great Britain and the Republic of Ireland was led by GRE. But a clause in the coverage entitled the insurers to "buy out" their liability by paying a total of the maximum limit of indemnity under the coverages—£200,000 ($288,940) for each year of coverage—and paying the legal costs incurred up to the time of the buyout.

See **Wyeth** *on page 40*

E.U. insolvency law could lead to higher rates

By EDWIN UNSWORTH

LONDON—European Union proposals that would put policyholders ahead of other creditors of insolvent insurance companies may not be entirely good news for buyers, insurers warn.

Although the proposed Directive on the Reorganization and Compulsory Winding Up of Insurance Institutions would give policyholders preferential treatment in an insurer's liquidation, it also could lead to higher premiums. That's because the directive could increase insurers' costs of raising capital by reducing lenders' standing in an insolvency, observers warn. The directive does not apply to reinsurers.



The Council of Ministers, the top decision-making body of the European Union, agreed on the proposed directive last May, and it is now working its way through the 626-seat European Parliament. If there are no obstacles, the directive likely will be passed this year, requiring the 15 member countries in the European Union to amend their applicable insurance regulations within two years.

A study of the impact of the proposed directive was undertaken by Moody's Investors Service Inc., which published a report on the proposal last month. The report, "The E.U. Reinforces Policyholder Protection: Limited Impact on Moody's Insurance Ratings," said that if adopted, the directive would reinforce policyholder protection because it would "dictate that insurance claims take precedence over claims from most other types of creditors, both in life assurance and direct nonlife insurance."

See **Insolvent** *on page 39*

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A construction safety consultant is needed in Mid-Michigan. A progressive, fast growing Workers Compensation provider is seeking a motivated self-starter with good oral and written communication skills. Candidates must have a strong background in construction safety. Computer knowledge is a plus. Candidates should posses a Bachelors Degree with three or more years experience in a related field. In the absence of a Bachelors Degree, a Certified Safety Professional (CSP) with five or more years experience in a related field will be considered. This position encompasses a large territory in Mid-Michigan. Relocation may be required.

Competitive salary and an attractive benefit package are available.

For confidential consideration, qualified candidates should send their resume, cover letter, and salary requirements to

Loss Prevention Manager
Michigan Construction Industry Mutual
P.O. Box 80440
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In this key role, you will direct the company's entire Risk Management program. Duties include program design, contract negotiation and oversight of the company's property, casualty, professional liability, and workers compensation insurance programs. Accountability will also include determining amounts of coverage, reviewing and settling of incurred claims and administration of the company's loss prevention programs by directing the efforts of two field Directors of Risk Management.

The ideal candidate will have a B.S. in Business Administration, Finance or Accounting. (MBA a plus), 10 years in Risk Management or associated insurance functions. Strong financial / analytical skills required. Proficiency with Word / Excel / PowerPoint also required. Some travel is required. This position is based out of our corporate office located in downtown Boston.

If interested in this exciting and challenging opportunity, please send resume with salary requirements today to: Kerry Madan, One Beacon St., 11th Fl., Eostor, MA 02108
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HELP WANTED

Executive Director

The Michigan Municipal Risk Management Authority, located in Livonia, Michigan, is seeking an executive director to serve as the chief executive officer. The Authority is a public entity self-insurance pool providing liability and property coverage to its membership of more than 300 Michigan local government entities.

The executive director will be responsible for administration and conduct of all MMRMA affairs, programs and services, which include risk management, claims administration, legal defense and reinsurance, and work with regulatory agencies. A minimum of five progressive years of experience in the fields of risk management and/or insurance is preferred. The successful candidate must possess strong professional leadership attributes and have a high level of analytical skills.

Inquiries/applications in confidence must be directed to The Aspen Group Int'l, Inc., with no direct contact to MMRMA. The deadline for a complete application is April 2, 2001. To receive an application packet, by mail, please send your request to:

The Aspen Group Int'l, Inc.
A Leadership Development Company
Attn: Kathryn Rozovics
Email: **rozpds@chorus.net**
Phone: 608-345-8555

LEGAL NOTICES

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

IN RE:
Petition of Gareth Howard Hughes, Nigel James Hamilton and Jacqueline Barbara Stephenson, as Joint Provisional Liquidators of Municipal General Insurance, Limited
Debtor in Foreign Proceedings

CASE NO. 94-B-41329 (CB)

PRELIMINARY INJUNCTION ORDER

This matter has come before the Court on the above Petitioners request for a Preliminary Injunction Order pursuant to Bankruptcy Rule 7065 and Federal Rule of Civil Procedure 65(b). The Court (a) has considered and reviewed the Petition filed in this case, the Affidavit of Ronald DeKoven, Petitioners former counsel, the Declaration of Gabriel Moss, Q.C., the Declaration of Gareth Howard Hughes, the Affidavits of Jacqueline Barbara Stephenson, one of the Petitioners herein, and the Memorandum of Law in support of the application, and any responses filed thereto, and (b) the Court has further considered and reviewed the Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated November 17, 1996, the Supplement to Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 30, 1996, the Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 13, 1999, the Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 13, 2000, and all other pleadings or other materials filed or submitted in this case; and the Court has held hearings and heard arguments by counsel on the 29th day of March, 1994, the 27th day of July, 1994, the 8th day of December, 1994, the 11th day of April, 1995, the 31st day of January, 1996, the 31st day of January, 1997, the 30th day of January, 1998, the 29 th day of January, 1999, the 28th day of January, 2000, the 26th day of January, 2001, and based on the foregoing, the Court finds and concludes as follows:

1. Petitioners have demonstrated a substantial likelihood of success or have raised serious questions on the merits of the contentions that: (a) Municipal General Insurance Limited (MGI) is subject to foreign proceedings within the meaning of Sections 101(23) and 304(a) of the United States Bankruptcy Code (the Bankruptcy Code), 11 U.S.C. §§ 101 et seq.; (b) Petitioners are the foreign representatives of MGI within the meaning of Sections 101(24) and 304(a) of the Bankruptcy Code; (c) (i) the commencement or continuation of any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof, (ii) the enforcement of any judicial, administrative or regulatory judgment, assessment or order, and the commencement or continuation of any judicial, administrative or regulatory action or proceedings, to create, perfect or enforce any lien, set-off or other claim against MGI, any of its property in the United States, or any proceeds thereof, and (iii) the drawing down of any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established, should be enjoined[1] pursuant to Section 304(b) of the Bankruptcy Code to permit the expeditious and economical administration of the foreign estate in the pending proceedings brought under foreign law (except as otherwise expressly provided in the decretory paragraphs of this Order); and (d) the relief provided herein will not cause hardships to parties that are not outweighed by the benefits.

2. Unless an injunction is issued, it appears to this Court that one or more parties in interest will transfer, relinquish or dispose of assets of MGI in the United States, or proceeds thereof, commence or continue the prosecution of judicial, administrative or regulatory actions against MGI, its assets, or proceeds thereof, or draw upon letters of credit established by MGI in excess of the amount to which such parties are contractually entitled, thereby interfering with, and causing harm to, the Petitioners efforts to administer the MGI estate pursuant to the foreign proceedings, and that, as a result, the Petitioners will suffer immediate and irreparable injury for which they will have no adequate remedy at law (except that the authority granted by this Court to continue certain litigation only as set forth in the decretory paragraphs below will not cause such harm).

3. Unless the injunction (to the extent provided below) is issued, Petitioners will be unable to acquire sufficient information about pending and potential litigations against, and U.S. assets of, MGI to properly protect the interests of MGI in the United States, resulting in the further depletion of MGI's limited assets.

4. The interest of the public will be served by this Court's grant of the relief provided herein.

5. Venue is proper in this district pursuant to 28 U.S.C. § 1410.

NOW, THEREFORE, IT IS:

ORDERED that all persons (except as provided in the New York Superintendent Order) are hereby enjoined and restrained from:

(1) transferring, relinquishing or disposing of any property of MGI in the United States, or any proceeds thereof, to any persons or entities other than Petitioners;

(2) commencing or continuing any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof;

(3) enforcing any judicial, administrative or regulatory judgment, assessment or order, or commencing or continuing any act or any judicial, administrative or regulatory action or proceeding, to create, perfect or enforce any lien, set-off or other claim, against MGI, any of its property in the United States, or any proceeds thereof; and

(4) drawing down any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established; and it is further

ORDERED that nothing in this Preliminary Injunction Order shall in any respect prevent the continuance or commencement of proceedings against or involving other London Market insurers or any other insurance company defendant; and it is further

ORDERED that, pursuant to Bankruptcy Rule 7065, the security provisions of Fed.R.Civ.P. 65(c) be, and the same hereby are, waived; and it is further

ORDERED that, notwithstanding any other term of this Order, the action entitled Michigan Municipal Risk Management Authority v. Municipal General Insurance Company, Wayne County Circuit Court Case No. 94-400330-CK, is permitted to proceed, but this provision shall not be construed to permit enforcement of any judgment obtained by Michigan Municipal Risk Management Authority (MMRMA) in the immediately above-referenced Michigan action against MGI or any of MGI's property located in the United States; and it is further

ORDERED that this Order shall be served (A) by hand delivery or U.S. mail, first class postage prepaid, on or before February 9, 2001 upon the parties in interest appearing in this case (or their counsel, where known); (B) by publication of a summary of this Order in Business Insurance Magazine on or before March 19, 2001; and that service pursuant to this paragraph shall be deemed good and sufficient service and adequate notice; and it is further

ORDERED that the time to answer or move with respect to the Petition is extended sine die, but that parties wishing to move for modification of or relief from this Preliminary Injunction Order or otherwise may do so in accordance with the schedule set forth by the Court herein and in any subsequent Scheduling Order entered by the Court in this case; provided, however, that, notwithstanding any other provision of this Order, MMRMA shall have the right to a hearing on a motion to this Court for modification of or relief from this Preliminary Injunction Order on ten (10) days notice to the MGI attorney specified in the last decretory paragraph hereof; and it is further

ORDERED that this injunction shall remain in effect pending further order of the Court after a hearing to consider whether the injunction shall be continued, which hearing is scheduled to be held in Room 601 of the Alexander Hamilton Custom House, One Bowling Green, New York, New York on January 25, 2002 at 2:00 p.m.; and it is further

ORDERED that all papers submitted for the purpose of controverting the Petition or opposing continuation of the relief provided for in this Preliminary Injunction Order shall be filed with the Court with a copy to Chambers and delivered by overnight mail or so as to be received by Peabody & Arnold, 50 Rowes Wharf, Boston, MA 02110 (attention: Deborah S. Griffin or Randolph L. Smith), Attorneys for Petitioners, on or before January 10, 2002 at 5:00 p.m.

Dated: New York, New York
January 30, 2001

Cornelius Blackshear
United States Bankruptcy Judge

[1] Petitioners' request for relief, and the terms of this Order, are subject to the provisions of any temporary restraining order or order of conservation obtained by the New York Superintendent of Insurance (the "New York Superintendent Order").

REQUEST FOR PROPOSALS

NOTICE

The Kansas State Employees Health Care Commission will issue a Request for Proposal (RFP) #02789 on February 22, 2001 for a **voluntary group long term care plan.**

If interested in receiving a copy of the RFP, please contact:

KANSAS DEPARTMENT OF ADMINISTRATION
Health Benefits Administration — Attn: Bonnie Long
900 S.W. Jackson Street. Room 951-S
Topeka, Kansas 66612-1251

E-mail: benefits@state.ks.us
Phone: 785-296-6280
Fax: 785-368-7180

REQUEST FOR PROPOSALS

NOTICE

The Kansas State Employees Health Care Commission will issue Request for Proposal (RFP) #02786 on march 1, 2001 for the **indemnity medical and HMO components of its health plan.** Responses may be insured, self-funded or capitated arrangements.

Currently, 34,723 active employees and 9,451 retirees participate in the health plan. Total covered lives are 90,000. Membership is increasing due to inclusion of unified school districts. If interested in receiving a copy of the RFP, please contact:

KANSAS DEPARTMENT OF ADMINISTRATION
Health Benefits Administration — Attn: Bonnie Long
900 S.W. Jackson Street, Room 951-S
Topeka, Kansas 66612-1251

E-mail: benefits@state.ks.us
Phone: 785-296-6280
Fax: 785-368-7180

Insolvent

Continued from page 37

This means, though, that "claims by other creditors of direct European insurance companies, including senior debt issued at the operating company level (or guaranteed by operating companies), need to be rated below policyholder claims."

Moody's stated in its report that this would affect its ratings on insurance companies in countries where national legislation currently stipulates a "pari passu," or equal, relationship between the claims of policyholders and those of other senior creditors. This would be the case particularly for direct nonlife insurers in the United Kingdom and Sweden, it said.

In such cases, Moody's insurer financial strength ratings, which reflect the ability to meet policyholder claims, would remain unchanged, while senior debt ratings would have to be downgraded "to reflect a potentially higher severity of loss in case of liquidation."

Cathy Beech, manager of insurance regulation with the London-based Assn. of British Insurers, agreed that the directive likely would not be all good news for policyholders.

"I would have thought that, for the policyholder of a company trudging along quite happily, they wouldn't see any immediate change," Ms. Beech said. She added, though, "if passed in its current form, one of the impacts would be to increase the cost of capital for insurance companies....So that isn't good news, as the cost would most likely be passed on to policyholders."

Experts point out that, while the United Kingdom has legislation to protect policyholders in an insolvency—the Policyholders' Protection Act 1997—the E.U. directive, if passed, would require that it be changed.

Hugh Bohling, a lawyer specializing in insurance for the London law firm of Eversheds, said that the U.K. act's wording provides protection for "private policyholders," defined as individuals, partnerships or other unincorporated bodies of persons, all of whom are individuals. Consequently, Mr. Bohling said, the scope of the act would have to be broadened to protect all policyholders.

The act ensures that policyholders will be paid, if necessary, from a guaranty fund, says Cathy Beech.

Ms. Beech also noted that the act does not give policyholders precedence over all other creditors of a failed insurance company. Rather, it ensures they will be paid, if necessary, from a guaranty fund financed by contributions from insurance companies that "tops up" the payments made to policyholders by the failed insurer's liquidator.

U.K. risk managers have given a provisional endorsement to the proposed directive.

"Risk managers will broadly support this proposal that insurance creditors are given preferential treatment in the event of the winding up of an insurance undertaking. Clearly, where insurance claims have been made, there is a demonstrated need for aid and support, and every effort should be made to meet that need adequately and rapidly," said David Gamble, executive director of the London-based Assn. of Insurance & Risk Managers.

Mr. Gamble added, though, that the proposals are "still at a fledgling stage...and it will be interesting to see how the scheme operates in practice."

He noted that, "to work effectively, there needs to be a common understanding and confidence that insolvency proceedings in all E.U. member states will satisfy the requirements of all involved."

Paul Evans, a partner in the business recovery unit of PricewaterhouseCoopers in London who specializes in insurance, said he believes the proposed E.U. directive would, in general, benefit policyholders in Europe, as it would give them precedence over other creditors of a failed insurance company.

In the United Kingdom, however, it would make little practical difference in winding up troubled insurers, he said. In the United Kingdom, the general practice is to put such companies into provisional liquidation, or so-called "schemes of arrangement," rather than to simply shut them down.

"Liquidation is a last resort...a scheme of arrangement is more flexible, because you can write a plan to deal with the particular circumstances of each company" and so maximize the recovery and distribution of assets, Mr. Evans said. BI

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IN THE MATTER OF THE LIQUIDATION
OF ILLINOIS EARTH CARE WORKERS COMPENSATION TRUST
NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on October 26, 2000, the Circuit Court of Cook County, Illinois, entered an Agreed Order of Liquidation With a Finding of Insolvency and Injunctive Relief against Illinois Earth Care Workers Compensation Trust ("EARTH CARE"). Nathaniel S. Shapo, Director Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of EARTH CARE ("Liquidator").

TAKE FURTHER NOTICE, that on January 16, 2001, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and the Setting of Claim Filing Deadlines (Fixing Order). Pursuant to the Fixing Order, all rights and liabilities of EARTH CARE and its policyholders, members, creditors and all other persons interested in its property or assets, are fixed as of October 26, 2000, unless otherwise provided in prior or subsequent orders of the Court.

TAKE FURTHER NOTICE, that all persons, companies or entities who have, or may have claims against EARTH CARE, its property or assets, or against an enrollee or policyholder, shall have the right to present and file with the Liquidator proper proofs of claim on or before October 26, 2001 at 4:30 p.m. (C.S.T.).

TAKE FURTHER NOTICE, that pursuant to Section 209(4) of the Illinois Insurance Code, 215 ILCS 5/209(4), any insured under an insurance policy issued by EARTH CARE shall have the right to present the Liquidator with a proof of claim setting forth a contingent claim, subject to the claim filing deadline of October 26, 2001 at 4:30 p.m. (C.S.T.). The final date by which evidence supporting the liquidation of any such contingent claim may be received by the Liquidator shall be October 28, 2002 at 4:30 p.m. (C.S.T.). No such contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the class "d" priority level, 215 ILCS 5/205 (1)(d), unless such claim has been liquidated and the insured claimant has presented evidence of payment of such claim to the Liquidator on or before October 28, 2002 at 4:30 p.m. (C.S.T.).

TAKE FURTHER NOTICE, that the form and required contents of all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, along with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of EARTH CARE, c/o the Office of the Special Deputy Receiver, located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to EARTH CARE upon all filed claims. All proofs of claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS, COMPANIES OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIM AGAINST EARTH CARE, ITS PROPERTY OR ASSETS, OR AGAINST AN EARTH CARE POLICYHOLDER OR MEMBER, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE OCTOBER 26, 2001 AT 4:30 P.M. (C.S.T.).

Cathleen M. Travis
Special Deputy Receiver

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LEGAL NOTICES

IN THE SUPREME COURT OF BERMUDA
COMPANIES (WINDING-UP)
No. 97 of 1997

IN THE MATTER OF THE COMPANIES ACT, 1981
AND IN THE MATTER OF SECTION 33 OF THE INSURANCE ACT 1978
IN THE MATTER OF B.N.I.B. INSURANCE COMPANY LIMITED

SUMMONS

Let all parties concerned attend before One of Her Majesty's Judges sitting in Chambers of the Supreme Court, in the city of Hamilton, on Thursday, the 22nd day of March 2001, at 9:30 o'clock in the forenoon, or so soon thereafter on the hearing of an application by D Geoffrey Hunter and Paul Anthony Brereton Evans, the Joint Liquidators of B.N.I.B. INSURANCE COMPANY LIMITED (the "Company") seeking the Court's directions for the determination of the following question and the following relief pursuant to Section 176 (3) of the Companies Act 1981:

1. Whether based on the evidence placed before the Court a novation agreement, verbal or written, was entered into in or about 1987 between the Company and North Atlantic Insurance Company Limited and Merlin International Insurance Company Limited.
2. That any application to appeal or set aside any order granted pursuant to paragraph one of this summons be filed within 21 days of such order.
3. That the costs of the Company in making this application be paid out of the assets of the Company.

TO: All of the Known Creditors of the Company

Dated this 23rd day of January 2001

REGISTRAR

Creditors of the Company wishing to obtain copies of the documents pertaining to this application should contact Nigel Howcroft or Jennifer Fraser of Appleby Spurling & Kempe, Cedar House, 41 Cedar Avenue, P O Box HM 1179, Hamilton HM EX, Bermuda, Telephone 441 295 2244.

Appleby Spurling & Kempe
Solicitors for the Applicants (the Joint Liquidators)

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Bias

Continued from page 37

exercise the rights of defense on behalf of or in support of the complainant," the directive states.

Harassment, as defined by the directive, "should be deemed to be discrimination when an unwanted conduct related to religion or beliefs, disability, age or sexual orientation takes place with the purpose or effect of violating the dignity of a person and of creating an intimidating, hostile, degrading, humiliating or offensive environment."

The directive also applies to physical working environments. For example, "the provision of measures to accommodate the needs of disabled people at the workplace plays an important role in combating discrimination on the grounds of disability," it states.

Therefore, employers should undertake measures—such as modifying facilities or equipment, changing working patterns and providing training—to accommodate disabled individuals, according to the directive.

Under the terms of the directive, the burden of proof in discrimination cases lies with the employer, which must prove that there has been no breach of the principle of equal treatment to successfully defend a claim.

Penalties against employers, which may include compensation for victims, must be "effective, proportionate and dissuasive," according to the directive.

However, while more European companies are looking at EPL policies, a hardening insurance market is preventing some of the larger companies from buying coverage, Mr. Carr said.

The directive's broadened standards will require employers to take steps to protect themselves against discrimination claims, observers note.

One of the more difficult areas of potential discrimination for employers is age, according to David Gamble, director general of the Assn. of Insurance & Risk Managers in London.

"Employers are very aware of race and sex discrimination, but there is a strong cultural and employment bias against age that could be a problem," he said.

The Confederation of British Industry, which represents British employers, supports parts of the employment directive, but is "deeply disappointed by unworkable proposals on age," the group said in a release.

A survey recently published by the London-based Chartered Institute of Personnel & Development, which represents U.K. employee benefits and human resource directors, shows age bias is still evident in recruitment, despite the publication in 1999 of the U.K. government's Code of Practice on Age Diversity in Employment, which sought to curb age discrimination in the workplace.

According to the survey of 1,004 adults, 589 of whom are currently employed, one in eight reported that they had been discouraged from applying for a job in the last year because the recruitment advertisement contained either an age limit or an age range.

One in 10 respondents aged 45-54 said they believed they have been rejected for a job in the last 12 months because the recruiter considered them to be "too old." Seven percent of the 16-24 age group said they have been told that they are "too young" for a job, while a further 5% suspect that they have been rejected for this reason.

Twenty-four percent of respondents agree that employers are not interested in employing or promoting people over the age of 40; in the age group of 16-24, 37% agreed with that notion.

Employers will never be able to eradicate all claims of discrimination, but there are steps they can take to reduce claims, pointed out Mr. Appleton of Lewis Silkin.

He said employers should:

- Raise awareness of equal opportunity issues among all staff. Managers who interview need to know what questions they cannot ask. In addition, all staff should have training to make them sensitive to such issues such as not making racial or sexual jokes, for example.
- Implement a proactive policy on discrimination, rather than one that is ignored.
- Employ confidential advisors within the company whom employees can approach if they feel they are being discriminated against or harassed. BI

Market

Continued from page 37

"There is an oversupply of underwriters and brokers," he said. Despite consolidation by the top companies, there remains a large number of small-to-medium insurers. "This oversupply...creates a need to defend market share."

Mr. Fitzgerald said it is disappointing that an industry whose central function is to manage financial risk "lacks any notion of effective capital management." He said there is no consistent view within the industry as to the capital required to underwrite different classes of insurance.

"Until the industry improves its capital management techniques, large swings in the insurance cycle will continue," Mr. Fitzgerald said.

He said the Australian industry also faces challenges in attracting new employees and management talent. This will become more of an issue as convergence with the finance industry continues, he said.

Mr. Fitzgerald predicted Australia's rising rates will plateau by 2002. That gives the market two years to address its capital and broader management issues, before it comes under pricing pressure again, he said.

"This should ensure that the next downswing in the market can be handled in a more professional manner across the industry," he said. BI

Wyeth

Continued from page 37

During the same period, the reinsurers, led by CIGNA provided excess coverage to Wyeth.

Beginning about 1987, large numbers of individuals filed lawsuits against Wyeth, claiming that they had become dependent on Librium, Ativan or Valium during the time that GRE's coverage was in place. Librium, Ativan and Valium are brand names for various benzodiazepine anti-anxiety medications. GRE and the other primary insurers bought out their liabilities from that period by paying £750,000 ($1.1 million) in 1991. By that time, almost all the claims against Wyeth had been struck down, but Wyeth was unlikely to recover any of its legal costs from the plaintiffs because most of the claimants had received legal aid from the state.

On April 18, 2000, Judge Langley ruled in the High Court that it could not have been Wyeth's intention to lose its excess coverage if it exercised the buyout option with GRE and that Wyeth was entitled to excess coverage for its defense costs after GRE ceased to be liable. The Court of Appeal upheld the ruling on Feb. 9.

A spokesman for the London-based law firm of Kennedys, which is representing the reinsurers, said last week that the firm was not sure last week whether the decision would be appealed. BI

Violence

Continued from page 1

ness.

The two recent workplace homicides highlight the issue.

Earlier this month, a former factory worker, scheduled to surrender to authorities the next day to serve a five-month prison sentence, opened fire in a Melrose Park, Ill., engine manufacturing plant, killing five—including himself—and wounding four.

William D. Baker, who had been a tool room attendant at the plant, was a 39-year veteran of Navistar International Corp. when he was fired in 1994. He pleaded guilty last June to helping a fellow Navistar employee steal diesel engines and components from the company.

Less than two months earlier, another shooting drew renewed attention to issue of workplace violence.

In that incident, a man is accused of arming himself with an AK-47 assault rifle, a shotgun and a semi-automatic pistol and opening fire at Edgewater Technology Co. in Wakefield, Mass., killing seven co-workers. According to press accounts, the accused gunman, Michael McDermott, a software tester with the technology development firm, was angry about a request by the Internal Revenue Service to garnish a portion of his wages to pay back taxes.

These incidents of workplace homicide come at a time when the overall number of incidents is declining.

According to the Bureau of Labor Statistics' most recent census of fatal occupational injuries, there were 645 job-related homicides in 1999, a 10% drop from 1998 and a 40% drop from 1994. After several years in the No. 2 spot behind transportation-related incidents, workplace homicides are now the third-leading cause of on-the-job deaths in the United States. Contact with objects and equipment is now the second-leading cause, according to the BLS.

Despite a decrease in the number of workplace homicides, Gary Salmans, workplace violence practice leader for Marsh USA in Houston, said that now is not the time to become complacent about reviewing and implementing policies and procedures. With the economy teetering on the brink of a recession and large layoffs beginning, "there is no better time than now to do it," he said.

"We're finding that, more and more often, incidents of violence occur, and companies have not set up lines of communication where employees can report aberrant behavior," Mr. Salmans said. In these types of incidents, employees tended to know there was a problem brewing but did not know whom to talk to about the situation, he said.

"I've never seen a spontaneous act of violence," he said. "Ninety-nine percent of the acts of violence are pretty darn predictable."

Training employees in how to identify suspicious behavior and maintaining an open-door environment to report such behavior are just two components of a critical-incident plan that employers should implement, experts say.

John Ingram, vp-risk control services for ESIS Inc. in Philadelphia, outlined five points risk managers must address. Employers, he said, should:

- Ensure that management is committed to eliminating violence in the workplace. This means establishing a no-tolerance policy statement and communicating the policy to employees.
- Educate employees about workplace violence and what to do in an emergency.
- Encourage employees to report threats and suspicious behavior.
- Implement an effective employee-assistance program or conflict resolution program to help employees who are under stress.
- Take immediate action against any violent acts or threats that arise within the workplace.

Karen Ford, vp-integrated services for ESIS, said that although it is difficult to predict the likelihood of a violent act, an employer "should not wait for an incident to occur."

Barry Mansour, crime insurance underwriting manager for Chubb Executive Risk in Simsbury, Conn., said he hoped that the two recent incidents of workplace homicide prompt "companies to assess their own exposures and to analyze their procedures and policies in place to mitigate the risk."

"Employers must be proactive about this," said Steve Kaufer, a co-founder of the Workplace Violence Research Institute, a research, consulting and training firm in Palm Springs, Calif. "Many still think that it's never going to happen to them," he said.

According to a 1999 workplace violence survey conducted by the New York-based Risk & Insurance Management Society Inc., 70% of the nearly 300 risk managers and safety professionals that responded said that they had not conducted formal risk assessments of the potential of violence in the workplace. Sixty-two percent, though, indicated that their organizations had written policies that addressed violent acts in the workplace. In addition, 58% said that they provided training to help identify the warning signs that could lead to violent behavior, and 49% indicated that they did thorough background investigations of prospective employees.

Although risk managers and security professionals are cognizant of the exposure to workplace violence, "the proactiveness of it is less than what most would like to see," said Lance Ewing, senior director of insurance and loss prevention for GES Exposition Services in Las Vegas, referring to the RIMS survey.

Not only are incidents of workplace violence emotionally charged, but they also are costly to a company's bottom line. According to the most recent statistics compiled by the Workplace Violence Research Institute, acts of workplace violence cost employers approximately $35.4 billion in 1996. That includes both litigation expenses and costs associated with lost productivity, extra security and fees for various consultants.

Because of the high cost of workplace violence, a risk manager, in addition to assessing company policies and procedures, must determine whether the employer is covered by insurance should a violent incident take place, experts say.

Workers compensation, employment practices liability insurance and commercial general liability policies will each cover some aspects of workplace violence incidents, but several policies that specifically insure for workplace violence are also available in the market today.

For the most part, workplace violence coverage is sold in conjunction with other policies, such as EPLI, although employers can also purchase stand-alone policies, said Ann Longmore, senior vp-EPL practice leader for Willis in New York.

The coverage, which typically has limits of $5 million, will meet costs associated with increased security to prevent an event; business interruption claims during and after the occurrence of a violent event; the cost of replacement staff; injury and death costs; rest and recreation costs for victimized employees; consultant fees; rewards; and costs associated with maintaining a company's reputation after an event occurs, such as fees for image and public relation consultants, Ms. Longmore said.

The pricing of the workplace violence policy is similar to that for kidnap and ransom coverage, she said.

"It's very economical compared to D&O and EPLI coverage," Ms. Longmore said. Because it is attractively priced and often fills in the gaps of other policies, "there is every reason for risk managers to look at it in response to the perceived risk" of workplace violence, she said.

Lexington Insurance Co., Chubb Executive Risk and ACE USA are three of the main providers of workplace violence coverage.

Risk managers need to know "that there are products out there that are specifically tailored for dealing with a company's violence exposure," said Paul Cunningham, a vp in the casualty division of Boston-based Lexington. In addition to transferring risk, companies such as Lexington also offer a variety of risk management services, including audits of corporate policies that deal with workplace violence, security site reviews and onsite seminars, he said.

Workplace violence is difficult to deal with, but risk managers must be prepared, Mr. Cunningham said. "There are insurance programs out there...that attempt to deal with violence from an insurance perspective as well as a risk management perspective," he said. BI

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COMMENTARY

Health plan issue splits *BI* readers

Employers who want to scrap group health plans and give employees money to buy their own insurance have the sympathy of some *Business Insurance* readers.

But other *BI* readers, agreeing with my last column that these employers simply want to get out of the business of buying health care and hope to save some money, think the move to consumer-directed health care purchasing is a wrong turn.

Wally Pliszka, director of workers compensation at Cooper Industries Inc. in Houston, writes: "One of the interesting things about employer-sponsored health care in the United States is its genesis. As you probably know, it did not come about as a conscious policy decision at all; instead, it was an employer response to...price controls during the Second World War. One has to wonder whether this is the best method of system design.

"The problem with health care in the United States is that none of the participants seems happy with the current system. Employers find it too expensive. Employees find it too restrictive. The government believes that it doesn't cover enough people. Providers find there to be too much oversight. Insurance companies find it unprofitable. Have I missed anyone?

"I'm not certain that consumer-directed health care is necessarily the solution, but, in a capitalist society, it seems to have a stronger claim to legitimacy than does our present system."


Kathryn J. McIntyre

John Sloway, a consultant who works for Keenan HealthCare, wrote: "I am neither for, nor against, consumer-directed health care purchasing, but I am for anything that will improve the 'quality' of care patients receive (whatever the prevailing definition might be), both in the short- and long-run.

"It is not that employers do not care, but I propose that most do not know. As a benefits broker and consultant exclusively to the hospital and health care industry, even this supposedly savvy group of purchasers does not like being responsible (or blamed) for the health plan choices they make. The playing field changes so rapidly, with much of the information I need to know to make choices on behalf of my clientele being labeled as 'confidential.'

"If the employers I work with could reduce or eliminate their involvement in health plans, they would. I honestly would not blame them."

Among those supporting the current system of group health care plans, Albert C. Jones, executive vp of Jones Management Consulting Inc., wrote: "Amen and about time. Finally, someone knowledgeable about health care benefits has spoken out.

"Not unlike cash balance pension plans (and those at least benefit some workers), consumer-directed health care purchasing is the darling of employers...looking to cut employee benefits while pretending to help employees.

"It is hard to see cost savings from the additional administration this will require, or from negotiations with health insurers who deal one-on-one with consumers. After all, leveraging purchasing power to reduce costs and/or improve service is one of the reasons group contracts are so popular...in many fields.

"I have spent many years as a volunteer on regional health care coalitions working on quality and education issues. Almost every time employers have to make a choice between cost and quality, quality hardly merits passing consideration. Quality is a most important component of health care purchasing: it almost always generates better medical outcomes and lower costs.

"Employers embracing self-directed plans should acknowledge that reducing their health insurance outlays is their main objective. Enlightened employers should turn their back on this short-sighted approach and seek employee satisfaction and cost savings through rigorous quality studies and standards."

And Nathaniel B. Taft, a White Plains, N.Y., lawyer, wrote: "Cheers for saying so well what had to be said.

"The world has three different types of benefit plans: The socialistic ones, America's employer-driven ones, and the catch-as-can ones of the underdeveloped nations. Our system, for all its faults, is still the best. And those who try to undercut it should be ashamed of themselves."

Mr. Taft warns: "Running away from corporate responsibility reminds me of the kindergarten tale of Chicken Little. When an acorn fell on her head, she panicked, crying 'The sky's falling in,' and terrifying all the barnyard animals so much they ran straight into the jaws of the fox."

I wish I had thought of Chicken Little.

Publishing Director Kathryn J. McIntyre's commentary appears fortnightly and at www.businessinsurance.com. She can be reached at kmcintyre@crain.com

Pension

Continued from page 1
over the next 10 years.

Many Washington observers say that congressional leaders will try to get the pension bill attached to the Bush tax-cut bill, as has been done under similar circumstances in the past. Such a move, however, could trigger opposition from the Bush administration, which currently is opposed to adding provisions to the tax bill that would push the revenue loss over the $1.6 trillion mark. Treasury Secretary Paul O'Neill said last week at a congressional hearing that the $1.6 trillion ceiling should not be breached.

Because the Bush tax package does not include any pension reform provisions, other revenue-losing provisions presumably would need to be jettisoned to make room for pension changes—a move that the administration might oppose. For pension reform provisions along the lines of the Portman-Cardin measure, the expected revenue loss to the government is roughly $50 billion over 10 years, benefit lobbyists say.

"This is not a time to be complacent. We will have to work very hard to see that the pension measure crosses the finishing line," said James Delaplane, vp-retirement policy at the American Benefits Council in Washington.

In addition, "this bill will have to compete with others that want to get on the same train," noted Frank McArdle, a consultant with Hewitt Associates L.L.C. in Washington.

Still, while passage of the Portman-Cardin bill, or something akin to it, is by no means certain, the odds certainly favor passage, many observers say.

"When you have 400 votes in the House, you have to be at least cautiously optimistic," said Stuart Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

"There is extraordinary support for this measure," concurred Mark Ugoretz, president of the ERISA Industry Committee, a Washington-based benefits lobbying group representing large employers on benefit issues.

Indeed, benefit experts say that there is nothing sacrosanct about the shape or even the size of the $1.6 trillion Bush tax-cut plan and that some provisions could be modified, making room for the pension package.

"There is considerable room to negotiate," Mr. Brahs said.

While tinkering still is ongoing, the basic provisions of the Portman-Cardin bill likely would:

- Gradually raise to $15,000 from $10,500 the maximum annual salary deferral that could be made to 401(k) plans. In addition, employees age 50 and older could contribute an extra $5,000 annually to a 401(k) through a special catch-up provision.
- Increase to $200,000 from $170,000 the amount of annual employee compensation employers can consider in calculating pension benefits—a change that could significantly increase benefits.
- Raise to $160,000 from $135,000 the maximum annual benefit that can be funded through a defined benefit plan, while raising to $40,000 from $30,000 the maximum annual contribution that can be made through a defined contribution plan.
- Ease non-discrimination testing. One significant change would apply to employers that allow pretax and aftertax contributions to their savings plans. Such employers would be allowed to use the same basic test—used to compare contributions of highly compensated and rank-and-file employees—on both pretax and aftertax contributions.

By contrast, current law requires a more complex testing procedure for savings plans that allow both pretax and aftertax contributions.

- Increase plan portability. Account balances could be moved between 401(k), 403(b) and 457 plans when employees move between the private, non-profit and governmental sectors.
- Add new savings plans. The measure would allow employees to make aftertax contributions to 401(k) plans with very favorable tax breaks.

As long as the money remained in the plan for at least five years, employees age 59½ or older could withdraw tax-free the contribution and the investment earnings, a huge tax break for younger employees who contribute to the plan. BI

Lloyd's

Continued from page 2
ties—on the grounds that they had been defrauded by Lloyd's only if they had not previously used that argument in a case against Lloyd's in a foreign court, Mr. Goldman explained. "The burden will be on the names to prove fraud if they want the U.S. court to deny enforcement of the U.K. court judgment," he said. "The legislation is narrowly drawn and only addresses fraudulent representations made in the U.S. before 1993," he noted.

Mr. Goldman said the provision has bipartisan support, but he declined to name which member of Congress had inserted the language into the bankruptcy bill. No one has claimed authorship of the wording, which first appeared in a proposed bill in 1998. Mr. Goldman said the clause had "significant support," however, and that names are confident the clause will remain in the bill when it goes before a floor vote.

A spokesman for Rep. George Gekas, R-Pa., the House sponsor of the bill, said that Rep. Gekas had not drafted Section 1310. The spokesman noted that, during markup of the measure, Rep. Gekas had said he "is sympathetic to the fact there are members who oppose the Lloyd's provision, and he also understands there are members who would like it to remain. He feels that it is best left to be debated in conference committee."

Lloyd's said it is not alone in lobbying against the proposed provision.

"Many governmental and business organizations, such as the U.S. State Department, the National Assn. of Insurance Commissioners and the Confederation of British Industry have...expressed their concern," Lloyd's said in a written statement.

"Lloyd's believes this is a badly conceived and unjust piece of legislation that will have repercussions around the world and damage the U.S.' business relationships with other nations," the statement said. "In effect, this provision could provide a 'get out of jail free' card to any U.S. citizen or business seeking to escape payments of debts incurred overseas," it added.

A Lloyd's spokesman said the market had lobbied for Section 1310 to be stripped from the bankruptcy bill because it might slow Lloyd's efforts to collect debts from U.S. names.

"Lloyd's right to collect its debts in the U.S. has been upheld by both U.S. and U.K. courts," the statement said. "Those U.S. names who have not settled their debts with Lloyd's have failed in their legal attempts to avoid payment and now appear to be trying to circumvent the legal process by promoting this provision. In doing so, they could harm the U.S.' reputation as a fair and free market."

U.S. names involved in the recent high-profile *Jaffray vs. Lloyd's* fraud trial in London would not be able to use the new clause as a defense for not paying their Equitas premiums, Mr. Goldman explained. In that case, a U.K. High Court judge last October found 33 senior figures at Lloyd's innocent of claims they had made fraudulent representations to names during the 1970s and 1980s. The 216 names, led by property developer Sir William Jaffray, had claimed they were the victims of a systematic fraud whereby Lloyd's concealed from them the magnitude of impending asbestosis-related losses and duped them into bringing new capital into the market by becoming underwriting names. Because Lloyd's won the case, U.S. names who were party to the suit could not assert fraud as a defense against Lloyd's debt collection efforts, Mr. Goldman said, though he pointed out that many U.S. names were not party to *Jaffray*.

•

Mark A. Hofmann contributed to this report.

XL

Continued from page 1
management business will provide XL with a superior franchise and the capability to serve our large commercial customers on a truly global basis," Brian M. O'Hara, president and chief executive officer of XL, said in a statement.

The deal will also expand the reach of XL. Winterthur International has offices in 27 countries and 1,100 staff.

Winterthur International's chief executive officer, Willi Suter, will continue to head the unit that will be renamed XL Winterthur International when the deal closes, which is expected to occur by June 30. Clive Tobin, CEO of XL Insurance in Bermuda, will be deputy CEO and chief underwriting officer.

The purchase will allow XL to greatly expand its position as a global insurer at a time when rates are hardening, and will give it an entrance in to the sometimes close relationships that still exist between European policyholders and their brokers and insurers, Mr. Tobin said. XL will be able to build on Winterthur's existing primary relationships with policyholders to cross-sell XL products such as directors and officers liability insurance, employment practices liability coverage, and environmental coverages, Mr. Tobin said.

The deal will add stability to XL's more volatile book of business, which is dominated by high excess coverage and reinsurance, said Michael Smith, an analyst at Bear Stearns & Co. in New York. "Primary layers are more predictable and less volatile...so it makes them more stable," he said.

The deal will also greatly increase XL's global business, said Robin B. Albanese, an analyst at Lehman Bros. Inc. in New York. "It's very tough to get into the international market," she said.

Under the terms of the deal, XL will pay $50 million above Winterthur International's current book value of about $550 million. Winterthur International's pre-1985 liabilities will remain with Winterthur Insurance and its parent, investment bank Credit Suisse Group.

In addition, Winterthur International's other reserves will be reviewed in three years, and XL's liability to a deterioration in those reserves will be limited to 100 million Swiss francs ($60.3 million).

In a statement, Credit Suisse said it wanted to sell Winterthur International so that Winterthur could concentrate on its core business of personal lines and small and midsized corporate policyholders. BI

Testing

Continued from page 1

The agency said in its Feb. 9 statement that employers may require an employee to submit to a medical exam only if it is job-related and consistent with business necessity. Any test that purports to predict future disabilities is unlikely to be relevant to an employee's present ability to perform a job, the statement said.

Currently, there is no definitive case law regarding genetic testing by employers, so the EEOC "is pushing the envelope," said Gerald L. Maatman Jr., chairman of the employment law practice for Baker & McKenzie in Chicago. Genetic testing as a predictor of work-related problems is defensible, and it is possible a court could be convinced it is legal, Mr. Maatman said.

Attempting to determine whether employees are susceptible to carpal tunnel is not new, though it is novel to use blood tests to do so, he said.

Mr. Maatman said he bases his opinion on court decisions such as the one in *U.S. Equal Employment Opportunity Commission vs. Rockwell International Corp.* In that case, a federal judge awarded summary judgment to Rockwell after the EEOC alleged the company wrongly used a nerve conduction test to deny jobs to applicants that Rockwell believed could develop repetitive stress injuries (*BI*, Dec 7, 1998).

"But what company wants to be a test case?" Mr. Maatman asked. "Probably, at this point, everybody should sit back and wait to see what happens in this particular case before rushing forward and purchasing the services of a vendor to do genetic testing."

Genetic testing is a violation of employment discrimination and privacy laws in about two dozen states, according to Jeremy Gray, a partner and employment law expert at Katten Muchin & Zavis in Los Angeles. Such laws allow the prevailing plaintiffs to collect punitive damages and attorney fees.

Any national employer attempting such tests would have to defend itself against a patchwork of state laws, he said. Perhaps in the future, workplace genetic testing may be viewed favorably, Mr. Gray said, but for now, juries are likely to find it reprehensible.

"You are just opening yourself up to all kinds of problems," Mr. Gray said. "It has this Orwellian sense. I don't know how you win this with a jury," he said of genetic testing.

An American Management Assn. 2000 survey of workplace medical testing found, though, that, of 2,133 employer respondents, seven companies said they perform genetic testing for various purposes, including predicting the risk of disease. But the question posed by the survey did not distinguish whether the diseases being tested for were work-related.

Nearly 16% of the survey respondents also reported testing for "susceptibility to workplace hazards." But those tests are not limited to genetic studies.

There is nothing sinister about genetic testing when employers are legitimately concerned about safety and the protection of individuals who may be susceptible to injuries from specific workplace activities, said Eric Rolfe Greenberg, director of management studies for the AMA.

The use of genetic tests to prevent workplace injuries is a positive action, not much different than testing the eyesight of employee drivers to ensure that they do not harm themselves or others, said Lance J. Ewing, director of insurance and loss prevention for GES Exposition Services in Las Vegas.

Such tests should not be performed arbitrarily, said Mr. Ewing, who also is team leader for legislative and external affairs for the New York-based Risk & Insurance Management Society Inc.

There is no definitive case law on genetic testing by employers, so the EEOC is 'pushing the envelope,' says Gerald L. Maatman Jr.

But people are not all alike, he said; consequently, it should be no problem to allow employers to use such tests to help them assign employees to roles in which they will neither exacerbate existing injuries nor sustain new injuries.

RIMS will be following closely the EEOC's case against BNSF, Mr. Ewing said.

There are several steps that employers should take to minimize the risks of testing, according to the AMA.

The association advised its member companies that job applicants and employees subject to genetic testing should be fully informed of the purpose of such tests, including what a test is intended to find and the effect of those findings on an individual's employment status. The AMA also warned that medical tests be kept confidential. Finally, the AMA advised that those employees who are physically able to perform particular tasks and whose health would not be endangered by undertaking those tasks be free to apply for such positions and retain them as long as they meet performance standards.

In its statement, the EEOC claims that BNSF employees were neither told of the nature of the genetic tests nor were they asked to consent to the tests. One person who declined to provide blood, the statement says, was threatened with imminent discharge.

An employee discovered that genetic tests were being performed when the individual's spouse, a nurse, questioned the quantity of blood the company asked for, said Laurie A. Vasichek, senior trial attorney for the EEOC's Minneapolis area office.

But the BNSF counters in its statement that, while several employees refused to take blood tests, no one received disciplinary action.

"As part of the rail industry's safety rules and negotiated union settlements, BNSF may require its employees to take a medical examination as a method to evaluate a range of employee injury claims," the statement said. "In March 2000, BNSF included in this examination a genetic factor only for some employees who claim work-related carpal tunnel syndrome."

The EEOC took action against BNSF after it received six discrimination complaints, four by individuals and two from the Brotherhood of Maintenance of the Way, a union that represents railroad employees. The EEOC then filed a petition seeking a preliminary injunction in the U.S. District Court for the Northern District of Iowa in Sioux City.

The commission asked the court to order the BNSF to end a nationwide policy of requiring carpal tunnel claimants to provide blood samples "used for a genetic DNA test for Chromosome 17 deletion, which is claimed to predict some forms of carpal tunnel syndrome."

The EEOC will continue its legal challenge even though BNSF has said it will cease genetic testing, Ms. Vasichek said. The EEOC still has six discrimination complaints to pursue, and the potential that irreparable harm resulted must be considered, she said. There are also other unresolved matters, such as the fate of the information already collected by BNSF, Ms. Vasichek said.

In addition, the employees who filed the discrimination claims can file their own lawsuits against their employer for fraud, misrepresentation, violation of state laws banning genetic testing and discrimination under the ADA, said Harry Zanville, a retired attorney in San Diego who advises the railway union.

The union initiated the legal action to stop BNSF's testing and then requested the EEOC's assistance, Mr. Zanville said. Railroad workers are covered under the Federal Employers Liability Act, he pointed out.

In general, FELA provides greater benefits than do state workers compensation laws. Furthermore, FELA does not limit recoveries to scheduled benefits or preclude workers from bringing tort actions against employers. BI

Hackers

Continued from page 2

connection can access the system data, he said.

A little bit of risk management goes a long way in making computer systems secure, Mr. Winkler pointed out.

One way is to obtain an encryption program called "Pretty Good Privacy," or PGP, he said. The program, which can be downloaded free from the Internet, allows users to encrypt all their e-mail, he explained.

A commercial application with additional security features is also available for purchase from Network Associates Inc., which acquired PGP Inc.

"E-mail is wide open to anyone on the Internet, and if you download PGP you can have it secure," Mr. Winkler said. "I recommend most people buy the commercial version...but you can get the free version over the Internet."

Using a boot password to start a computer also makes sense, Mr. Winkler suggested. "So if someone steals your computer, at least they need a boot password to start it up."

He urged computer users to also "use a screen saver password so that if you walk away from your computer, someone can't sit down and type in, 'You suck, and I quit' and send it to your boss."

"Who has loaded the latest Windows service packs on their systems?," Mr. Winkler asked forum attendees. After spotting only one raised hand, he emphasized that "this is risk reduction, folks. The way Microsoft distributes their fixes is through service packs and hot fixes. If you haven't downloaded and installed the latest service packs on your systems, you're vulnerable."

Service packs offer a variety of fixes and updates to Windows operating software, including eliminating known security and service problems, he said.

Mr. Winkler also warned that, "if you're not running the latest version of your Web browser," visiting a malicious Web site could allow the operators of the site to take over the browser and damage the system.

"If you're not doing all these things," Mr. Winkler said, "these teen-age hackers are going to seem like geniuses to you if they ever break into the system when you haven't done enough to keep the system secure." BI

UPDATES

Florida tort reform law overturned

Continued from page 2

the Legislature," said William H. Stander, government affairs representative for the Alliance of American Insurers.

The judge noted that the law covered at least 20 subjects over 36 sections. She ruled that the subjects were so varied that they were not logically connected to one another.

Mr. Stander said tort reform proponents will have to draft individual bills addressing each area of liability in an attempt change state law.

The lawsuit was filed shortly after the law was passed. Plaintiffs include the Academy of Florida Trial Lawyers, the National Assn. for the Advancement of Colored People and the AFL-CIO. The suit argued, among other things, that the law violated the state's single subject rule and denied citizens access to the courts.

Mr. Stander said he expects the ruling to be appealed.

Adoption-benefit bill in Senate

WASHINGTON—Legislation recently introduced in the Senate would permanently extend and expand a 1996 law that allows an employer to reimburse an employee for adoption-related expenses without the reimbursement being added to the employee's taxable income.

Under the current law, an employer can pay—tax-free to an employee—$5,000 of the expenses for the adoption of a child, or $6,000 in the case of a child with special needs.

This tax-free benefit is available to employees with adjusted gross incomes of up to $75,000. The tax break phases out for employees with adjusted gross incomes of between $75,000 and $115,000. This tax break is scheduled to expire on Dec. 31, 2001, though there is no expiration on the tax break for the adoption of children with special needs.

The new legislation, S. 148, introduced by Sen. Larry Craig, R-Idaho, would make the tax break permanent, increase the tax exclusion to $10,000 of adoption expenses and allow an employee who earns up to $150,000 to obtain the full benefit without being taxed.

A 1999 Hewitt Associates L.L.C. survey found that 31% of large employers offer adoption assistance benefit programs.

More states join CARFRA pilot

KANSAS CITY, Mo.—The National Assn. of Insurance Commissioners is attracting additional state interest in a pilot program for a new framework for centralized review of insurer rates and forms.

The Kansas City, Mo.-based organization's goal is to improve the speed to market of insurance products by creating a single entity that would review insurers' new offerings. That proposed entity would rely upon national standards that the NAIC is currently developing, and would adhere to a 30-day period for review. Currently, in many cases, multiple state insurance departments must sign off on a product, which can delay the process.

Four more states—Alabama, Arkansas, Indiana and Ohio—have joined the six that previously announced they would participate in a "limited launch" of the proposed Coordinated Advertising Rate and Form Review Authority, or CARFRA. The six states already signed on to the effort are Maine, Michigan, New York, Oregon, Pennsylvania and Texas (*BI*, Dec. 11, 2000).

CARFRA will initially review life and health insurance products, though its operations are expected to eventually include property/casualty products.

CARFRA will use the NAIC's existing standards for electronic filings to accept and process filings when it becomes fully operational May 1.

The 10 states participating in the CARFRA launch also will continue working on developing qualification standards for reviewers, who will be drawn from state insurance department staff. The states also will establish an Evaluation Advisory Committee, made up of representatives of CARFRA member states as well as industry and consumer representatives.

Briefly noted

Jerry M. de St. Paer has been named chief financial officer and executive vp of **XL Capital Ltd.** Mr. de St. Paer, who previously was managing director of Hudson International Advisors in New York, succeeds Robert R. Lusardi, who last year was named chief executive officer of Bermuda-based XL's financial products and services operations...**ACE Ltd.**'s 1999 purchase of CIGNA Corp.'s property/casualty and international business began paying off in the Bermuda insurer's 2000 results. Profits at ACE last year soared 48.7%, to $543 million. Gross premiums written increased 96% to $7.6 billion....A state appeals court in Miami has upheld a lower court **victory for gun manufacturers** by ruling that Miami-Dade County's lawsuit against the industry may not proceed. The 3rd District Court of Appeal ruled that the 1999 suit seeking to hold gun makers liable for the medical expenses of gunshot victims at public hospitals was an attempt to regulate the industry through the judiciary....Bermuda saw **a net increase of 26 international insurers** domiciled on the island at year-end 2000, according to figures just released by Bermuda's Registrar of Companies. While 94 new companies were added to the register, 68 were removed, leaving a total of 1,564....Utah legislators have sent H.B. 59 to Gov. Michael Leavitt. The legislation would allow the state-run **Workers Compensation Fund** to sell insurance to employers that operate outside of Utah....Carl Icahn last week again extended his offer for $40 million in face value of **Reliance Group Holdings Inc. bonds.** The tender offer will now expire on Feb. 20 at 5 p.m. EST. As of Feb. 12, $20.7 million in principal amount of the bonds had been pledged and not withdrawn, which is $1 million less than had been pledged by the previous deadline.

FOR THE RECORD

Excerpts from *BI*'s Daily Online Updates, Feb. 12 - Feb. 16, 2001

BLANCH FACES SHAREHOLDER SUIT A Minneapolis law firm has filed a proposed shareholder class-action lawsuit against reinsurance broker E.W. Blanch Holdings Inc. over the huge drop in Blanch's stock price early last year. A Blanch shareholder represented by Chestnut & Cambronne P.A. filed the complaint last week in U.S. District Court in Minneapolis, seeking to represent investors who bought Blanch shares between Oct. 19, 1999, and March 20, 2000. Among other charges, the suit alleges that Blanch misled investors about its exposure to revenue losses from the 1999 collapse of Unicover Managers Inc.'s workers compensation reinsurance facilities. Blanch had to eliminate $4 million in Unicover-related commissions from its fourth-quarter 1999 revenues. On March 20 of last year, the broker announced that it would miss its first-quarter 2000 earnings target, and its stock price plunged from about $55 a share to $19.38 by the end of that week. Daniel O'Keefe, Blanch's general counsel, said the broker has been served with the complaint and "we are studying the matter." He declined to comment further on the suit's allegations.

BLOCK OF OSHA RULE URGED Sen. Mike Enzi, R-Wyo., wants to use the Congressional Review Act to overturn the Occupational Safety and Health Administration's controversial ergonomics standard. According to Sen. Enzi, Congress must move by the middle of March to invoke the CRA, a 1996 law that allows Congress, by simple majorities, to overrule federal regulations under certain circumstances. Such action, however, must be taken within a limited time period after a regulation is enacted. The CRA has never been used before, but Sen. Enzi said he believes President Bush—unlike President Clinton—would not veto legislation overturning the ergonomics rule. Sen. Enzi, a longtime critic of OSHA, said earlier this week that OSHA "did its best to ignore" the potential negative impact of the ergonomics rule it issued last November.

ACCIDENT DATA RECORDER A new video product is aimed at helping fleet operators gain a driver's-eye view of accidents, which its manufacturer says could lower claims costs and minimize the risk of fraud. DriveCam is a palm-sized digital video recorder mounted behind a vehicle's rearview mirror that captures everything a driver sees and hears in the 20 seconds before, during and after an event. In addition, the unit's digital memory captures data on G-forces acting on the vehicle. Seeing the information enables police and insurance investigators to more easily determine fault, reducing the time required to process insurance claims, according to San Diego-based DriveCam Video Systems. The video event recorder is part of a complete driving feedback system offered by DriveCam to promote safety and reduce accidents, particularly for companies that maintain fleets of cars and trucks. For more information, visit the company's Web site at *www.drivecam.com*.



EDUCATION TAX BREAK BILL Legislation recently introduced in the Senate would expand and permanently extend a section of the tax code that allows employers to reimburse employees for educational-assistance costs, such as tuition, without the reimbursement being added to employees' taxable income. The current law, set to expire on Dec. 31, allows employers to annually reimburse employees for up to $5,250 in undergraduate educational expenses without employees paying taxes on the contributions. Under S. 133, introduced by Senate Finance Committee Chairman Charles Grassley, R-Iowa, and Sen. Max Baucus, D-Mont., the tax-favored status of employer-provided educational assistance benefits would be made permanent and would be broadened to cover graduate education. Sen. Baucus said such an expansion is necessary for employers that want to retain employees capable of doing more work at higher levels.

P/C CAPITAL STUDY The property/casualty insurance industry has a strong capital base despite severe financial risks, reserve deficiencies and declines in stock value, according to an A.M. Best Co. analysis of 1,000 insurers' 1999 year-end capital positions. Although the industry could return capital to stakeholders without the risk of rating downgrades or insolvency, A.M. Best said that this "decapitalization would do little to boost anemic returns on surplus because of lack of strong operating fundamentals and capital management skills in all but the most sophisticated organizations." The Oldwick, N.J.-based rating agency predicted that the industry's excess-capital position will persist but diminish somewhat with its capital positions for the end of 2000 and beyond, due to lingering underpriced business, more-adverse reserve development and a 5% overall decline in surplus levels in 2001.

CNA POSTS TURNAROUND CNA Financial Corp. has reported operating profits of $354 million for the year that ended Dec. 31, compared to an operating loss of $145 million in 1999. Net operating revenue for the fourth quarter of 2000 also improved dramatically from a year earlier, increasing to $92 million from a loss of $300 million in 1999. Chicago-based CNA's net income for 2000 also posted a sizable gain, to $1.2 billion from a net loss of $130 million in 1999. The company credited the improvement in its full year operating results primarily to significant rate increases across the entire book of business, favorable catastrophe experience, reduced prior year reserve strengthening and the absence of $54 million in aftertax restructuring and related charges incurred in 1999. The fourth-quarter improvement over the prior year was due largely to significant fourth-quarter 1999 charges to strengthen loss reserves, according to the company.

HEALTH PLAN INTERNET USE STUDIED Most employers say health plans have a long way to go to improve their analysis of health care data as well as delivering information through the Internet, according to a new survey. Fifty-eight percent of 600 employers surveyed by Hewitt Associates L.L.C. said that health plans need to improve health plan data analysis and tracking, while 57% said plans must strengthen their Internet information access. A majority of employers say health plans do better in performing administrative functions, though a sizable percentage says improvements still are needed in those areas as well. For example, 37% of respondents said plans need to improve financial reporting and accounting, while 34% say plans need to improve customer service, and 32% say improvement is needed in the enrollment process. Free single copies of "Health Care Expectations: Future Strategy and Direction," are available from Hewitt Associates, Publication Desk, 100 Half Day Road, Lincolnshire, Ill. 60069; 847-295-5000.

BRIEFLY NOTED GE Reinsurance Corp., a Lincolnshire, Ill.-based unit of General Electric Corp., has named Karen A. Pachyn as chief actuary. Ms. Pachyn previously was chief actuary of SCOR Group....Bermuda-based reinsurer **Partner Re Ltd.**'s profits grew 50.1%, to $142.3 million, in 2000. The results for 1999 reflected losses from severe storms in Europe that year. Gross premiums for 2000 increased less than 1%, to $1.44 billion....Michael A. Peterson, a former Rhode Island insurance broker, has agreed to plead guilty to charges that he helped two former officers of Monon, Ind.-based **White Trailer Corp.** defraud two premium finance companies of $9.9 million with bogus loan applications covering purported workers compensation premium payments. Mr. Peterson has agreed to plead guilty to six counts of wire fraud and to acknowledge that he helped former White Trailer President Thomas J. Rosby and former Executive Vp John M. Franklin obtain the phony loans, court records show. White Trailer, formerly known as Monon Corp., filed for bankruptcy protection in 1996

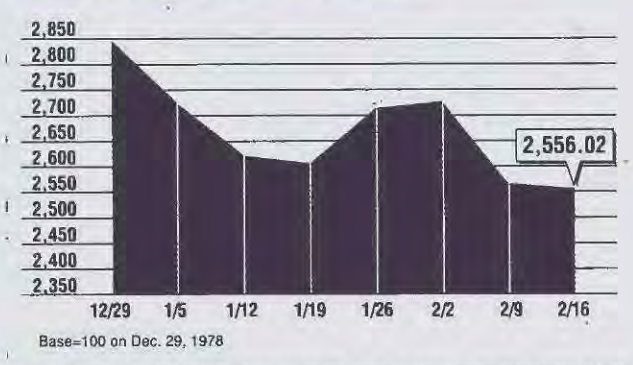
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BI Industry Stock Report FEB. 12, 2001, THROUGH FEB. 16, 2001

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
Aon Corp.	NYS	36.32	0.11	6.04	42.31	20.69	3913
Brown & Brown	NYS	38.25	3.24	9.29	39.25	15.63	107
Clark Bardes Holdings	NDQ	12.13	7.78	19.75	17.88	8.50	5
E.W. Blanch Holdings Inc.	NYS	11.42	-13.81	-34.51	56.94	11.42	392
Gallagher Arthur J. & Co.	NYS	27.70	-1.04	-12.93	34.25	11.53	892
Hilb, Rogal & Hamilton	NYS	37.60	0.40	-5.71	42.13	25.63	81
Kaye Group Inc.	NDQ	12.88	4.04	66.13	12.88	5.00	32
Marsh & McLennan	NYS	112.00	-2.72	-4.27	135.69	70.50	2890
BROKERS	AVERAGE		-2.63	1.74			
INSURERS/REINSURERS							
ACE Ltd.	NYS	37.75	0.11	-11.05	43.94	14.06	4416
Accel International Corp.	NDQ	0.20	0.00	-32.64	1.13	0.10	0
Acceptance Insurance Cos.	NYS	4.90	-2.78	-6.67	6.94	2.75	40
AEGON N.V.	NYS	35.20	-5.25	-15.06	43.00	31.50	658
AFLAC Inc.	NYS	60.85	-3.72	-15.71	74.94	33.56	3223
Allmerica Financial Corp.	NYS	57.00	-0.70	-21.38	74.25	35.06	926
Allstate Corp.	NYS	41.66	0.63	-4.37	44.75	17.19	8411
Ambac Financial Group	NYS	58.44	2.91	0.22	61.25	25.91	4517
American Financial Group	NYS	24.64	-8.23	-7.24	29.00	18.38	1399
American General	NYS	79.89	2.11	-3.20	83.44	45.63	2726
American Intl Group	NYS	86.62	-0.07	-12.12	103.75	52.38	18424
American Safety Insurance	NYS	7.25	2.11	18.37	7.25	3.25	10
Argonaut Group	NDQ	18.38	6.91	-12.50	21.25	14.44	111
AXA-UAP Group	NYS	62.90	-3.68	-12.41	81.50	58.25	888
Baldwin & Lyons Inc.	NDQ	25.75	4.04	10.75	28.75	15.25	15
Berkley W.R. Corp.	NDQ	42.13	7.32	-10.73	47.63	14.00	1472
Berkshire Hathaway Inc.	NYS	69800.00	1.31	-1.69	74600.00	668.00	1
Capitol Transamerica Corp.	NAS	12.94	-0.48	4.02	13.25	10.00	12
Chubb Corp.	NYS	73.99	-1.21	-14.46	90.25	43.25	3147
CIGNA Corp.	NYS	108.63	-1.91	-17.89	136.75	60.75	4952
Cincinnati Financial Corp.	NYS	37.31	1.70	-5.69	43.31	26.19	1274
Citigroup	NYS	54.00	-0.09	5.75	59.13	35.34	40432
CNA Financial Corp.	NYS	37.53	-0.29	-3.15	41.94	24.56	532
CNA Surety	NYS	13.39	-0.45	-6.04	14.94	10.38	198
EMC Insurance Group Inc.	NDQ	10.75	-5.49	-8.51	13.13	6.81	7
ESG Re Limited	NDQ	2.25	-7.69	22.03	6.50	1.72	538
Enhance Financial Services	NYS	14.02	3.77	-9.18	17.00	8.63	461
Everest Reinsurance	NYS	61.39	-2.14	-14.29	74.75	21.25	932
Fremont General Corp.	NYS	3.55	10.94	26.22	8.25	1.50	905
Gainsco Inc.	NYS	3.20	-3.03	21.90	6.38	2.19	128
Harleysville Group	NDQ	25.75	-6.36	-11.97	30.63	11.63	95
HSB Group Inc.	NYS	38.75	0.00	0.00	40.63	21.50	0
HCC Insurance Holdings	NYS	23.00	-4.05	-14.62	27.19	10.94	608
ING Groep N.V.	NYS	71.80	-2.31	-10.39	83.94	46.81	426
IPC Holdings Ltd.	NDQ	23.69	6.76	12.80	24.50	9.75	1048
Hartford Financial Services	NYS	63.75	-2.27	-9.73	80.00	29.38	12602
John Hancock Financial Services	NYS	36.75	3.96	-2.33	38.25	13.44	3645
LaSalle Re Holdings Ltd.	NYS	18.88	0.00	0.00	19.38	10.88	0
Lincoln National	NYS	46.50	1.62	-1.72	56.38	22.63	2462
MAIC Holdings Inc.	NYS	16.68	-1.88	-0.04	22.00	10.00	69
Markel Corp.	NYS	166.75	-1.33	-7.87	183.25	111.50	67
MBIA Insurance Group	NYS	77.32	5.21	4.31	77.94	36.31	2381
Meadowbrook Insur. Group	NYS	5.15	-21.97	-36.62	8.38	3.94	157
MetLife	NYS	32.15	-0.92	-8.14	36.63	14.25	6829
Mutual Risk Mgmt. Ltd.	NYS	11.49	-21.89	-24.35	23.75	11.49	1503
Navigators Group	NDQ	13.75	2.80	3.29	14.13	8.63	108
NYMagic Inc.	NYS	18.45	2.50	-2.25	19.25	12.25	13
Ohio Casualty Corp.	NDQ	8.69	2.58	-13.13	17.88	6.13	1796
Old Republic Int'l	NYS	27.60	-3.90	-13.75	32.06	10.63	1737
Partner Re Ltd.	NYS	52.00	0.68	-14.75	62.50	29.25	524
Penn-America Group Inc.	NYS	9.00	11.11	18.03	9.75	6.88	8
PMA Capital Corp.	NDQ	17.50	-0.36	1.45	19.13	15.19	49
Philadelphia Cons. Holding	NDQ	28.75	1.77	-6.88	31.25	14.13	306
PXRE Corp.	NYS	17.50	-10.26	3.70	20.10	11.88	184
ReliaStar Financial Corp.	NYS	53.94	0.00	0.00	53.94	23.75	0
RenaissanceRe Holdings Ltd.	NYS	82.60	2.48	5.47	84.19	35.88	394
RLI Corp.	NYS	43.88	-0.27	-1.81	46.16	26.25	30
St. Paul Cos.	NYS	48.61	1.02	-10.50	57.00	21.31	2510
SCOR	NYS	49.30	1.96	-1.89	53.75	38.38	22
SAFECO Corp.	NDQ	24.81	-3.64	-24.52	35.88	18.00	3078
SCPIE Holdings Inc.	NYS	29.00	15.08	22.75	36.94	18.31	NA
Seibels Bruce Group	NDQ	0.99	26.76	76.00	2.25	0.53	30
Selective Ins. Group	NDQ	23.69	-5.25	-2.32	26.94	14.75	358
Tokio Marine & Fire	NDQ	52.25	1.70	-8.33	61.00	45.00	73
Torchmark Corp.	NYS	35.00	2.97	-8.94	41.19	18.75	2597
Transatlantic Holdings	NYS	100.94	2.11	-4.66	107.06	68.75	52
Trenwick Group Inc.	NYS	23.30	5.19	-6.10	27.13	12.00	317
Unico American Corp.	NDQ	6.13	-6.67	4.26	7.75	4.50	8
United Fire & Casualty	NDQ	21.13	-2.31	6.96	25.00	15.50	10
Unitrin	NDQ	37.88	-0.33	-6.77	41.94	27.19	135
UNUM Corp.	NYS	25.70	-7.85	-4.37	30.44	11.94	5696
Vesta Insurance Co.	NYS	7.95	-0.50	57.04	8.39	4.13	322
XL Capital Ltd.	NYS	77.70	0.00	-11.07	89.25	39.00	2247
Zenith National Ins.	NYS	29.15	1.53	-0.77	30.70	18.75	59
INSURERS/REINSURERS	AVERAGE		-0.07	-2.67			
HEALTH MAINTENANCE ORGANIZATIONS							
Aetna Inc.	NYS	37.08	-1.36	-9.70	42.69	32.94	2469
Health Net Inc.	NYS	22.41	-2.65	-14.42	26.94	7.63	2445
Humana Inc.	NYS	13.33	7.85	-12.59	15.81	4.75	4159
Oxford Health Plans	NDQ	33.38	-1.11	-15.51	42.75	12.75	5809
Pacificare Health Sys.	NDQ	34.81	-0.36	132.08	72.31	9.81	6628
Sierra Health Services	NYS	5.20	-10.34	36.84	8.25	2.44	773
United HealthGroup	NYS	56.91	-2.80	-7.27	64.36	23.19	8073
Wellpoint Health Networks	NYS	101.65	4.00	-11.80	121.50	56.94	3230
HMOs	AVERAGE		-0.77	15.33			
ALL COMPANIES			-1.16	4.80			

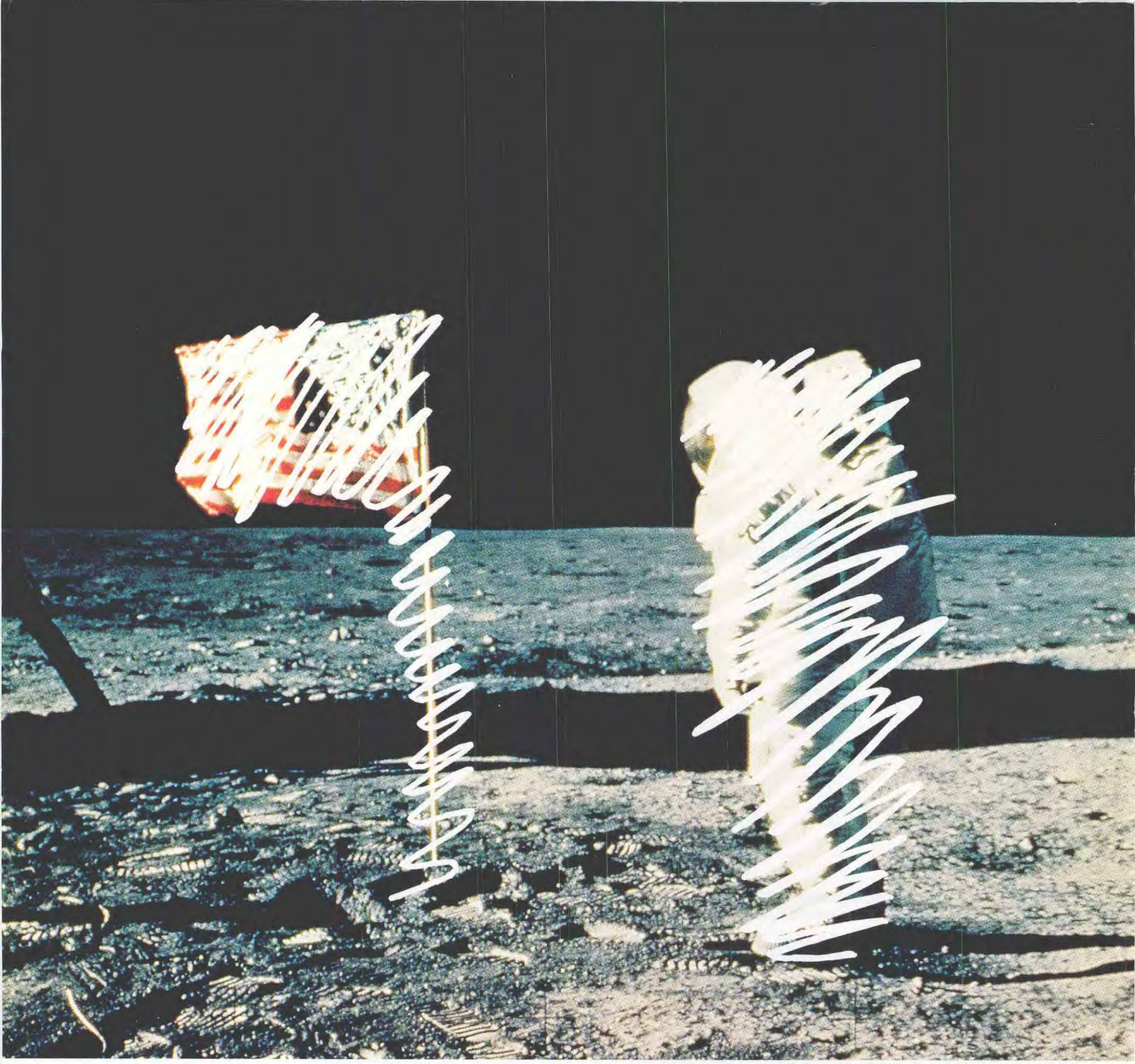
BI Insurance Index



Base=100 on Dec. 29, 1978

Top advancing issues: Seibels Bruce Group, SCPIE Holdings Inc., Penn-America Group Inc. Leading decliners: Meadowbrook Insurance Group, Mutual Risk Management Ltd., E.W. Blanch Holdings. Most active issue: Citigroup. The *BI* Index decreased 0.4%; the Dow Jones 30 Industrials went up 0.2%; the S&P 500 dropped 1.0%; and the NYSE Composite went down 0.8%. Average P/E: Brokers, 21.4; Insurers/reinsurers, 28.8; and HMOs, 18.4.

Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.



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