

# Business Insurance

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## Mazzella sentenced to probation for reinsurance fraud charges

PHILADELPHIA—Former insurance executive Louis Mazzella has been sentenced to five years' probation and has agreed to pay restitution totaling \$650,000 after pleading no contest to charges that he defrauded American Centennial Insurance Co. of \$2.4 million in reinsurance premiums.

Mr. Mazzella was indicted last April on charges he diverted premiums ceded by American Centennial to Colonial Assurance Co. of Elkins Park, Pa., for rein-

*Continued on next page*

## New claim surge to hit Outhwaite?

By CAROLYN ALDRED

LONDON—The severe difficulties London underwriters are having in collecting from reinsurers for asbestos-related losses could lead to another surge in claims against runoff reinsurance policies written by Lloyd's of London underwriter Richard Outhwaite.

Some of the runoff policies written by Mr. Outhwaite not only cover the London underwriters' ultimate long-tail liability losses to allow them to close their annual accounts but also will pay the underwriters if their other reinsurers are slow to pay them. And, the policies may even be called upon to pay if the insurers can't collect under reinsurance they had purchased originally for the accounts, sources in the London market say.

The "severe difficulties the London market is facing collecting from European and other overseas reinsurers could well impact the Outhwaite runoff policies," said one London broker, who did not wish to be named (see story, page 60).

In writing a runoff policy, R.H.M. Outhwaite (Underwriting Agencies) Ltd. assumed all of a syndicate's or insurer's ultimate liabilities above a pre-agreed amount for a specified number of policy years.

A large increase in asbestos and pollution-related claims filed under the runoff policies caused the Outhwaite agency in May 1987 to ask the 1982 members of marine syndicate 317 and incidental non-marine syndicate 661 to pay a total of 10.3 million pounds (\$17.3 million at the appropriate exchange rate) in cash by the end of July (BI, May 11, 1987). The Outhwaite syndicates' liabilities, primarily arising from runoff policies written in 1982, total 248.5 million pounds (\$367.8 million at 1986 year-end exchange rates), according to the syndicate's 1986 annual report (BI, June 8, 1987).

Most of the Outhwaite syndicates' liabilities for these runoff policies, in turn, are covered by special reinsurance policies, including

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## Worker sues Marriott for AIDS discrimination

By DONNA DIBLASE

PALM DESERT, Calif.—A room service waiter diagnosed with AIDS-related complex is suing Marriott Corp. for unlawful employment practices, alleging that the company forced him to take an unpaid leave of absence and stripped him of group health insurance benefits.

In addition, the waiter's attorney charges that Marriott refuses to offer her client the opportunity to purchase continued group health care coverage as mandated by the federal Consolidated Omnibus Budget Reconciliation Act of 1985, though this allegation is not included in the lawsuit.

If the company is found to have violated COBRA's health care continuation provisions, it could lose tax deductions for all health care-related expenses in each of the years that it did not comply with the law.

Washington, D.C.-based Marriott refuses to comment on either the lawsuit or the allegations of COBRA non-compliance. "It is company policy not to discuss any suits in litigation," a spokeswoman said.

Marriott also refused to comment on its employment policies regarding the treatment of employees with acquired immune deficiency syndrome or related ailments. The lawsuit alleges that Marriott refuses to hire or retain employees with AIDS.

The spokeswoman said only that the company is reviewing its employment policies.

"I can't figure on what basis they believe they can" take these actions, said Tracy Jordon, a Chatsworth, Calif., attorney representing David F. Farris, the room service waiter

"The only defense they have in placing him on leave is that they are acting in defense of their clientele and other employees. But, we have a letter from a physician saying he is able to work and is not a risk to others," Ms. Jordon said.

Mr. Farris' lawsuit, filed Dec. 22 in California Superior Court for the County of Riverside, seeks \$500,000 in punitive damages, plus unspecified damages for back wages, health care costs and attorneys' fees.

So far, Marriott has not responded to the suit. Marriott has 220,000 employees and operates 176 full-service resorts and hotels. The company also owns restaurant chains and operates a contract food service division for businesses and health care institutions.

According to the lawsuit, Mr. Farris was employed by Marriott's Desert Springs resort in Palm Desert, Calif., from Jan. 19, 1987, until Sept. 24, when he was placed on an unpaid temporary leave of absence.

In early August, he received a complete physical examination to determine the cause of some health problems. On or about Sept. 17, Mr. Farris was diagnosed by two different physicians as having AIDS-related complex, also known as ARC.

ARC is a condition caused by the AIDS virus in which the patient tests positive for the presence of antibodies to the AIDS virus in the blood and has a specific set of clinical symptoms less serious than those associated with AIDS. These less serious symptoms include weight loss, fever or skin rashes.

Symptoms associated with AIDS include pneumonia and Kaposi's sarcoma, a rare skin cancer.

The federal Centers for Disease Control in Atlanta

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## NFL hikes Super Bowl liability limits

By MICHAEL BRADFORD

SAN DIEGO—Liability insurance and loss control, like two experienced defensive backs, have Super Bowl XXII well covered.

The National Football League has more liability coverage in place this year for the Sunday matchup at Jack Murphy Stadium between the Denver Broncos and Washington Redskins than for the past several Super Bowls, according to the league's broker.

"We've taken advantage of the market shift and purchased additional limits this year" for about the same premium as last year, said Robert E. Kalbfell, vp at Corroon & Black Corp. of New York. Corroon & Black placed the coverage, which also names the city of San Diego, which operates the stadium, as an insured.

Mr. Kalbfell would not release specific limits of the liability coverage but said they are somewhat higher than the more than \$5 million in coverage the NFL purchased for last year's contest in the Rose Bowl and the \$5 million in coverage written for Super Bowl XX in New Orleans (BI, Jan. 19, 1987; Jan. 20, 1986).

In addition to the coverage purchased by the NFL, the Louisiana state agency that owns the Superdome purchased an additional \$25 million in liability coverage for the 1986 game.

Transamerica Insurance Co. of Los Angeles is writing the primary liability coverage purchased by the NFL for this year's event, according to Mr. Kalbfell. While he would not name the "three or four" insurers that are writing excess liability coverage above Transamerica, he called them "well-known, household names."

Transamerica last year wrote limits exceeding the \$5 million required by Pasadena for the 1987 Super Bowl, an event that Mr. Kalbfell described as "loss-free."

Julian Johnson, insurance and claims manager for the city of San Diego, said the city required the league to purchase at least \$1 million of liability coverage for the event, as it requires for any special events at the stadium.

But, he added, "I'm sure that they have larger limits than that."

The city self-insures its liability exposures but requires those using to the stadium to purchase liability insurance to

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Photo: AP/Wide World  
Jack Murphy Stadium, owned by the city of San Diego, is covered for earthquake risks.

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Directory of claims specialists . . . Page 27

**Update**

**Mazzella sentenced for fraud**

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insurance on utility industry captive Associated Electric & Gas Insurance Services Ltd. (BI, May 4, 1987). The scandal-plagued AEGIS reinsurance program is the subject of a criminal investigation by the U.S. attorney for the Southern District of New York.

Colonial, which Mr. Mazzella owned through two holding companies, was ordered liquidated in 1984.

Mr. Mazzella pleaded no contest Nov. 18 to five mail and wire fraud counts stemming from the alleged premium diversions.

Last Wednesday, U.S. District Judge James McGirr Kelly sentenced Mr. Mazzella to five years' probation and ordered him to pay a \$5,000 fine and perform 250 hours of community service work.

While on probation, Mr. Mazzella is barred from having any interest in an insurance business, said Assistant U.S. Attorney Michael Lazerwitz. Mr. Mazzella also has agreed to pay \$325,000 to American Centennial and \$325,000 to the Pennsylvania Insurance Department, which is liquidating Colonial.

In an interview, Mr. Mazzella said he pleaded no contest because he "couldn't fight the government any more" and because a trial would have left him with huge legal bills.

Mr. Mazzella said he is cooperating with federal authorities investigating the AEGIS program and has told them that if they find "one speck of fraud on my part, please indict me."

Robert Mignogna, a U.S. Postal Service inspector, confirmed the probe is continuing and said that so far evidence indicates the AEGIS reinsurance program "warrants criminal attention."

Because the statute of limitations on numerous potential charges is approaching, any indictments will have to be brought within weeks, he said. Several possible charges already have been abandoned because the statute of limitations expired, he added.

Separately, American Centennial continues to press a fraud lawsuit against several individuals and corporations involved in the AEGIS reinsurance program, including John A. Kraeutler, a former American Centennial managing general agent, and Joseph F. Ambriano, a New York insurance broker.

**IIE syndicates under review**

CHICAGO—The Illinois Insurance Department is expanding its routine financial review to all 13 active syndicates on the Illinois Insurance Exchange from the three it originally planned to review, said IIE President James M. Skelton.

The lack of examination reports is one reason state regulators in California and Nevada prohibit use of some IIE syndicates as surplus lines insurers (BI, Nov. 30, 1987; Nov. 23, 1987).

No timetable has been set for the release of the reports, Mr. Skelton said, adding the exchange welcomes the reviews.

**American Home bid accepted**

RICHMOND, Va.—An intense bidding war for A.H. Robins Co. apparently has ended with Robins accepting a \$700 million takeover proposal from American Home Products Corp. in New York.

Under the proposal, victims of the Dalkon Shield intrauterine device would receive either a single cash payment of \$2.375 billion on the effective date of Robins' reorganization plan or \$2.475 billion paid within one year of the plan's effective date.

Aetna Casualty & Surety Co., Robins' former insurer, would contribute \$100 million to the trust fund and write \$250 million in excess insurance to cover claims not covered by the fund in order "to release Aetna from future Dalkon Shield liability, including existing suits," a spokesman said.

Unlike reorganization proposals from French pharmaceutical maker Sanofi—which Robins had initially accepted (BI, Jan. 11)—and Washington, Pa.-based Rorer Group Inc., the American Home proposal has been endorsed by groups representing Dalkon Shield claimants and Robins shareholders.

**Hartford trims 534 from staff**

HARTFORD, Conn.—Citing slowing premium growth, Hartford Insurance Group is reducing its workforce by 400 and offering early retirement to an additional 134 long-time employees.

The insurer is laying off 236 employees at its property/casualty headquarters in Hartford, 103 employees at its life, health and employee benefits operations in Simsbury, Conn., and 61 life insurance employees elsewhere in the country, a spokesman said.

The 134 long-time employees will remain on the payroll for a year as part of an "enhanced severance" program, he added.

Donald R. Frahm, president of Hartford Fire Insurance Co., said slowing premium growth and the resulting need to exercise strong cost management necessitated the layoffs. For the first half of 1987, Hartford's property/casualty net written premiums grew 17.4%, but growth slowed to just 13.8% as of Sept. 30.

**Kemper auto mutual reviewed**

BOSTON—Massachusetts Insurance Commissioner Roger Singer wants Kemper Corp. to guarantee that a proposed non-profit mutual company designed to take over Kemper's current personal automobile business in the state has the ability to write insurance for eight years before he will recommend the mutual be licensed.

Mr. Singer's stipulation came two months after Kemper offered to finance Arbella Mutual Insurance Co. with \$100 million if the state will allow the non-profit mutual to take Kemper's share of the state's personal automobile market while permitting Kemper to

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**Errors & omissions**

• The Minneapolis branch office of Fred S. James & Co. Inc.-Risk Control Services was omitted from the directory of safety consultants in the Jan. 11 issue.

**Pension contribution limit will raise employers' costs**

By JERRY GEISEL

WASHINGTON—The congressional raid on pension plans to generate more federal revenues could cost employers billions of dollars in additional taxes, will increase the cost of funding pension plans and could make pension benefits less secure, benefit experts say.

A provision of the Omnibus Budget Reconciliation Act of 1987 limits employers' annual maximum tax-deductible contributions to their pension plans to 150% of the plans' current liabilities.

Prior to the change, which is expected to raise about \$3.9 billion in federal revenue over the next three years, employers could make contributions to their pension plans until assets equaled 100% of the plan's "accrued liability."

Accrued liability includes benefits that would be due if the plan were terminated immediately and anticipated pension benefits based on projected salary increases.

The new budget reconciliation provision President Reagan signed last month "is bad for employers and employees," said Dick Raskin, a consultant with The Wyatt Co. in New York. "It means less funding for future benefits, while employers will have to put more money in later on," he said.

"The new funding limitation seems to be at odds with ERISA's goals of increasing benefit security for participants and taking a long-term view of funding pension obligations," said an analysis of the provision by William M. Mercer-Meidinger-Hansen Inc. in New York, referring to the Employee Retirement Income

Security Act.

And, if the stock market and economy remain volatile, a company's pension plan could swing back and forth from overfunded to underfunded, making financial planning more difficult, Mercer pointed out.

"The new limitation means in some instances you have to play catch up with funding," said Frederick Rumack, director of taxes and legal services at Buck Consultants Inc. in New York.

Under the old law, for example, an employer sponsoring a final average pay plan could set aside money today anticipating raises that younger workers will earn in years to come. That funding level would be substantially higher than needed to fund the current liability for younger employees.

By funding for anticipated pension benefits based on projected salary increases, employers did not face having to make sudden large contributions in the future when workers neared retirement age and became entitled to larger benefits. In addition, the pension plan had a cushion that helped assure there would be enough money to pay promised benefits if the value of plan assets dropped and the company terminated the plan.

But now it will be more difficult to build up such a cushion, benefit experts said.

"Benefit security for younger workers will be reduced," Mr. Raskin said.

The new rule also increases the cost of funding pension benefits because there will be fewer assets to invest and, thus, less investment income will be earned.

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**Cleanup ordered by EPA covered by CGL: Judge**

By DOUGLAS McLEOD

MORRISTOWN, N.J.—Diamond Shamrock Chemicals Co.'s costs to comply with a government-ordered cleanup of a polluted New Jersey plant site constitute damages under the company's comprehensive general liability insurance policies, a state judge has ruled.

Morris County Superior Court Judge Reginald Stanton ruled last month that the policies' definition of "damages" includes the government-imposed costs of cleaning up a dioxin-contaminated Newark plant where Diamond Shamrock manufactured Agent Orange, a chemical defoliant that contains the controversial chemical dioxin.

The New Jersey Department of Environmental Protection and the federal Environmental Protection Agency have sought to have Diamond Shamrock's dioxin-contaminated Newark plant cleaned up, and the chemical company has been hit with property damage and bodily injury claims stemming from the plant's operation.

Judge Stanton's ruling came in response to pre-trial motions in a declaratory judgment action filed by Diamond Shamrock against Aetna Casualty & Surety Co. and scores of excess liability insurers. Diamond Shamrock is seeking coverage for the cleanup costs and for its \$21.6 million contribution to the \$180 million 1984 settlement of a class-action suit filed by Vietnam veterans against producers of Agent Orange.

All of the defendants in the coverage litigation are currently considering whether to appeal Judge Stanton's ruling, said Stephen D. Cuyler, an attorney with

the Morristown firm of Cuyler & Burke, which represents several of the insurers. Defendants have 15 days to appeal once the judge signs a written order.

Judge Stanton's ruling differs from a decision in an unrelated case by the 4th U.S. Circuit Court of Appeals in Richmond, Va., which concluded that government-ordered cleanup costs constitute restitution rather than insured damages under CGL policies.

The U.S. Supreme Court earlier this month let the 4th Circuit ruling stand (BI, Jan. 18).

Diamond Shamrock sued Aetna—its primary liability insurer between 1951 and 1984—and more than 90 excess insurers in Morris County Superior Court in Morristown, N.J., in September 1984, three weeks after Aetna filed its own declaratory judgment action in U.S. District Court in Hartford, Conn. (BI, Oct. 29, 1984).

Aetna's lawsuit was dismissed under an agreement between the parties in January 1985, and the two sides have pursued the case in New Jersey state court.

Diamond Shamrock filed an amended complaint against Aetna and the other insurers in the Morris County Superior Court on Aug. 25.

In the amended complaint, the chemical company sought a ruling on how the various liability policies should respond to indemnity and defense claims related to the Agent Orange settlement and the Newark plant contamination.

Under the Agent Orange settlement, which was approved by a federal judge in Brooklyn in 1985, seven chemical companies agreed to contribute \$180 million

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**Inside**

✓ This week's editorial stresses that an employee suffering from AIDS should not also have to suffer mistreatment by an employer. **PAGE 8**

✓ Speakers at the American Tort Reform Assn.'s national conference urge tort reform advocates to remain vigilant in the face of counterattacks in 1988. **PAGE 57**

✓ Donaldson, Lufkin & Jenrette Securities Corp. may not have insurance to cover millions of dollars in damages it potentially owes after a judge declared the firm in default for not producing a witness in a civil suit. **PAGE 58**

✓ Liquidators of Cambridge Reinsurance Ltd. in Bermuda are reconciling creditors' claims estimates with their own figures after a deluge of last-minute queries. **PAGE 59**

✓ Many of the nation's blood banks are developing alternative risk financing measures to cover their risk of disseminating AIDS-infected blood in the wake of a constricting insurance market for such coverage. **PAGE 64**

✓ David W. Schrempf says he doesn't know why he was ousted as president of Argonaut Group Inc. after leading a

three-year turnaround in the group's results. **PAGE 66**

✓ Myron M. Picoult, senior vp and senior insurance analyst with Oppenheimer & Co. in New York, asserts that recent FASB proposals exacerbate the punitive impact of tax reforms. **PAGE 67**

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# Self-insurance

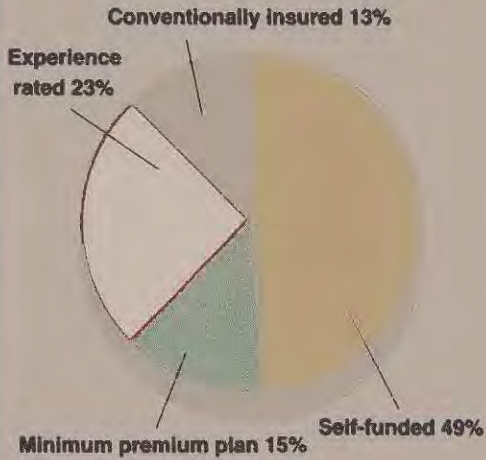
## More benefit plans protected by stop-loss

By JERRY GEISEL

### How employers fund health plans

(Based on number of employers)

1987



Source: A. Foster Higgins HealthGroup

Employers are more likely than ever to self-fund their group health care benefits, but they also are buying more stop-loss protection to shield themselves from ex-orbitant claims costs.

In just one year, the number of employers that self-fund their group health care plans climbed significantly, according to a survey to be released later this month by A. Foster Higgins HealthGroup in Princeton, N.J.

Some 49% of 1,836 employers surveyed in mid-1987 by Foster Higgins, the benefit consulting subsidiary of Johnson & Higgins, said they self-fund health care benefits, up from 46% the previous year.

"Clearly, there is more risk taking by employers. Everyone is looking to save a few dollars on the bottom line," said David Rahill, a vp with Foster Higgins.

"Self-funding is more cost-effective for us," said Sue Nelson, group insurance manager for Texas Instruments Inc. in Dallas, which began self-funding its \$100 million group health care program this month.

"It is more costly when someone else bears some of the risk for you," Ms. Nelson added.

Unlike self-funding of property/casualty risks, where retentions can swing wildly as market cycles change, self-funding of health care benefits has been steady and continuous, and not substantially affected by ups and downs in the commercial group health insurance market, experts say.

Indeed, even the latest double-digit rate increases announced by group health insurers will not—by itself—propel more employers to self-fund their group health care programs, observers say (BI, Dec. 21, 1987).

Continued on next page

## Market cycles unlikely to reduce retentions

By LINDA J. COLLINS

Despite the softening commercial property/casualty insurance market, self-funding mechanisms are still attractive to businesses leery of the peaks and plunges of market cycles.

While pricing and availability in the property/casualty insurance marketplace have improved in the past year, many businesses continue to see more advantages than disadvantages in assuming some of their own risks, say risk managers, consultants and brokers.

New York-based broker Fred S. James & Co. Inc. recently reported that of the \$161.2 billion property/casualty risk financing market in 1987, 27.2%, or \$43.8 billion, came from alternative market mechanisms, which James labels "private market insurance," and \$117.4 billion was in the traditional commercial marketplace.

The alternative mechanisms James considers private market insurance include self-insurance; captives; pools; policyholder-owned facilities like A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd.; risk retention groups; and surplus lines insurance.

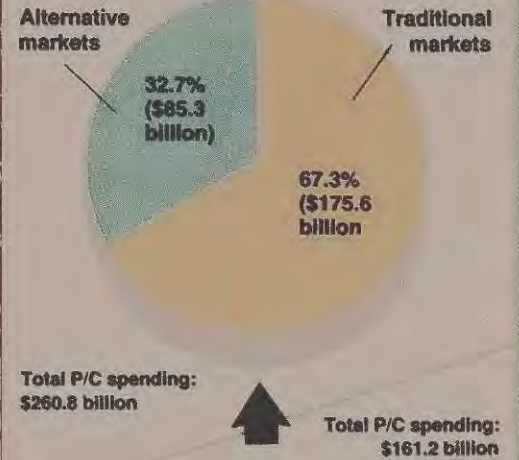
By 1992, James estimates that of a \$260.8 billion property/casualty risk financing market, 32.7%, or \$85.3 billion, will involve so-called private market insurance and

Continued on page 11

### How firms fund property casualty risks

(Based on historical patterns)

1992



Total P/C spending: \$260.8 billion

Total P/C spending: \$161.2 billion

1987



Source: Fred S. James & Co. Inc.

# Largest claims administrators

## 12 largest claims administrators serving self-insurers

Company (Ownership)	Claims paid for self-insurers (in millions of dollars)	Number of self-insured clients	Types of claims for self-insurers					Staff serving self-insurers	1987 gross revenues (in millions of dollars)	
			Health <sup>1</sup>	Non-health benefits <sup>2</sup>	Workers comp	General liability	All other		Total	From claims administration
ALTA Health Strategies Inc. (Privately held)	\$1,178	777	93%	7%	0	0	0	650	N/A	N/A
U.S. Administrators Inc. (Crownx Inc.)	1,150	60	100	0	0	0	0	817	N/A	N/A
Crawford & Co. (Publicly held)	985	766	0	0	60%	0	40%	N/A	\$265	\$90
Alexsis Inc. (Alexander & Alexander Services Inc.)	650	2,600	0	0	70	15%	15	940	60	N/A
TPA of America Inc. (Publicly held)	646	328	70	30	0	0	0	545	30.7	16.4
GAB Business Services Inc. (SGS North America Inc.)	600	1,412	4	0	51	38	7	N/A	200	N/A
ESIS Inc. (CIGNA Corp.)	550	1,100	0	0	30	35	35	N/A	N/A	N/A
Gallagher Bassett Services Inc. (Arthur J. Gallagher & Co.)	459	688	30	2	34	19	15	649	40.3	40.3
Adjustco Inc. <sup>3</sup> (Privately held)	450	336	10	5	60	15	10	675	N/A	N/A
Employee Benefit Plans Inc. (Summit Ventures)	375	3,025	100	0	0	0	0	560	30.4	15.6
McDonough Caperton Insurance Group (Privately held)	345	240	86	5	6	0	3	260	26	10.5
Scott Wetzel Services Inc. (Privately held)	311	466	0	0	77	18	5	366	N/A	N/A

<sup>1</sup> Includes medical, dental, vision and prescription drug plans.

<sup>2</sup> Includes pensions, flexible compensation, disability and life.

<sup>3</sup> Includes business of Leonard J. Russo Insurance Services Inc.

N/A-Not available

Source: BI survey

Claims administrators serving self-insurers report that more businesses than ever are interested in self-funding property/casualty risks and employee benefits.

Business is up for third-party administrators that handle liability claims as more companies opt to self-insure their liability exposures to avoid the peaks and plunges of the commercial market cycle.

And, TPAs that specialize in employee benefits are reaping rewards as more employers discover that self-funding benefits is more cost-effective.

The largest claims administrators are ranked by *Business Insurance* based on the amount of claims paid on behalf of self-insurers (see chart).

A report on the largest claims administrators specializing in benefits begins on page 20, and a report on the largest claims administrators handling liability claims begins on page 23. A directory of claims administrators serving self-insurers, organized by claim specialty, begins on page 27.

Spotlight report

# Benefits funding

*Continued from previous page*

"We are way behind rate hikes as a significant force behind self-funding," observes Marvin Nielsen, a vp in the Chicago office of Alexander & Alexander Consulting Group Inc.

"Employers know that rate increases relate to the cost of claims" and not insurer attempts to increase profit margins, Mr. Nielsen adds.

Rather, the major reason that employers have moved away from commercial group health insurance and into self-funding is the ability to cut annual health care expenses

anywhere from 1% to 5%.

Self-funded employers achieve these savings because they can hold on to cash until claims are paid instead of paying premiums in advance to an insurer.

In addition, self-funded employers do not pay state premium taxes and are exempt—under a provision in the Employee Retirement Income Security Act—from minimum benefit requirements states impose on commercial insurers' policies.

"Obviously, cash flow is an important consideration and exemption from state premium taxes is a savings right off the bat," said Catherine Corse, assistant vp-employee benefits for Barnett Banks

Inc. in Jacksonville, Fla., which has been self-funding its health care benefits for several years.

"There are good financial reasons to self-fund," agreed Robert J. O'Meara, a partner with consultant Hewitt Associates in Lincolnshire, Ill.

Because of these savings, it is no surprise that self-funding continues to be, far and away, the most widely used method of financing group health care benefits.

For example, according to the Foster Higgins survey, the 49% of employers who self-fund their group health care programs is more than double the 23% of employers purchasing experience-

rated health insurance plans, down from 26% in 1986. In addition, 15% of employers buy minimum premium plans—a financing method that combines aspects of conventional insurance and self-insurance—a drop from 18% (see chart, page 10).

The percentage of employers purchasing conventional group health insurance did climb to 13% from 10%, according to the survey, but that increase could be because more state and local governments, which have not been in the forefront of self-funding, were not included in previous surveys.

While self-funding is increasing, employers also are doing more to

reduce exposures of large claims.

For example, Foster Higgins found that 35% of employers last year bought stop-loss insurance, up from 29% in 1986. At the same time, the percentage of employers going totally bare dropped to 14% from 17%.

This increased demand for stop-loss insurance is prevalent among small employers, which can least afford the burden of paying catastrophic health care costs.

In 1987, the percentage of employers with fewer than 500 employees that purchased stop-loss insurance climbed to 30% from 25%, the survey found. Just 3% of employers with fewer than 500 employees reported going bare, down from 6% in 1986.

In addition, 44% of employers with between 500 and 999 employees said they purchased stop-loss protection last year, up from 35% in 1986. Four percent of the employers in this size category self-funding their health plans did not buy stop-loss coverage in 1987, down from 7% the previous year.

Small employers that self-fund group health care benefits say that stop-loss insurance—especially specific stop-loss insurance—is a financial necessity.

Specific stop-loss insurance caps a self-insured employer's cost for an individual health care claim at a level chosen by the employer. Aggregate stop-loss insurance caps an employer's total annual payout for health care, generally at 120% to 125% of the employer's annual estimated health care claims cost.

"It is that unusual, expensive claim that we are concerned about and need protection from. I'm concerned about the cost of a premature baby or an organ transplant," said Kathy Dupree, risk manager and plan administrator for MetroVision Inc., an Atlanta-based company with about 800 employees.

MetroVision purchases a specific stop-loss insurance policy from a CIGNA Corp. unit, which caps MetroVision's liability for individual claims at \$100,000.

Many larger companies that self-fund their health plans also want the protection that stop-loss insurance offers.

"We wanted that comfort factor," said Barnett Banks' Ms. Corse. Barnett Banks, which has about 20,000 employees, purchases a specific stop-loss policy from Provident Life & Accident Insurance Co. of Chattanooga, Tenn. The policy caps the employer's liability for an individual claim at \$250,000.

It is only among giant companies—with more than 20,000 employees—that a majority of employers assume all health care risks.

For example, 51% of employers with between 20,000 and 39,999 employees and 66% of employers with more than 40,000 employees self-fund with no stop-loss insurance, according to the 1987 Foster Higgins survey.

There is good reason for self-funding employers' concerns about the impact large individual claims from relatively few employees can have on health care expenses.

An additional, informal survey by Foster Higgins of 10 employers—each with more than 10,000 employees—found that claims from just 1% of employees accounted for 22% of the employers' health care expenses.

In all, the 10 employers reported a total of 1,744 claims exceeding \$20,000 each in one year. These claims represented 15.5% of the employers' total health care claims expenses.

"We are seeing more 'big-hit' claims," said Tom Billet, an assistant vp with Foster Higgins in New York.

"A handful of claims can be truly catastrophic," said Joseph Crowley, a vp with NCAS, a third-party



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the business has gone into building a better system. FASTRAK VS is very cost efficient since it runs on the Wang VS family of minicomputers. The claims module automates all phases of claims adjudication and processing while the administration module

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"A handful of claims can be truly catastrophic," said Joseph Crowley, a vp with NCAS, a third-party

Continued on page 6



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**Spotlight report**

**Benefits funding**

*Continued from previous page*  
claims administrator in Fairfax, Va. "In some cases, the cost of 10 claims can exceed a company's entire health care budget."

As more employers are looking for stop-loss coverage, stop-loss insurers are increasingly competing for business, third-party administrators report.

"In 1986, we shopped for coverage. Last year, the carriers shopped us," said Mr. Crowley.

"The stop-loss market has opened up quite a bit," agreed Bob Jenkins, president of Imperial Industries, a TPA in Burbank, Calif.

"It is a growing market because, by and large, stop-loss coverage is profitable," said Jay Catlin, a consultant with Buck Consultants Inc. in Harmon Meadow, N.J.

At the same time, stop-loss insurers now are offering policies that give self-funded employers more protection from claims that are incurred at the end of the year, but not paid until the next year.

Traditionally, stop-loss insurers have sold so-called "12-12 policies," which means the policy covers claims incurred and paid during a 12-month period.

While claims that are incurred at the end of the year but paid after the beginning of the new year are

covered if the employer renews the stop-loss coverage with the same insurer, these claims may not be covered if the employer switches stop-loss insurers or goes bare.

To protect employers against that potential liability, stop-loss insurers increasingly are offering policies that provide coverage for claims incurred in a 12-month period, but are not paid until three or six months after that period.

"What you are seeing is stop-loss insurers providing coverage on a claims-incurred basis rather than just a claims-paid basis," said Buck's Mr. Catlin.

However, the added protection of a claims-incurred policy will

cost more, sometimes 20% to 35% more than claims-paid coverage, consultants say.

While the purchase of stop-loss insurance as part of a self-funded program is increasing, the amount of risk that self-funded employers are assuming also is rising, a reflection of the increase in health care inflation.

Five years ago, for example, it was not uncommon for specific stop-loss policies to provide coverage for individual claims exceeding \$25,000.

"Today, specific stop-loss policies of \$75,000 or \$100,000 are fairly typical," said Mr. Nielsen of Alexander & Alexander Consulting

Group.

Johnson & Higgins, for example, found in 1986 that 63% of the employers purchasing stop-loss insurance had a trigger point—the point at which coverage begins—of at least \$50,000.

Consultants say it doesn't make much sense to buy a specific stop-loss policy with a trigger point of less than \$25,000. Stop-loss coverage that triggers below this point would be so expensive that the employer simply would be trading dollars with the stop-loss insurer.

While the amount of risk an employer will assume varies on such factors as its financial condition, specific-loss policies for a small company should cover claims that exceed roughly 7% to 10% of expected annual health care claims, said Bill Alcott, president of NGS, a third-party administrator in St. Clair Shores, Mich.

But specific stop-loss insurance will not protect a self-funding employer that gets hit with a larger than expected number of small and medium-size claims; employers often purchase aggregate stop-loss coverage for that exposure.

For example, Dominion Federal Savings & Loan Assn. in Tysons Corner, Va., buys an aggregate policy that is triggered when total claims exceed \$1.2 million.

Some employers, though, don't feel they need aggregate coverage.

"We feel we can handle the aggregate (exposure)," said Barnett Banks' Ms. Corse, adding that the \$250,000 specific stop-loss policy the company purchases provides the needed protection.

Regardless of whether a self-funded employer purchases specific or aggregate stop-loss insurance, experts say companies should receive several quotes.

"Don't take the first quote," advises Hewitt Associates' Mr. O'Meara. There could be a wide variation in price based on the stop-loss insurer's experience, he explained.

Buying stop-loss coverage or going bare aren't the only approaches to funding health care coverage.

The Foster Higgins survey found that 15% of employers purchase minimum premium plans, a type of coverage that frequently is described as a hybrid that combines commercial health insurance and self-funding.

For example, if the insurance company calculates the premium for insured benefits at \$2 million, it might charge an employer a \$200,000 minimum premium to cover the insurer's expenses and profits. The premium would be paid over a 12-month period.

When claims are incurred, the employer, as a rule, deposits funds as needed to cover the claims in an account that the insurer draws upon. If claims are less than the calculated premium, the employer pockets the difference.

But, regardless of the level of claims submitted, the employer will not owe the insurer more than the additional \$1.8 million.

In many minimum premium plans, though, any deficit created by claims in excess of the premium can be carried forward, assuming the employer continues to purchase coverage from the same insurer.

Minimum premium plans offer improved cash flow compared with conventional health insurance plans, while the insurer usually offers the same range of claims and legal services.

"Some employers want services bundled in one package. They fear they will be nickled and dimed to death if they have to buy services separately," said Mr. Nielsen.

But a tax advantage associated with minimum premium plans is under attack and the outcome could very much affect the future of the plans.

*Continued on page 10*



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## Opinions

## Treat AIDS patients fairly

**A**N EMPLOYEE SUFFERING from acquired immune deficiency syndrome should not also have to suffer mistreatment by an employer.

That, however, appears to be the case for David F. Farris, who was employed by Marriott Corp. as a room service waiter when he was diagnosed with AIDS-related complex. Mr. Farris alleges in a suit against Marriott that as a result of the diagnosis he was placed on an unpaid leave of absence and his health insurance benefits were terminated. He also has been denied continuation of coverage under the benefit continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, he alleges (see story, page 1).

We emphasize that *appears* to be the case, because as of late last Thursday, Marriott had refused our repeated requests for comments on the allegations in Mr. Farris' suit and the company's policy toward employees with AIDS.

While the allegations in the suit have yet to be proved, we cannot remain silent on the issues raised by Mr. Farris' suit. We fear that there are many similar cases of unfair discrimination against AIDS patients occurring throughout the country.

As we said last September when we published an extensive report on how employers can best cope with AIDS in the workplace, employers must adopt policies prohibiting discrimination against workers with AIDS or AIDS-related complex (*BI*, Sept. 7, 1987). The policy must prohibit discrimination in employment and in access to health coverage.

Apparently many companies serving the public fear they will lose customers if the public learns that they employ people with AIDS. But, discriminating against an employee with AIDS only perpetuates the irrational fear surrounding the disease.

An employee diagnosed with AIDS or AIDS-related complex should be treated in the same manner as any other employee who is handicapped or has been diagnosed with a severe illness—decently and fairly. That means allowing the employee to



continue to work in his or her present job as long as it is medically possible, providing alternative employment when necessary and continuing health care coverage. Indeed, as we said in September, AIDS patients' care should be carefully managed to be sure the most cost-effective and humane treatment is delivered.

No corporation can afford the risk of continuing to operate without a policy on how to treat workers diagnosed with AIDS or AIDS-related complex. In human terms, the risk is unfair treatment of an employee who could be left without income and adequate health care coverage. In business terms, the risk is a costly lawsuit against the employer and judgment for its unfair actions.

## Letters

## Reader expectations 'unfulfilled' by story

To the editor: The article by Alison Kittrell in your December issue on health maintenance organizations and preferred provider organizations, "Unfulfilled Expectations: Benefit Managers Report Little Savings from HMOs or PPOs," was a very unfortunate departure from your usual objective form of reporting. Judging by the title, one would think that benefit managers as a whole are sorely disappointed with the performance of PPOs, and yet a very different story is told. The article goes on to state that 74% of those surveyed believe that PPOs save money and that only 6% think that they do not. It also stated that 76% believe that PPOs provide quality care and none believes that they do not.

The one comment I could find about PPOs that was in some way related to the title of the article was that only 42% of those surveyed had found that their PPOs have saved money. The problem with this is that only a total of 34 benefit managers were surveyed and that "very few... ac-

tually had experience with a PPO."

Do you really believe that this is a sound basis for using "Unfulfilled Expectations" as a headline with regard to PPOs? I appreciate the information your magazine provides; however, I do not appreciate the use of an unfairly and carelessly worded headline that conveys an inaccurate message about an industry that has benefited many employers.

**James Baird**  
Account Executive  
Preferred Choice Health Plan Inc.  
San Antonio, Texas

## HMOs, PPOs have plenty in common

To the editor: In your December issue on health maintenance and preferred provider organizations, you distinguish an HMO from a PPO by saying that the HMO both finances and provides health care services while the PPO only finances care. This is a true statement for staff model HMOs, but group practice and IPA models both involve the HMO contracting outside for the medical care provided to subscribers. This is not substantially different from what a PPO does. Both create external provider networks for their subscribers.

The major difference between the IPA-model HMO and the PPO is that the HMO compensates the physician on a capitated basis, whereas the PPO physician is on a fee-for-service basis. This means the HMO physician assumes some risk, whereas the PPO physician does not. The risk and financing relationships for the

group model are essentially the same except that the HMO contracts with a group practice rather than with individual physicians.

It's also worth noting that the hospital portion of the HMO network for all models of HMOs is even less distinguishable from its PPO counterpart since HMO network hospitals are not salaried or capitated, like physicians, but are, like PPO network hospitals, generally on a negotiated-fee basis subject to utilization controls. PPOs and HMOs, thus, already have a lot in common.

**Daniel F. Lennon**  
Director-Corporate Development  
Blue Cross & Blue Shield of Indiana  
Indianapolis

## Editorial's focus on brokers is unfair

To the editor: I take great exception to your "Thoughts for the New Year" editorial (*BI*, Jan. 4).

You add one resolution for brokers: "To compete fairly" in the New Year. Yet you do not have a similar caveat for companies, risk managers, consultants or insurers. In my 35 years of brokerage experience with constant competition I cannot think of more than a handful of instances when fellow brokers did not compete fairly.

Your "attitude" about brokers never manifested itself more clearly than in your "Thoughts for the New Year."

**William B. Jaeger**  
Newport Coverage Corp.  
Valley Stream, N.Y.

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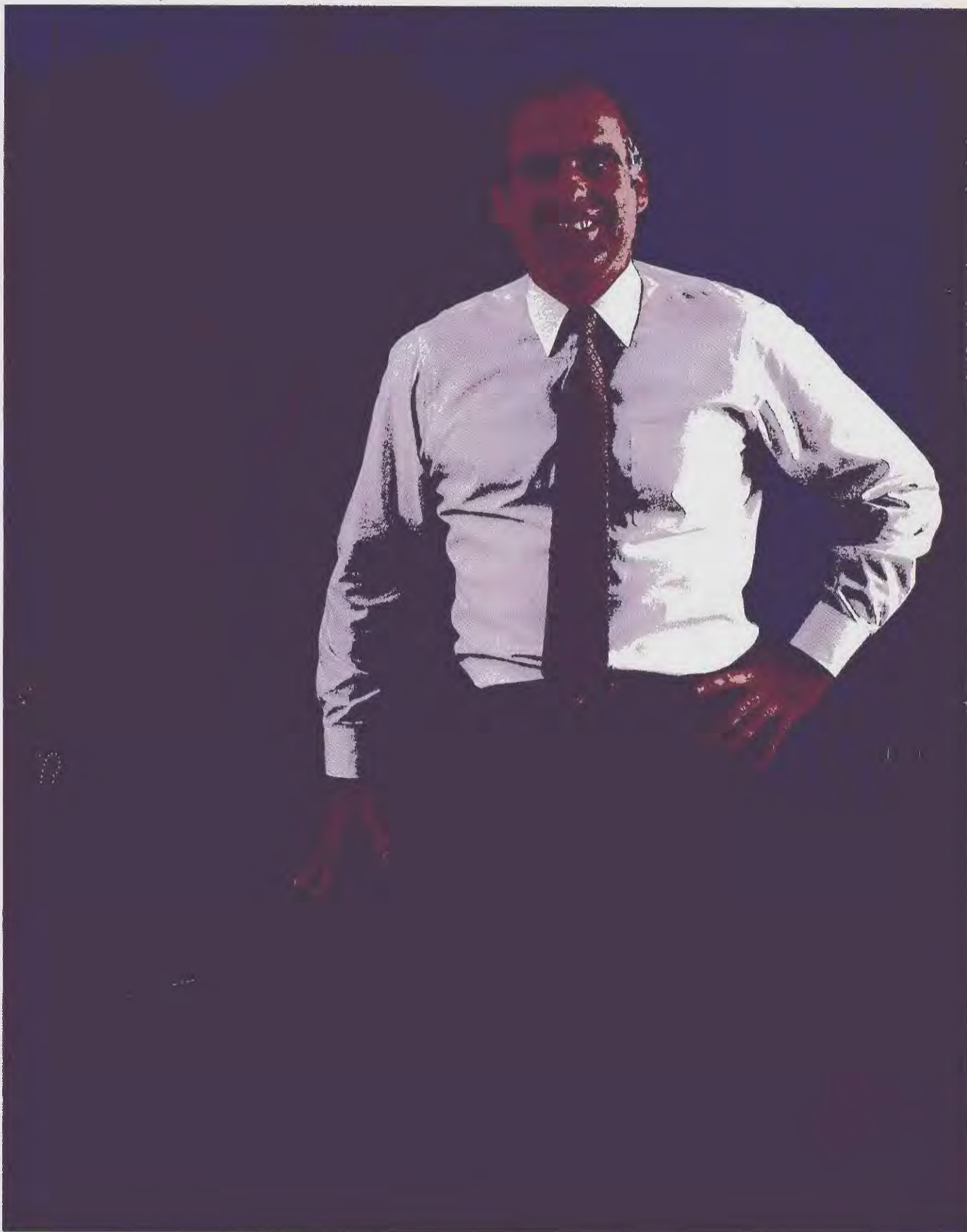
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**Spotlight report**

**Benefits funding**

Continued from page 6

Last year, the 9th U.S. Circuit Court of Appeals upheld the right of California to impose premium taxes on benefit payments made under a minimum premium plan (see story, page 16). That decision, which the U.S. Supreme Court has been asked to review, clashes with accepted state practice in which state premium taxes had been thought to apply to only the minimum premium rather than to benefit payments (*BI*, June 8, 1987).

Since the minimum premium portion of a policy may amount to only 10% of payments, broadening the premium tax would substantially increase an insurer's cost, which, in turn, would be passed on to employers.

If the Supreme Court upholds or declines to review the decision other states also would attempt to expand taxes on minimum premium plans, observers say.

Some believe that the 9th Circuit Court ruling also could apply to self-funded employers that purchase stop-loss coverage. But it will probably take another lawsuit to decide what, if any, other self-funding arrangements are subject to premium taxes, said Larry Tucker, a consultant in Hewitt's Santa Ana, Calif., office.

Government rules generally have not interfered with the use of specially tax-favored trusts, called Voluntary Employee Beneficiary Assns. or 501(c)(9) trusts, as a health care funding vehicle.

Under a VEBA arrangement, an employer contributes tax-deductible funds to a trust to finance employee benefits, including health care. Reserves earn tax-free investment income.

The VEBA uses the funds to pay claims and can purchase stop-loss insurance or a minimum premium plan.

However, under the 1984 tax law, VEBA reserves held to pay employee health care claims generally cannot exceed 35% of the claims paid the previous year.

While this 35% limit is a significant cutback compared with pre-1984, the number of VEBAs continues to increase and now is probably well past the 10,000 mark, according to Russell Greenblatt, a partner with the law firm of Katten, Muchin & Zavis in Chicago.

"I still see a lot of VEBAs being established," said Mr. Greenblatt, who drafted Internal Revenue Service regulations on VEBAs when he was with the agency.

"For those employers interested in maximizing deductions, VEBAs are attractive," said Larry Leisure, national practice leader for TPF&C, a division of Towers, Perrin, Forster & Crosby in New York.

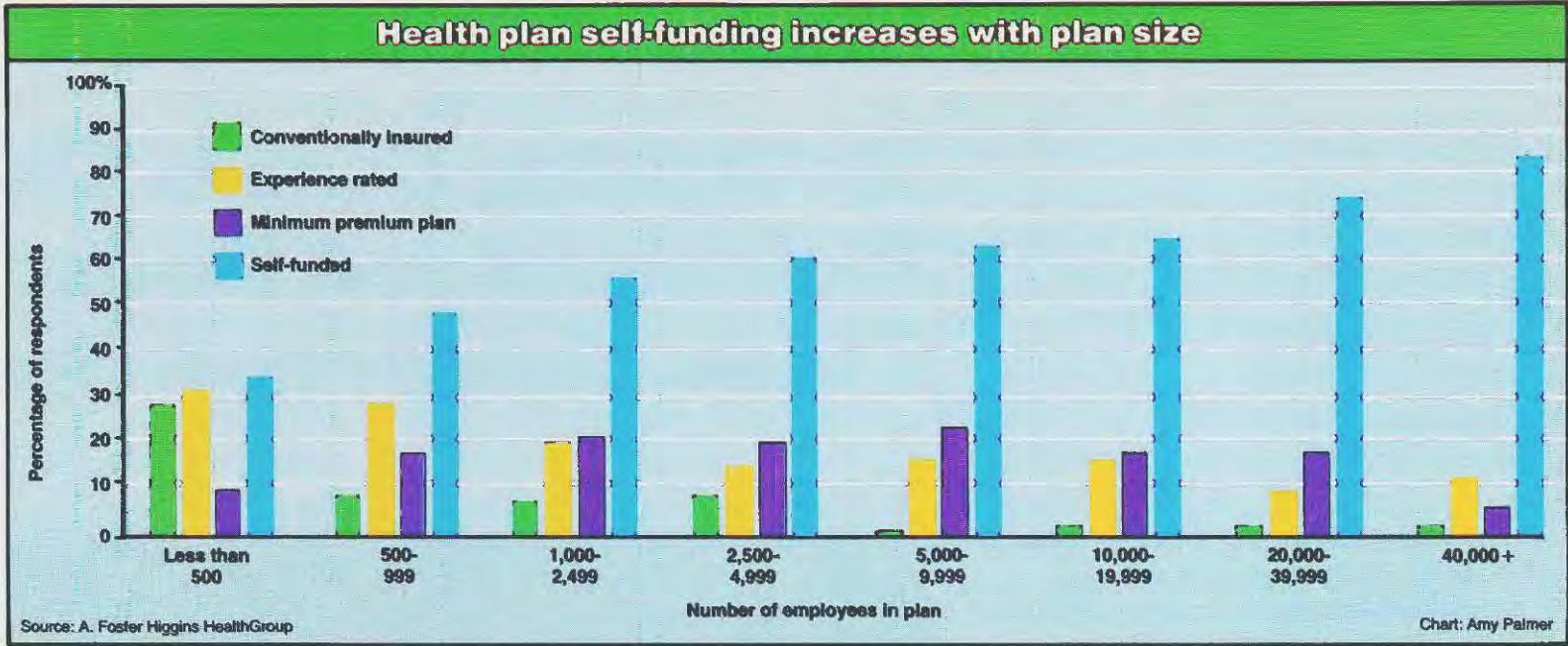
Still, VEBAs are not for everyone. Mr. Leisure points out that some employers view VEBAs as adding another layer of administrative cost and complexity.

And, the IRS is making sure that the advantages of VEBAs do not extend to employers that belong to national trade associations.

Despite a ruling by the 7th U.S. Circuit Court of Appeals that it overstepped its regulatory authority, the IRS has refused to budge from its position that trade associations can only offer a VEBA if members' employees work in one state (*BI*, July 21, 1986). "The IRS is digging its heels in and is looking for more cases to litigate," said a Washington attorney.

Because of the IRS position, national trade associations are not setting up new VEBAs, said Jim Albertine, director of government affairs for the American Society of Assn. Executives in Washington.

"It's a shame. A cost-effective method of funding benefits is being held up because of bureaucratic intransigence at the IRS," Mr. Albertine said. ■



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# Risk financing

Continued from page 3

\$175.6 billion from the traditional commercial property/casualty insurance marketplace.

These estimates were produced "based on historical patterns and projections made from that," explained James Senior Vp Charles L. Ruoff.

During the peak of the hard market in 1985, James estimates that 22.5%, or \$22.3 billion, of the \$103.7 billion property/casualty risk financing market was generated by alternative funding mechanisms.

Statistics compiled in April 1987 by Conning & Co. in Hartford, Conn., estimate that alternative mechanisms will represent 34%, or \$72 billion, of an estimated \$215 billion in net written property/casualty premiums by 1990.

The Conning estimates were "based on discussions and inter-

views with various people in the insurance community," said Gary Ransom, a vp in Conning's property/casualty consulting division.

Conning estimated that 28%, or \$38 billion, of the \$135 billion property/casualty risk financing market will be involved in alternative mechanisms in 1985.

With the commercial property/casualty insurance market softening, self-insurance experts stress that continuity is the key to optimizing the effectiveness of a self-funded program.

"Self-insurance decisions of major importance should not be made just in light of a short-term cyclical movement," explained George Betterley, vp and principal of Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc. in Boston.

Although it is easier to convince a business to retain part of its risk during a hard market, "if a company is able to assume the risk and

it can be shown to present a long-term advantage, it is a good thing to do in any market," he added.

Mr. Betterley said that awareness and acceptance of self-insurance has increased among business owners, regulators and financial institutions since the tight market of the mid-1980s. And, because of improvements in computer technology, risk managers are better able to track their exposures and loss experience to make calculated self-insurance decisions, he said.

Emphasis on loss control, another necessity for a successful self-insured program, also is increasing within organizations, he added.

"I think most self-insureds recognize that their long-term, low-cost option is to retain as much risk as they can. Once they make a decision to take that route, they rarely go back," said Ronald R. Boggs, a risk management consultant with The Wyatt Co. in Chi-

cago.

The trend at least among the largest 10% of businesses is to leave current funding mechanisms in place, agreed James V. Davis, chairman of Advanced Risk Management Services, a division of Corroon & Black Corp. in Nashville, Tenn.

"Those firms are still intent on divorcing themselves as much as possible from the commercial insurance marketplace, irrespective of whether rates are going down or up. They are disenchanted with the swings in market cycles," Mr. Davis pointed out.

Brokers and consultants say many businesses are still interested in forming captives and risk retention groups, though some add that this activity may begin to slow if the property/casualty market continues to soften.

But risk retention group formation hasn't slowed yet, according to Karen Cutts, managing editor of

"The Risk Retention Reporter," a monthly newsletter that tracks the formation of risk retention groups and purchasing groups.

She said 37 risk retention groups formed under the 1986 Risk Retention Act were operational or in the process of raising capital by year-end 1987. Of those, four were licensed in December, two in November, four in October and three in September.

Ms. Cutts said she is aware of seven additional risk retention groups that have been declared non-operational since April, primarily because they were unable to raise sufficient capital.

Some groups that initially planned to form risk retention groups, "because of capital problems, have decided to form a risk purchasing group instead," she pointed out.

But, some of those purchasing groups may be converted into risk retention groups when the property/casualty insurance market begins to harden, Ms. Cutts suggested, as did some brokers.

By initially forming a purchasing group, "they will know each other, feel comfortable with each other and will have (compiled) the actuarial data" necessary to determine rates to be charged by a risk retention group, Ms. Cutts explained.

"When the market turns, risk purchasing groups, because they are already in existence, can very easily be transformed into risk retention groups," said James' Mr. Ruoff.

"We still see lots of groups interested in forming risk retention groups. The incentive is not so much the cost of insurance as the lack of availability of adequate coverage," said Wyatt's Mr. Boggs. He added, though, that it is possible that "the rate of incorporation of new groups may slow down" if the market continues to soften.

"I don't think the formation of risk retention groups has peaked. It might have slowed a little bit due to the soft market," agreed John G. Campbell, president of Gallagher Bassett Insurance Service in Rolling Meadows, Ill.

As the year progresses, "I don't think there will be as many new start-ups of risk retention groups, but where there are still market problems, they will continue to peck away," said Joseph H. Albert, president of J.H. Albert International Insurance Advisors Inc. in Needham Park, Mass.

"We are seeing a number of medium-sized commercial clients and association groups still seeking retention programs or risk retention groups. People are still looking for alternative funding methods," commented John Stancik, vp-national accounts at Arthur J. Gallagher & Co. Inc. in Rolling Meadows, Ill.

Mr. Albert said that captives formation is still strong.

"We're still seeing strong captive formation activity. This may be the best period for a business or group to consider captive formation," rather than waiting until the market hardens again, said Larry Sorensen, senior vp and director of marketing for Rollins Burdick Hunter Co. in Chicago.

"The press of activity I have seen is in captive formation," said Richard B. Hall, president of Anistics Inc., a subsidiary of Alexander & Alexander Services Inc. in New York. "We see a very consistent business in captives, especially in Vermont," but also in other on-shore and offshore captive domiciles, he added.

And Michael P. Dinstein, vp of risk management for Fred S. James in New York, said there is still a good amount of risk pooling activity among professionals like attorneys, medical practitioners and accountants. "We are seeing a lot of

Continued on next page



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## Risk financing

Continued from previous page  
activity among small practices in all the areas that really got hurt" during the last hard market, he explained.

"We're still seeing a lot of pooling activity, most definitely with public entities," added Wyatt's Mr. Boggs.

"Our public sector clients are kind of at the tail end" of pooling activity because of improvements in the marketplace, "but municipalities are still going strong" in this area, said Richard S. Betterley, president of Betterley Risk Consultants Inc. in Worcester,

Mass.

Charles T. Tagman Jr., vp and principal of Tillinghast in Boston, predicts there will be more captive and pooling activity "because there are two things necessary to make them work: reinsurance and fronting ability. With (improvements) in the reinsurance market and the possibility of more insurers being interested in fronting arrangements, I think that activity will pick up."

Richard Betterley observed that his clients generally are "still very committed to self-insurance. . . . Feasibility studies are coming through the door as fast as they were a year or two ago."

He speculated that some companies had decided to self-fund before the market turned and now are following through with those plans.

And, he added, "senior management is getting more fed up with faster and more vicious cycles. Risk managers now look at self-insurance as a way to reduce their risk, as opposed to insurance."

John F. O'Sullivan, managing director of Marsh & McLennan Inc. in New York, agreed. "We're reaching a point where there is more stability in self-insuring than in purchasing insurance," he observed.

Risk managers contacted by

*Business Insurance* generally say they are satisfied with their self-funded programs and do not intend to abandon them just because the property/casualty insurance market is softening.

Our "self-insurance program gives us the stability we need through the ups and downs of the market. It provides us with better control of our destiny," stressed Kathleen G. Carangi, senior risk manager of Scott Paper Co. in Philadelphia. "Even in a soft market, we would not change."

Scott Paper has self-insured its workers compensation exposures in various states since the mid-1970s and also retains large

amounts of its general liability and auto liability risk, Ms. Carangi explained. In addition, Scott has been a participant in Tortuga Casualty Co. in the Cayman Islands, a policyholder-owned excess liability insurance facility, since June 1986. Scott has no plans to leave Tortuga, because it has been "making money" in the pool, she said.

"Regardless of what happens in the marketplace, I don't think we'll go back" to lower retentions, said Tony Rodolakis, corporate director of risk management and insurance for hotel conglomerate Holiday Corp. in Memphis, Tenn.

"We like the flexibility of an unbundled program. . . if (self-funding) proves financially to be the right move, to change would be counterproductive," Mr. Rodolakis said.

Holiday Corp. established a Bermuda captive in the early 1970s that reinsures some of its workers compensation, general liability and auto liability risks. Holiday self-insures its workers compensation risks in other states, Mr. Rodolakis explained.

In addition, the company increased its liability retention to \$4 million per claim from \$500,000 per claim in 1986 and chose to keep that retention in 1987 because "we're comfortable with it now."

Richard M. Inserra, vp of risk management at Triangle Industries Inc. in New York, said Triangle has assumed large self-insured retentions "for a while, and we've built them up over the past two years, but I wouldn't say that the market pushed them up."

Triangle and two of its affiliates are now in the process of forming a jointly owned captive in Vermont for workers compensation, general liability, product liability and automobile liability exposures, Mr. Inserra said. "We will entertain other types of coverage, such as property and difficult-to-obtain liability coverages (like) pollution," he added.

The captive, which Triangle and its affiliates plan to have up and running by April 1, will insure a portion of the first excess layers over the companies' self-insured retentions and may eventually insure portions of other excess layers as well.

"We are pooling the risks above our self-insured retention levels" through the captive "to help minimize the effects of the fluctuating insurance market," Mr. Inserra explained.

The director of a public entity self-insurance pool said its members also don't plan to return to the commercial market now that the market is softening.

"We are not going to play price wars with the insurance market," said Terry Bone, director of the Puget Sound Schools Risk Management Pool in Seattle, which became operational in September 1986 and provides coverage for 66 school districts with the equivalent of about 240,000 full-time students.

The pool was formed for two reasons, she explained. "It was partly formed due to market conditions, because our costs were escalating and our coverage was decreasing, and partly so the schools could have more control over the structure of the mechanism—claims, loss control services, etc.," Ms. Bone said.

The pool self-funds the first \$1 million of members' property, liability, errors and omissions or employee fidelity losses and the first \$25,000 of boiler and machinery losses, she explained.

While brokers say some insurers now are volunteering to reduce the self-insured retentions they have required from policyholders over the past three years, many policyholders are electing to keep the

Continued on page 14



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## Self-insurance

Continued from page 12

same retention levels unless the deal they are offered is simply too good to pass up.

"I think one of the ongoing results of the last hard market will be the willingness and ability of businesses to (assume) more of their risk. There is some truth to the theory that when people leave the conventional market, they never come back, although I don't subscribe to that completely," said Tillinghast's Mr. Tagman.

"Some clients have lost confidence in the marketplace and are maintaining their higher retention levels," observed RBH's Mr. Sorensen.

Some brokers and consultants have also seen clients electing to increase their retentions.

"We are still seeing some increases," said James' Mr. Dinstein. Even among those businesses that do not have large self-insured retentions, there are some who "are poised to do so when the market hardens again."

"What we have seen is that the tendency is for our clients to take a larger retention," said Gallagher Bassett's Mr. Campbell.

"We have recommended to some clients that they increase their retentions based either on an

actuarial study of their loss levels or because of their desire to further distance themselves from the commercial insurance market," said Wyatt's Mr. Boggs.

"We're seeing a reduction in the pace in which businesses are taking larger retentions. But more are taking higher retentions than are going back to lower ones," said Anistics' Mr. Hall.

However, some businesses that were forced to assume retentions above their comfort level are electing to drop those retentions to a more comfortable level when the opportunity arises, brokers and consultants agree. That opportunity is arising more frequently as insurers compete more aggressively for business, they add.

"Carriers are now more willing to reduce retention levels to get more premiums," said Gallagher's Mr. Stancik.

"There is no question about it. Frequently insurers are reducing their retention requirements, many times without being asked," said Thomas V. Hallett, senior vp of Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y.

Insurers are "very willing to reduce their prior requirements from the hard market, and even with the lower retention levels, prices are going down dramatically, particularly in the property

market," said Mr. Hallett.

"On the casualty side, we are seeing similar reactions in the market, but not to the same extent," Mr. Hallett added. However, he pointed out that companies with long-tail liability exposures are maintaining their retention levels.

Mr. Betterley of Betterley Risk Consultants also acknowledged that some businesses "are taking less risk if the market offers a quality product at a reasonable price."

In some cases, "retention levels are reducing, but not as much as you might think," he said.

"Companies are looking at the option of reducing their retentions, (especially) if they felt uncomfortable with that retention and were forced into it. They are looking at the economics involved, to see if it makes sense," said Kenneth H. Pinkston, president of Corroon & Black's Advanced Risk Management Services division in Nashville.

What it comes down to is that clients and their brokers or consultants need to make "a continual assessment," said Tillinghast's Mr. Betterley. "Some have increased retentions, some have decreased retentions and some have held them where they were—always in light of what the trade-off is," he said. ■

## TPAs create marketing association

By LAURA MAZZUCA

One hundred independent third-party administrators have organized a cooperative marketing association called the National Assn. of Employee Benefit Administrators.

The new association, based in the Chicago suburb of Palos Heights, Ill., is an offshoot of the National QicClaim Assn. of Independent Health Care Plan Administrators, a computer software users group formed in December 1984.

NAEBA was organized at the National QicClaim Assn. annual meeting held in November in Las Vegas, Nev., said Executive Director Thomas J. Barcelona.

"With a formal structure and statement of purpose, we will be better able to serve the marketing needs of our members," he said, adding that the association will not act as a lobbying group for or against legislation or regulations affecting its members.

NAEBA membership is open to any firm actively engaged in the design and administration of employee benefit programs, using the

**The association will participate in national advertising programs and will develop marketing materials.**

QicClaim line of health care data administration software developed by Resource Information Management Systems Inc. of Naperville, Ill. Current members include third-party administration firms as well as several insurers and managed care entities. Annual dues are \$3,000.

Members are active in the design and administration of insured and self-funded employee health plans, 401(k) plans, flexible spending accounts and other benefit programs.

The association will participate in national advertising programs and cooperate in the development of professional marketing materials, such as newsletters, brochures, audiovisual presentations and employee communications materials, that can be used by all members.

While the association will continue to cooperate with Resource Information Management Systems, it is owned by its members and will operate independently, said Mr. Barcelona.

"By sharing like technology, member firms are better able to provide a consistent level of administrative and data management services," he added.

Directors elected to serve for a term ending Dec. 31, 1988, are: James Garrison of Jones, Hill & Mercer Employee Benefits Inc. in Savannah, Ga.; Tom Brown of Benefit Administration Services Ltd. in Jackson, Miss.; Ronald Klein of Midwest Benefits Corp. in Southfield, Mich.; Michael Brewer of Woodsmall Benefit Services Inc. in Kansas City, Mo.; and Jerry Mitchell of MICA Benefits in Idaho Falls, Idaho.

Terry Kirch, chief executive officer of Resource Information Management Systems, serves as sponsoring member of the board of directors.

For more information, contact Thomas J. Barcelona, executive director, National Assn. of Employee Benefit Administrators, Brooks Advertising Inc., 7800 W. College Drive, Palos Heights, Ill. 60463; 312-361-2610. ■

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# TPAs challenge state authority

By MEG FLETCHER

Employers that self-insure their employee benefit plans and their third-party administrators are trying to stop the trend toward increased state regulation of self-funded employee benefit plans and TPAs.

State regulation of self-funded benefit plans—and the TPAs that administer them—is growing because state legislators and regulators “are becoming increasingly aware that there is a large number of employees, dependants and retirees in plans that are not subject to public scrutiny,” said Carol Cronin, vp of the Washington Business Group on Health.

Specifically, employers and their

**Two appellate court cases run contrary to a string of previous court decisions that said ERISA-qualified single-employer benefit plans were not subject to most state regulations, including mandated benefit statutes.**

TPAs are asking the U.S. Supreme Court to review two federal appellate court decisions that uphold state authority over some self-insured health care plans.

Last spring, the 9th U.S. Circuit Court of Appeals in San Francisco upheld the California State Board of Equalization's authority to impose a premium tax on benefit

payments made by General Motors Corp. and the American National Red Cross under a minimum premium health care plan (*BI*, June 8, 1987).

The Board of Equalization's authority to tax health care benefit payments made under a minimum premium plan was first upheld in a 1982 decision by the California

Supreme Court, which ruled that under a minimum premium plan the benefit payments made by a plan sponsor actually are premiums for the purpose of taxation.

And, while some attorneys believe the federal appellate court decision also permits the state to tax benefit payments made under self-insured group health plans covered by stop-loss insurance, it may take future lawsuits to settle that issue, according to attorney Paul Inman, an associate with Gibson, Dunn & Crutcher in Washington, D.C., which represents General Motors.

Under a typical minimum premium plan, the employer is required to pay the insurer a fixed minimum premium to cover the in-

surer's administration of the health care plan and profit. In addition to that minimum premium, the employer is responsible for paying claims until aggregate claims reach a trigger point, beyond which the insurer is responsible for claims payment.

In comparison, under a self-funded plan that includes the purchase of stop-loss insurance, the employer is responsible for all claims payments but is indemnified by the stop-loss insurer either on a per-claim or aggregate basis when costs exceed a pre-determined amount.

If the 9th Circuit's decision is upheld, it could cost California insurers at least \$100 million, though they likely would pass some of that cost back to employers, said David Levine, the equalization board's tax counsel.

In the second case, the 6th U.S. Circuit Court of Appeals in Cincinnati in November upheld a provision of Michigan's no-fault automobile insurance statute that requires no-fault automobile insurance coverage to be secondary to accident victims' health and accident insurance.

The court found that the state statute is saved from pre-emption by the “savings” clause in the Employee Retirement Income Savings Act and is not prohibited by the ERISA “deemer” clause because the state's concern is more compelling than the federal government's concern about nationwide uniformity.

The “deemer” clause says that an employee benefit plan shall not be deemed to be an insurance company or engaged in the business of insurance for the purposes of any state law designed to regulate insurance coverage or contracts. However, the savings clause—which “saves” the state law from ERISA pre-emption—says the ERISA pre-emption does not apply to any state law that regulates insurance.

Consequently, Michigan's law can require that coverage provided by a group health plan regulated by ERISA be primary even though the plan specifies that its coverage should always be secondary in an auto accident, according to Benjamin Boley, a partner with Shea & Gardner in Washington, D.C.

The case—*Northern Group Services Inc. vs. Auto Owners Insurance Co.*—was originally brought by a group of employee benefit plans and the plan administrator against six automobile insurance companies.

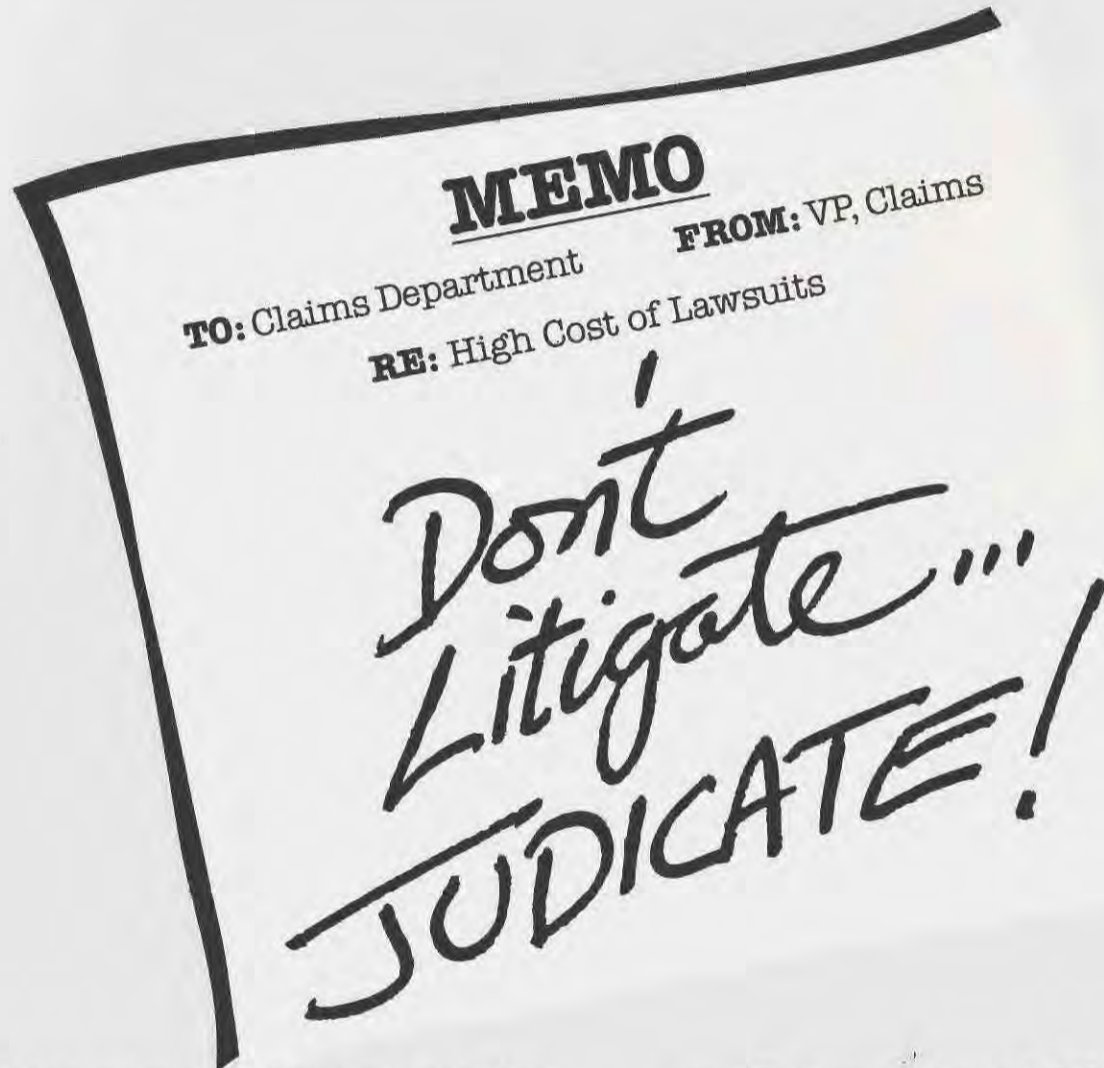
The California and Michigan appellate court cases run contrary to a string of previous court decisions that said ERISA-qualified single-employer benefit plans were not subject to most state regulations, including mandated benefit statutes.

Along with these two court decisions, the increasing trend by states to regulate third-party administrators also is concerning employers and benefit plan administrators.

“What generates state officials' interest is a desire to protect their turf,” said Frederick D. Hunt Jr., president of the Society of Professional Benefit Administrators in Washington, D.C. State legislators want their insurance officials to have some authority to cope with a constituent's complaint about a TPA that refused to pay a bill, he explained.

To fight this trend, TPAs are disputing laws and regulations in 21 states that regulate third-party administrators.

For example, the Self-Insurance  
*Continued on page 18*



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**Spotlight report**

**TPA regulation**

*Continued from page 16*  
 Institute of America is continuing its 1½-year-old legal challenge of Florida TPA regulations in U.S. District Court in Tallahassee.

The SIIA asserts in its test case that Florida's statute regulating TPAs violates the ERISA pre-emption clause, according to James Kinder, executive vp of the SIIA in Santa Ana, Calif. (*BI*, June 30, 1986).

Florida's statute, which went into effect in 1983, requires a TPA to file financial, biographical and organization information with the state Insurance Department and pay a \$60 fee when filing a required annual statement.

In addition, an administrator must deposit \$50,000 in security with the Insurance Department during its first full year of operation. Subsequently, deposits are adjusted annually to represent 10%

**'A disturbing trend is that more and more states' TPA regulations are either revenue-driven and/or market-driven,' says Frederick D. Hunt Jr., president of the Society of Professional Benefit Administrators in Washington, D.C.**

of total funds handled by the administrator—excluding funds handled on behalf of single employer ERISA plans—up to \$500,000, said R. Terry Eutler, a senior attorney with the Florida department. A TPA can file a surety bond to meet the requirement, according to Mr. Butler.

State regulators put less emphasis on regulating TPAs that administer property/casualty claims because most property/casualty claims involve companies, and individuals are a greater concern for state regulators, said Marty

Becker, president of McDonough Caperton Insurance Group Inc. in Charleston, Va.

Although workers compensation claims involve individual employees, state insurance regulators probably think that state workers compensation laws already provide sufficient oversight, said Mr. Becker, whose company provides work comp claims administration services in many states.

States want to regulate TPAs handling employee benefit claims because "there is a concern that there have been a number of these

TPA programs that have caused smaller insurance companies to go belly-up," said Jim Yancy, legal aide to Texas state Sen. Grant Jones, D-Abilene, who sponsored legislation passed by the Texas Legislature last year that regulates TPAs (*BI*, Aug. 24, 1987).

In those cases, the TPAs developed a block of health insurance business and found an insurer to write the coverage while the TPAs handled the claims. However, the insurers underestimated the risks due to actuarially unsound information and were stuck with losses that eventually drove them under, a Texas Insurance Department spokesman said.

Texas decided to regulate TPAs also because the shift to self-insured health plans by many employers substantially cut the premium taxes paid by health insurers in Texas, Mr. Yancy added.

Key provisions of the Texas law require that a TPA pay a \$1,500

one-time registration fee and other fees that could cost between \$2,500 and \$3,000 in the first year, said John J. McManus, executive vp of the Professional Insurance Marketing Assn.

In addition, the law requires TPAs to pay a 2.5% service fee tax on their administrative fees and the amount of claims paid by self-funded employers and a 1% maintenance tax on administrative services, the department spokesman said.

However, the state has not yet issued final regulations governing the tax, which will be collected for the first time in March.

Texas' law is an example of revenue-driven legislation, the SPBA's Mr. Hunt said.

"A disturbing trend is that more and more states' TPA regulations are either revenue-driven and/or market-driven," he said.

Market-driven regulations are those he perceives to be designed to benefit competitors of TPAs, including insurers, Mr. Hunt said. For example, he considers a law requiring a TPA's claims handlers to pass certain tests unfair if insurance company employees who do identical work are not required to be tested.

Eight states—including Florida and Texas—have adopted their own legislation or regulations governing TPAs. The others are Arkansas, Illinois, Michigan, Minnesota, North Carolina and Utah.

In addition, 13 states regulating TPAs have adopted the model administrator statute drawn up by the National Assn. of Insurance Commissioners in 1977, or legislation similar to it, according to the NAIC's Model Regulation Service. They are: Arizona, California, Idaho, Indiana, Kansas, Kentucky, Montana, Nevada, North Dakota, Oklahoma, South Carolina, Tennessee and Wyoming.

The NAIC model requires TPAs to register with the state and allows the state to review a TPA's books (*BI*, Jan. 27, 1986).

The NAIC model was designed primarily to regulate the direct marketing of insurer-sponsored group life and health insurance through TPAs by placing controls on the TPAs' business practices, Mr. McManus said.

Although most TPA trade groups say they can live with the provisions of the NAIC model law, they point out that confusion sometimes results when state regulators modify the model law to apply it to TPAs that service self-insured employers.

TPAs generally dislike state regulation because of the administrative hassle and expenses incurred by complying with the rules, said SIIA President Steven P. Stucky, president and chief executive officer of a namesake company in West Lafayette, Ind. He is an underwriting manager, stop-loss insurance consultant and reinsurance intermediary.

Most state registration fees range from \$20 to \$100 per state, Mr. McManus said.

But even those modest amounts can become onerous if a TPA is required to be registered in every state where a plan participant is located, Mr. Hunt said. However, some state officials have indicated they will not require out-of-state TPAs to obtain a license in their state unless the TPA has problems, he added.

The SPBA would like states to grant reciprocity to TPAs licensed in one state, he pointed out.

In addition to registration requirements, many states require that TPAs either post bonds or cash deposits.

"I think every responsible TPA will have a bond and every employer should require his TPA to have one," said Mr. Stucky. However, he considers it onerous that states should mandate it. ■

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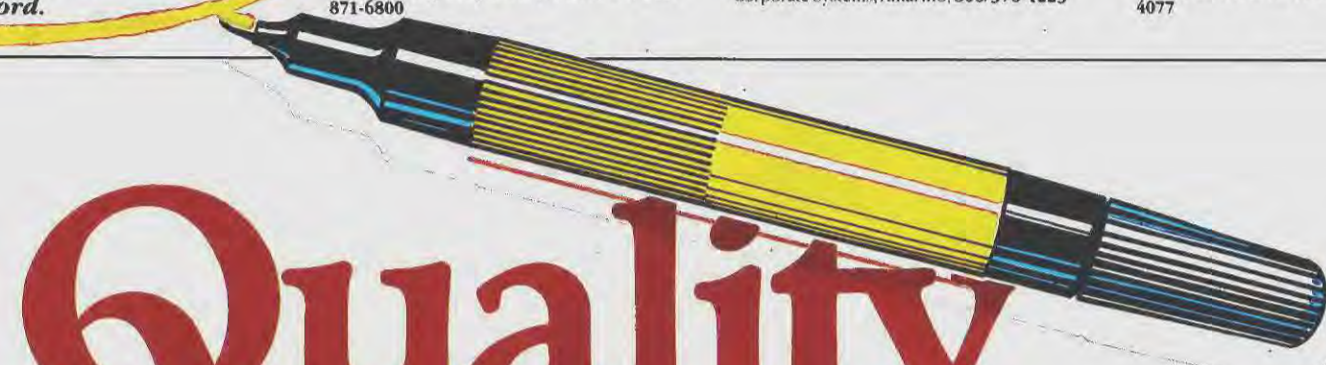
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# Benefit TPAs pause from buying spree

By GLENN HUNTLEY

Third-party claims administrators that specialize in self-insured benefit plans are cleaning house internally after a two-year shakeout that consolidated the industry.

While many larger benefit TPAs snapped up smaller administrators and other related companies during 1986 and 1987, the acquisition trend appears to be winding down.

But while consolidation in the TPA business may be slowing, the trend toward fewer, more sophisticated benefit TPAs likely will continue through 1988, administrators predict.

"Consolidation and acquisition will continue in the industry, albeit at a slow pace," predicts Robert P. Brook, vp-marketing for Minneapolis-based Employee Benefit Plans Inc., the 10th-largest TPA ranked by *Business Insurance* and the fourth-largest specializing in employee benefits.

"It appears most of the TPAs have been involved in acquisitions and consolidations, but it seems to be winding down," concurred Paul Kral, senior vp-client services at

U.S. Administrators Inc., the nation's second-largest TPA based on \$1.15 billion in self-insured claims paid during 1987.

Controlling interest in Los Angeles-based U.S. Administrators was acquired in December 1986 by Crown Life Insurance Co., a division of Crownx Inc. of Toronto.

But some TPA executives say the industry may be just taking a

breather from the recent spate of consolidations and that more mergers and acquisitions are on the way.

"At any one time there are three to five (proposed acquisitions) on the table. We're very close to making two in California," said Mr. Brook of Employee Benefit Plans, which acquired several new companies and sold two of its own subsidiaries during 1986.

ALTA Health Strategies Inc. of Salt Lake City, the nation's largest TPA based on \$1.18 billion in self-insured claims payments last year, is on the lookout for companies that will complement or expand its services to self-insurers, said Robert Shomer, the company's executive vp.

"We plan to be in a very busy

acquisition mode in 1988," Mr. Shomer said. "We're looking for anything that might help us as a managed care organization."

ALTA Health Strategies, formerly James Benefits, is among the TPAs that have expanded to offer such services as utilization review and claims auditing as administrators attempt to become full-service companies for self-insured clients.

"I think you will find we provide an alternative to the traditional insurance company," Mr. Shomer said.

TPA of America Inc., the nation's fifth-largest TPA and the third-largest TPA specializing in employee benefits, also spent last year making its existing organization work more efficiently following several acquisitions in 1986.

"We've been spending our time working together...so any growth was generated from within" and not from acquiring other companies, said Robert J. Cardinal, senior vp.

While TPA of America talked to representatives of many other smaller companies about possible deals last year, the Los Angeles-based TPA did not complete an acquisition in 1987, Mr. Cardinal said. By comparison, during 1986, the company acquired Mass Insurance Consultants & Administrators Inc., a benefits TPA in Chicago; First Transcontinental Life Insurance Corp., a subsidiary of Milwaukee-based Northwestern Mutual Life Insurance Co.; and Healthcare Strategies Inc., a Columbia Md.-based utilization review firm.

However, TPA of America maintains "a high interest" in buying other firms when the deals appear right, Mr. Cardinal added.

Eleventh-ranked McDonough Caperton Insurance Group of Charleston, W.Va., also worked to achieve internal efficiency last year while maintaining substantial growth.

"We're trying to be more efficient with our current staff," said Senior Vp Jennings L. Hart, McDonough Caperton senior vp.

But even though the benefit claims administration market is smaller today than it was two years ago, the remaining TPAs are still competing heavily for self-insurers' business by offering additional and more complex services, TPA executives agree.

Because the remaining players are larger and can offer more administrative services, self-insured companies are able to shop around for the arrangement that best suits their needs, said ALTA's Mr. Shomer.

Last year was a difficult time for the benefits TPA business because new sales were hard to find, Employee Benefit Plans' Mr. Brook said. "It was tough to sell business."

The outlook for 1988, however, is much brighter with continuing interest in self-insurance as commercial group health insurance rates rise, he said.

"We expect 1988 to be an excellent year," Mr. Brook said.

Employee Benefit Plans intends to take advantage of the opportunities this year by hiring more sales people and opening five to seven new sales offices, he said.

And, U.S. Administrators plans to use the competitive edge that its relationship with Crownx provides. In addition to a stronger capital base and better telecommunications capabilities, Crownx has "much to offer in their legal and actuarial departments as well," said Mr. Kral.

During 1988, TPAs will continue  
*Continued on next page*

**Even though the benefit claims administration market is smaller today than it was two years ago, due to consolidation, the remaining TPAs are still competing heavily for self-insurers' business by offering additional and more complex services.**

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Continued from previous page to promote self-funding of employee health benefits as the "wave of the future."

"It only makes sense" for larger employers to put their health insurance premiums into their own program, said Mr. Shomer of ALTA Health Strategies.

But they also realize they will have to shift their marketing focus toward smaller employers, because most employers with more than 100 lives are already self-insured.

McDonough Caperton also has turned its attention to employers with fewer than 100 lives, Mr. Hart said. "We see that as a very opportune market."

In an effort to attract smaller employers, several TPAs work with multiple employer trusts: groups of small employers that band together to self-insure group health care benefits.

"The large employer and the small employer can both benefit" from self-funding, said Mr. Kral of U.S. Administrators.

Although claims administration work used to be the primary source of benefit TPAs' income, the emphasis is shifting toward providing other health benefit-related services, like claims analysis and utilization review services.

Self-insurers want and need to know if their employees are using their health plan efficiently, Mr. Kral said.

"The collection of data is absolutely critical," he said. "There's a definite demand out there for information about how effective control programs are."

And, employers are seeking more than just raw data on the number of cases and procedures, said McDonough Caperton's Mr. Hart. They also want to know what utilization patterns are developing and why, he added.

"Clients want to see more analysis of that information, not just the data, per se," he said.

His company plans to respond to this need with a computerized software system that tailors claims analysis to each self-insured client's needs, Mr. Hart said. McDonough Caperton is negotiating with the developers of the program, which Mr. Hart declined to name, and expects to introduce the service in the next few months.

Benefit TPAs also continue to help clients curb rising health care costs through utilization review and managed health care services.

McDonough Caperton offers pre-admission certification and concurrent review through its cost-containment unit. As a further cost-containment measure, the TPA also audits its clients' hospital bills.

McDonough Caperton also provides claims administration and reporting services for preferred provider organizations in two markets in South Florida and Pennsylvania.

"We've had very good success with them," Mr. Hart said.

U.S. Administrators operates PPOs in five markets in three states—California, Colorado and Idaho. In addition, through its parent, Crownx, the TPA has access to PPOs nationwide.

However, some TPA executives doubt the effectiveness of PPOs and other forms of managed care, such as health maintenance organizations, in controlling health care costs.

"We haven't seen much savings from either," ALTA Health Strategies' Mr. Shomer said.

The more effective way to minimize costs is case management and review of selected procedures such as surgeries that can be shifted to an outpatient basis, said Mr. Shomer, adding that ALTA's utilization review services are supplied to more than 200,000 people.

While PPOs and HMOs have shown mixed results, many are

**'I think the business is just getting more and more complex so the small guy can't keep up,' says TPA of America's Mr. Cardinal, adding the cost of data processing systems alone could drive smaller firms out of business. 'It's not a cheap business.'**

successful in minimizing increasing costs, Mr. Hart said. It's a matter of finding the effective health care organizations with which to work, he said.

Benefit TPAs also have responded to client needs with administrative services to help them deal with the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

Because all of the nation's employers were required to comply with COBRA last year, COBRA administration services have been in

great demand, Mr. Brook said.

At first, confused and upset employers attempted to handle COBRA compliance by themselves, he said. But eventually they began to seek professional help, turning to TPAs and computer software programs designed specifically for the task.

Most of the larger TPAs offer COBRA administration as part of their health care claims administration services.

The increasing complexity of health benefits management triggered by legislation like COBRA

has been a major factor in the TPA industry's consolidation trend, several TPA executives point out.

"I think the business is just getting more and more complex so the small guy just can't keep up," said TPA of America's Mr. Cardinal.

The cost of setting up and maintaining data processing systems alone could drive smaller firms out of business, he said. "It's not a cheap business to be in."

The evolution of the business from small entrepreneurial operations into larger, sometimes publicly held companies also represents "a natural cycle" of growth needed to meet competition, Mr. Cardinal said.

Although change continues and apparently is inevitable, the managers of the largest benefit TPAs agree the evolution will result in more and better services for self-insurers.

"In the long run, it will work out well for everyone involved," said

Mr. Hart of McDonough Caperton.

Following are profiles of TPAs that have the greatest concentration of their claims administration business in employee benefits:

**ALTA Health Strategies**

ALTA Health Strategies remained the largest third-party claims administrator, despite a strong challenge from second-place U.S. Administrators Inc.

ALTA topped the BI rankings by reporting self-insured claims paid totaling \$1.18 billion last year, up 17.8% from the \$1 billion in self-insured claims paid during 1986.

Health insurance claims accounted for 93% of the claims paid by the TPA in 1987, unchanged from the percentage reported the year before. Flexible compensation rose one percentage point to 5% of claims paid, while claims for long- and short-term disability dropped to 2%.

Continued on next page

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## Benefit TPAs

Continued from previous page

The TPA's number of self-insured clients grew slightly to 777 from 720 last year.

The number of covered employees reached 722,000 and insured dependents totaled 1.1 million.

ALTA declined to report its 1987 gross revenues or the portion attributable to self-insured clients. However, it reported that claims administration was responsible for 83% of the firm's 1987 gross revenues, with the balance attributable to other fees and commissions.

For 1986, ALTA reported gross revenues of \$36 million, of which 86%, or \$31 million, came from claims administration services.

Employees serving self-insured clients increased to 650 from 600 in 1986. The firm reported 707 employees in 1987.

ALTA Health Strategies also added two new senior officers.

**TPA of America, known widely by the names of two subsidiaries, American Benefit Plan Administrators and Mass Insurance Consultants & Administrators, benefited in 1987 from an acquisition made the previous year.**

Carole Kennedy was named senior vp for managed care administration, and Peter O'Donnell was appointed senior vp.

Ms. Kennedy had been chief operating officer and senior vp at U.S. Administrators, while Mr. O'Donnell previously was director of benefits at RCA Corp. in Princeton, N.J.

### U.S. Administrators Inc.

U.S. Administrators Inc. moved to a near-tie with ALTA Health Strategies as the largest TPA, reporting \$1.15 billion in self-in-

sured claims paid in 1987, a 33.1% surge from \$864 million in 1986.

All of the U.S. Administrators' gross revenues were generated by health benefit claims administration. The company declined to disclose its gross revenues.

The company's 817 employees—down 133 workers from 1986—were all assigned to service self-insured clients.

The workforce was gradually reduced by natural attrition following the November 1986 introduction of an automated claims administration system, Mr. Kral

explained.

The number of self-insured clients remained relatively stable, falling two to 60 in 1987.

### TPA of America Inc.

Fifth-ranked benefits administrator TPA of America, known widely by the names of two subsidiaries, American Benefit Plan Administrators and Mass Insurance Consultants & Administrators, benefited in 1987 from an acquisition made the previous year.

TPA of America, a publicly held company, acquired MICA in late 1986 and recently consolidated MICA's results under the parent company's name.

TPA of America paid \$646 million in self-insured claims during 1987, up 19.2% from the \$542 million in self-insured claims paid by ABPA alone.

MICA paid \$52 million in self-insured claims in 1986. Combined, the two companies paid \$594 mil-

lion in claims for self-insurers that year.

TPA of America reports \$30.7 million in gross revenues in 1987, with more than half of those revenues generated by claims services provided to self-insured clients.

New business for ABPA and MICA grew about 10% last year, which nearly met the projections made earlier by the company, Mr. Cardinal said.

Health insurance accounted for 70% of TPA of America's claims administration, up from the 57% recorded last year for ABPA alone. This increase reflects the contribution of MICA, which solely handles health insurance claims, Mr. Cardinal said.

TPA of America also reported that 545 of its 940 employees serviced self-insured clients only, up 55.7% from 350 working on self-insurance the previous year. Again the increase can be traced to the combination of the company's two TPA groups, Mr. Cardinal said.

Likewise, the number of self-insured clients grew 27.6% to 328 last year from the 257 reported in 1986.

The company administered health plans covering 478,200 employees and 802,000 dependents in 1987.

### Employee Benefit Plans Inc.

Employee Benefit Plans, which administers health plans only, held the No. 4 spot in the BI rankings of TPAs specializing in employee benefits, reporting a 23.4% increase in the amount of self-insured claims paid to \$375 million, from \$304 million the previous year.

The number of its self-insured clients grew 9.6% to 3,025 compared with 2,759 in 1986.

All of the company's 560 employees were assigned to self-insured clients only, up from 550 employees a year earlier.

The company posted gross revenues of \$30.4 million last year, an increase of 21.6% over 1986 gross revenues of \$25 million.

Employee Benefit Plans administered self-insured benefit plans covering 268,000 employees and 402,000 dependents last year.

### McDonough Caperton Insurance Group

McDonough Caperton Insurance Group ranked as the 11th-largest TPA and the fifth-largest specializing in employee benefits based on \$345 million in self-insured claims paid during 1987, up more than 25% from \$275 million paid in 1986.

The number of McDonough Caperton's self-insured clients also grew to 240 from 230.

McDonough Caperton reported 1987 total gross revenues of \$26 million, an 18.2% increase from \$22 million a year ago. About 40%, or \$10.5 million, of McDonough Caperton's 1987 gross revenues were generated by services provided on behalf of self-insured clients.

The company reported 58% of its 1987 revenues were generated by insurance brokerage, consulting and other services, while 38% was created from claims administration. The balance was from claims adjusting and auditing.

Most of its self-insurance claims administration business, about 86%, was generated by health insurance. Other business was attributed to workers compensation, 6%; flex compensation 2%; disability, 2%; automobile, property damage, professional liability and pensions, 1% each.

McDonough Caperton also adjusted claims for 27 self-insured clients and conducted claims auditing work for 105 self-insurers last year.

Of the company's 500 employees, 260 serviced self-insured clients only.

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# Property/casualty TPAs seek to specialize in soft market

By JUDY GREENWALD

The softening commercial property/casualty insurance market will not have dire consequences for property/casualty third-party claims administrators, officials of large TPA firms predict.

Most TPAs admit that their revenues could be affected if companies retain less risk because of improved commercial insurance rates and increased availability.

But, the TPAs also point to the growing sophistication of risk managers and their desire to better control their risk management programs, which means significantly fewer self-insurers now will return to the commercial insurance market in search of cheaper prices than in previous soft markets.

At the same time, there still is room for the self-insurance market to grow, administrators state (see story, page 3). However, they also observe that risk retention groups formed under the expanded Risk Retention Act have not had a significant effect on the overall risk financing market.

They also point out that the increasing control risk managers are exerting over their programs is fueling demand for highly specialized services, which TPAs are supplying.

"There's always going to be the 'price buyers.' That's a legitimate, logical influence in the marketplace," said C.C. Lefler, executive vp-marketing for Atlanta-based Crawford & Co., the third-largest TPA and the largest specializing in property/casualty claims.

But at the same time, Mr. Lefler said, more risk managers are looking for stable relationships with providers that will give consistent value and performance. "I believe the latter is going to take precedence," he said, adding that "price buyers" increasingly will hold less influence, "although they're still a factor."

Risk managers now are looking for "long-term security, continuity of service and stability of partnerships," he said. There is also the growing recognition that while risk managers may take advantage of short-term savings, "there's a price to pay for that," he added.

Fewer self-insurers will return to the insured marketplace "regardless of market conditions," said Raymond A. Auckerman, senior vp-marketing for GAB Business Services Inc. of Parsippany, N.J., the sixth-largest TPA and the third-largest specializing in property/casualty claims.

"The risk managers that are now running (self-insured) programs are more inclined to stay with self-insurance programs," he said. "They can then control their program."

Previously, when the market became soft, "the boys in finance" had risk managers return to the insured marketplace for its lower prices. Then, the risk managers were faced with huge premium increases when the market hardened once again, Mr. Auckerman said.

Today, however, risk managers who can demonstrate to corporate financial executives that they have a viable self-insured program can continue their program in a soft market, he said.

Many companies already have the components of a self-insurance program in place, noted Leonard J. Russo, chairman and president of Emeryville, Calif.-based Adjustco Inc., the ninth-largest TPA and the sixth-largest specializing in property/casualty claims. "I think to dismantle these programs is un-

likely."

Risk managers recognize that when the market hardens again, it will be very time-consuming—as well as expensive—to reconstruct a self-insurance program abandoned in the competitive market, Mr. Russo said.

"If the clients perceive value, I think they probably will not move for a minor difference in expense. I

really don't see it as a problem," agreed John A. Malasky, national director of Alexis Inc., a unit of Alexander & Alexander Services Inc. in Northville, Mich. Alexis is the fourth-largest TPA and the second-largest specializing in property/casualty claims.

Most risk managers find that once they develop a self-insured

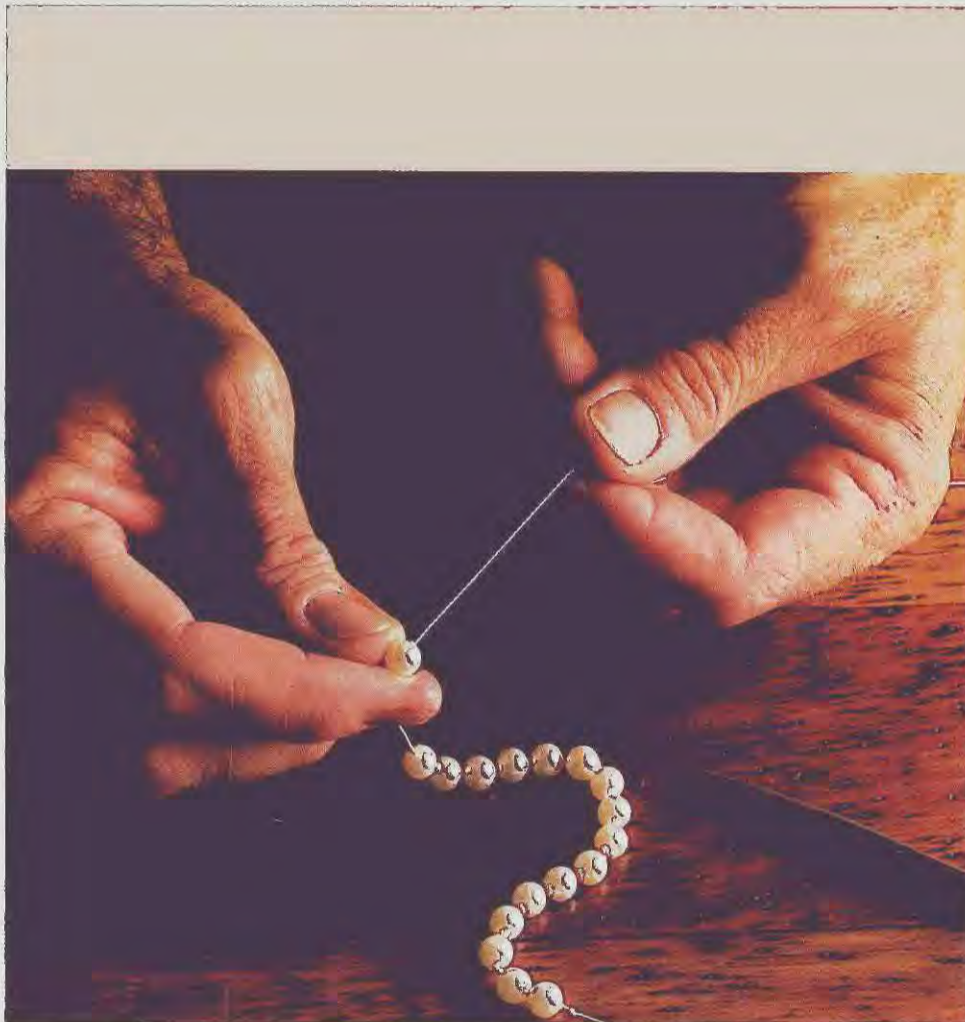
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## P/C administrators

Continued from previous page program, their costs are much more stable and they can exert more control over their program, explained John G. Campbell, president of Gallagher Bassett Services Inc., a Rolling Meadows, Ill.-based subsidiary of Arthur J. Gallagher & Co that is the eighth-largest TPA and the fifth-largest specializing in property/casualty claims.

"You like to see that stability. Surprises are not fun for anybody," Mr. Campbell added.

TPA officials do not deny, however, that the softening commercial market could affect their business.

"I think that risk managers will at least consider insuring at lower levels than they have the past couple of years," said John R. Harrold, president of Scott Wetzel Services Inc. in Bremerton, Wash. Mr. Harrold purchased the former Home Group Inc. subsidiary earlier this

month for an undisclosed sum.

The softening market could discourage the "fringe players," companies that are on the brink of self-insuring, suggested Edward P. Holleran, president of ESIS Inc., a CIGNA Corp. subsidiary in Philadelphia that is the seventh-ranked TPA and the fourth-largest specializing in property/casualty claims.

Mr. Holleran also noted that the impact of the Oct. 19 stock market crash on these companies' net worth could give them second thoughts about making the financial commitment to self-insure.

However, despite these factors, 1988 will be a year of steady, if not spectacular, growth for TPAs, Mr. Holleran predicted, though "not to the extent I would have a year ago."

"I think that the trend is for the business to grow at a reasonable pace, as more and more risk managers become enlightened about their insurance programs and the

**'I think that the trend is for the business to grow at a reasonable pace, says John Harrold.'**

related costs," said Mr. Harrold.

To date, the expansion of the Risk Retention Act has not had an impact on TPAs' business, administrators say, though some add that it may in the future.

"I don't think we've seen any impact immediately," said Adjustco's Mr. Russo, adding that "I think it bodes well for the TPA industry in the future."

"I think there are opportunities there," agreed Scott Wetzel's Mr. Harrold.

But Alexis' Mr. Malasky said it is hard to tell what the impact of

risk retention groups on the TPA business will be. Those firms likely to join risk retention groups will probably seek coverage for high-exposure liability risks, like pollution risks, he pointed out. These groups are more likely to need a good legal firm than the claims handling services a TPA could provide, he said.

Not surprisingly, some TPA officials say they perceive an increasing need for their firms to provide specialized services.

"I think more specialization is being demanded by the risk managers," said Gallagher Bassett's Mr. Campbell.

As risk managers become more experienced in self-insurance, they are less likely to be interested in the "turnkey" approach, in which the TPA supplies a complete program of self-insurance services.

"Now, they are much more specific on what they want," said Mr. Campbell. For instance, a risk

manager may decide his firm will handle its own general liability claims, while the TPA will handle only workers compensation claims.

Or, a municipality may ask a TPA to develop a program for one particular exposure, like the fire or police department, instead of one encompassing all city operations, he said.

Although most self-insurers will never be able to supply all the services they need in-house, clients will continue to do more of their own work, Mr. Campbell predicted. "I think that's going to be a growing trend in this business."

Mr. Lefler agreed there is a trend toward specialization. Risk managers are seeking programs that meet their specific needs, rather than "rote services," and service providers must adapt to this demand without sacrificing quality, he said.

Following are profiles of TPAs with the greatest concentration of business in handling property/casualty claims:

### Crawford & Co.

Crawford & Co., which ranks third among all third-party administrators, paid \$985 million in claims on behalf of self-insurers in 1987, a 24.7% increase over the \$790 million paid out in 1986. It generated \$90 million in revenues from serving self-insured clients last year, up 18.4% from \$76 million in 1986.

As in 1986, 60% of claims paid on behalf of self-insurers were workers compensation claims. The remaining 40% of claims dollars were divided among general liability, automobile, property damage, professional liability, bonds, ocean marine and inland marine claims.

Crawford's overall gross revenues in 1987 totaled \$265 million, up 10.4% from \$240 million the year before. The breakdown of gross revenues in 1987, essentially unchanged from 1986, was: 52% from claims adjusting; 31% from claims administration; and 17% from other services, including health and rehabilitation, risk control, risk management information systems and education programs for appraisers and adjusters.

The number of Crawford's clients grew by 31%, to 766 from 585. Of those 766 clients, 674 were corporations, 53 association plans and 39 government entities.

Crawford adjusted, but did not pay, claims for 2,000 self-insured clients in 1987, with adjusting services in the areas of liability, workers compensation and property.

Crawford, which employs a total of 5,000 people, has more than 700 administrative offices in the United States, Canada and Puerto Rico and 10 regional sales offices. It also has eight regional administrative service center offices dedicated solely to management of self-insured claims.

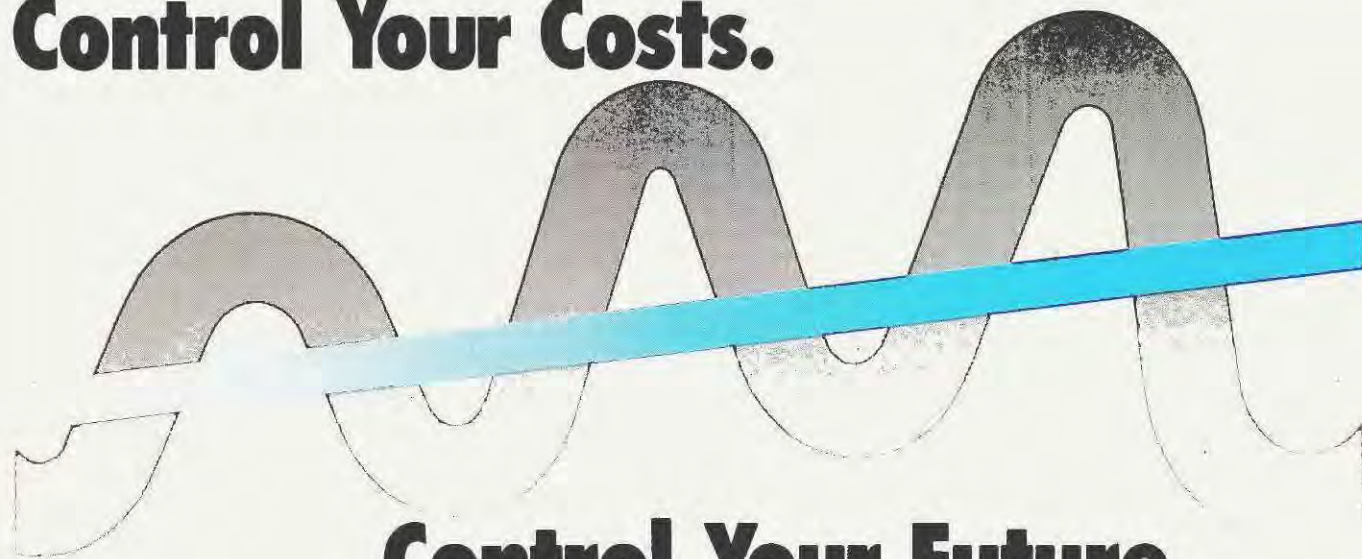
F.L. Minix, formerly president, has assumed the positions of chairman and chief executive officer, replacing T.G. Germany, who retired.

Mr. Lefler said Crawford offers its clients an extensive network of offices, plus a menu of complementary services, which includes claims handling plus auxiliary services like medical or vocational rehabilitation, basic or advanced information systems, cash-flow sensitive banking procedures and risk control services.

The menu of services Crawford offers is efficient and cost-effective, Mr. Lefler said. For instance, Crawford can determine early on whether a workers compensation disability claim qualifies for vocational or medical rehabilitation and see that immediate action is taken. Last year, Crawford supervised 5,200 injured workers' return to the workforce, he said.

Continued on next page

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Continued from previous page

### Alexsis Inc.

Alexsis Inc. ranked fourth among TPAs, paying \$650 million in self-insured claims in 1987, up 8.3% from \$600 million in 1986.

About 70% of claims paid on behalf of self-insurers were workers compensation claims, with 15% related to general liability and 5% each to automobile, property damage and professional liability.

Alexsis generated \$60 million in gross revenues, a 25% increase from \$48 million in 1986. Eighty percent, or \$48 million, came from claims administration, with the remaining 20% generated from consulting and marketing services.

Alexsis' 2,600 self-insured clients in 1987 was a 23.8% boost over the 2,100 it served in 1986. Of its 1987 clients, 2,260 were corporations, 284 government entities and 56 association plans.

Alexsis now has 940 employees, a 17.5% jump from 800 a year ago. It operates from 53 administrative and sales offices, nine more than at year-end 1986.

"We do a lot of client selling," said Mr. Malasky, explaining Alexsis' 25% boost in revenues. The A&A subsidiary also has an ongoing program of upgrading its internal procedures, especially in data processing, he noted.

"I think one of the things we pride ourselves on is responsiveness to our clients," said Mr. Malasky. Alexsis has a 10-person client services department that draws on help from its offices around the country to address clients' problems as fast as it can and solve them quickly, he said.

### GAB Business Services Inc.

GAB Business Services Inc. ranked sixth among all TPAs in 1987 with \$600 million in claims paid on behalf of self-insurers in 1987, up 7.9% from \$556 million in 1986.

Fifty-one percent of these claims were workers compensation claims, 38% were general liability claims, 4% were health insurance claims and 7% were miscellaneous claims, including automobile, property damage, professional liability and marine.

The firm administered claims for 1,412 self-insured clients, a 21.2% increase from the 1,289 total in 1986. Clients in 1987 included 1,168 corporations, 155 association plans and 89 government entities.

GAB provided claims adjusting services for 139 self-insured clients.

GAB reported total 1987 gross revenues of about \$200 million, down from about \$205 million in 1986. Mr. Auckerman explained the 2.4% decrease reflects a decline in business performed for insurers. GAB's self-insurance business, however, "increased nicely."

GAB operates 600 administrative offices nationwide, a reduction of about 50 from 1986. Offices were consolidated in 1987 for the sake of efficiency, Mr. Auckerman explained. GAB has 21 sales offices, including eight regional offices, and employs 3,763 people.

GAB introduced medical management and vocational rehabilitation services for the first time in 1987, said Mr. Auckerman. Other services in addition to basic claims investigation and administration offered by GAB include a safety and loss prevention program, a management information system that provides on-line access and employee benefit services.

### ESIS Inc.

Seventh-ranked ESIS Inc. paid \$550 million in claims on behalf of self-insurers in 1987, up 5.8% from \$520 million in 1986. Thirty-five percent of ESIS' 1987 business was produced by general liability claims, 33% by auto claims, 30% by workers compensation claims

and 1% each by property damage and professional liability claims.

ESIS, a unit of CIGNA Corp., did not release its gross revenues, though Mr. Holleran did say revenues increased about 30% in 1987. Seventy-five percent of ESIS' revenues were generated by claims administration, 10% by claims adjusting, 10% from loss control services and 5% from claims auditing.

ESIS has administrative and sales offices in Philadelphia, plus sales offices in eight other cities. ESIS, which has 48 marketing staff members, draws on 3,100 CIGNA claims personnel as well.

Many of ESIS' 1,100 self-insured clients, up by about 100 last year, are Fortune 500 companies.

### Gallagher Bassett Services

Gallagher Bassett Services Inc., which was the eighth-largest TPA in 1987, paid \$459.2 million in claims for self-insurers last year,

*Continued on next page*

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## P/C administrators

Continued from previous page  
up 14.4% from \$401.5 million in 1986.

Workers compensation accounted for 34% of claims paid, with health insurance claiming 30%; general liability, 19%; property damage, 8%; automobile, 6%; disability, 2%; and professional liability, 1%.

Gallagher Bassett produced \$40.3 million in gross revenues last year, a 31.3% increase over \$30.7 million in 1986. About 84% of its revenues were generated by claims administration, with 15% generated from loss control, property appraisals and information management and the remaining 1% accounted for by claims auditing.

The firm provided claims administration services to 688 clients in 1987, up from 624 in 1986. Its 1987 clients included 350 corporations, 288 government entities and 50 as-

sociation plans.

Gallagher Bassett has 72 administrative offices and 21 sales offices nationwide.

Mr. Campbell said Gallagher Bassett focuses exclusively on self-insurers and does no work for insurers. "It is a 100% dedication to that business."

Because of this specialization, Gallagher Bassett works closely with each client, he said. "We become an extension of what they want," he said.

### Adjustco Inc.

Ninth-ranked Adjustco Inc. paid \$450 million in self-insured claims in 1987, including claims administered by Leonard J. Russo Insurance Services Inc., which acquired Adjustco from Frank B. Eall & Co. Inc. in November.

Hall announced it would sell Adjustco early last year (*BI*, March 23, 1987).

Adjustco and LJR Insurance In-

surance Services now are in the process of merging their operations, says David B. Crosby, Adjustco's vp-sales. The combined entity will be called Adjustco.

Claims paid by the two companies in 1987 increased 2% from the \$441 million in claims paid by the two TPAs in 1986.

Sixty percent of the claims paid by the companies in 1987 related to workers compensation, with 15% related to general liability, 10% to health insurance, 5% each to automobile and disability, 4% to property damage and 1% to professional liability.

Mr. Russo said the merged companies "are going through a transitional phase."

Adjustco is committing itself to offer "Tiffany-level" claims services for self-insurers, he explained. "We are not interested in being the biggest. We are interested in being the very best."

Mr. Russo said Adjustco will

focus on offering "value-added services," whose cost to the client is exceeded by the savings they generate.

In another development last year, Leonard J. Russo Services Inc. stopped serving as claims administrator for the Southern California Rapid Transit District after an auditor discovered that accident and injury claims had been mismanaged (*BI*, April 27, 1987).

Mr. Russo said he is now in the process of suing two lawyers, a doctor and an ex-employee, all of whom have either been convicted or are facing criminal charges in connection with the fraud.

Adjustco and LJR Insurance Services combined had 336 self-insured clients in 1987, including 185 corporations and 151 government entities, down from 454 total clients reported by the two companies in 1986. While the firm did not release its gross revenues, it attributed 60% to claims administra-

tion, 30% to claims adjusting and 10% to other services.

A total of 675 of the company's 800 employees service self-insured clients from 32 offices around the country. A year ago, the two companies reported a total of 1,237 staff members.

### Scott Wetzel Services Inc.

Scott Wetzel was the 12th-largest TPA in 1987 with \$311.1 million in claims paid on behalf of self-insurers, a 3.3% decline from \$321.7 million in 1986.

There was no primary cause for the decline, said Mr. Harrold, who has served as Scott Wetzel's president since he replaced Mike Soltan in May.

Workers compensation accounted for 77% of claims paid; general liability, 18%; automobile, 4%; and professional liability, 1%.

Scott Wetzel's had 466 self-insured clients in 1987—including 437 corporations, 24 government entities and five association plans—a slight decline from 461 in 1986. It has 365 staff members, compared with 411 in 1986.

Scott Wetzel did not release its gross revenues. However, 86.2% of revenues were produced by claims administration, 6% by data processing, 3.3% by claims adjusting, 2.2% by loss control, 1.3% through miscellaneous functions and 1% by claims auditing. The firm has 22 sales and administrative offices in the United States.

"I think our company is distinguished by the flexibility in our program, and the level of services we provide to our clients," said Mr. Harrold. The firm does not believe in offering "take-it-or-leave-it" programs, he said. "We strive to provide those services that our clients need to round out their risk management programs."

These services include providing loss reports, safety services, giving clients the ability to tap into Scott Wetzel's data base and providing them with the opportunity to meet with the individuals responsible for their businesses' day-to-day claims handling. ■

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# Directory of benefit claims specialists

A

## Administrative Service Consultants Inc.

3301 E. Royalton Road, Cleveland, Ohio 44147; 216-526-2730

**Year founded:** 1969.  
**Parent company:** Wisconsin Pension & Group Services Inc.  
**Services provided:** 95% claims administration, 5% other services.  
**Region served:** Midwest.  
**Specialty:** 85% health insurance, 10% life, 3% flex compensation, 2% disability.  
**Self-insured clients/claims:** Administration: 110 clients, \$50,000 claims paid.  
**Client mix:** Administration: 93 corporations, 13 public/government

entities, four Taft-Hartley plans. Health plans: 35,000 employees covered, 60,000 dependents covered.

**Staff:** 34 total staff members, 31 of whom serve self-insured clients only.

**Charges:** Administration: flat fee, \$3-\$7, percent of claims, 4%-6%.

**1987 gross revenues:** \$1.4 million total; \$800,000 from claim services.

**Subsidiaries:** Seibert-Keck Services Agency.

**Principal officers:** Albin J. Tercek, president; William L. Morris, executive vp.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

## Administrative Services Inc.

7990 S.W. 11th Ave., Miami, Fla. 33183; 305-595-4040

**Year founded:** 1955.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 70% health insurance, 20% pensions, 5% life, 3% flex compensation, 2% disability.

**Self-insured clients/claims:** Administration: 180 clients, \$160 million claims paid.

**Client mix:** Administration: 45 corporations, five public/government entities, 129 Taft-Hartley plans, one association plan. Health plans: 63,600 employees covered, 175,000 dependents covered.

**Staff:** 180 total staff members, 100 of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$5-\$14.

**1987 gross revenues:** \$7.5 million total.

**Branch offices:** Administrative offices in West Palm Beach, Orlando,

Daytona Beach, Tampa and Jacksonville, Fla.; Atlanta; Charlotte, N.C.

**Subsidiaries:** Flexible Benefit Administrators Inc., Professional Underwriters Agency Inc., General Lines Insurance Agency.

**Principal officers:** Arnold Grossman, chairman; Joseph Mastrangelo, president; Frank Dalrymple, executive vp; Jerome Grossman, secretary; Mort Gitelis, senior vp.

**Membership:** SIIA, Florida Claims Assn., International Foundation of Welfare & Pension Administrators.

## Administrators & Benefit Consultants Inc.

731 Main St., P.O. Box 5119, Lafayette, Ind. 47903; 317-423-1577

**Year founded:** 1980.

**Services provided:** 75% claims administration, 25% other services.

**Region served:** Midwest.

**Specialty:** 75% health insurance, 20% disability, 5% life.

**Self-insured clients/claims:** Administration: three clients, \$15.4 million claims paid.

**Client mix:** Administration: three Taft-Hartley plans. Health plans: 8,800 employees covered.

**Staff:** 30 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: percent of premium, percent of contributions, percent of insureds.

**1987 gross revenues:** \$1.3 million total.

**Branch offices:** Administrative office in Milwaukee, Wis.

**Principal officers:** L. Dow Orrell, chairman; Stewart C. Miller, president; Thomas F. Cutter, controller.

*Continued on next page*

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**Spotlight report**

Continued from previous page  
**Membership:** National Assn. of Employee Benefit Administrators.

**Advantage Benefits Co.**

850 Town & Country Road, Orange, Calif. 92668; 714-953-9600

**Year founded:** 1973.  
**Parent company:** The Admar Group.

**Services provided:** 100% claims administration.

**Region served:** California.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 15 clients.

**Client mix:** Administration: 15 corporations. Health plans: 4,000 employees covered, 5,000 dependents covered.

**Staff:** Nine total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$5.50-\$9.

**1987 gross revenues:** \$400,000 total.

**Principal officers:** Rick Toral, president; Virginia Pascual, executive vp; Robert O. Glaza, vp.

**Membership:** SPBA, International Foundation of Employee Benefit Plans.

**Allied Administrators Inc.**

777 Davis St., San Francisco, Calif. 94111; 415-986-6270

**Year founded:** 1953.

**Services provided:** 75% claims administration, 5% adjusting, 5% auditing, 15% other services.

**Region served:** California, Arizona, Nevada.

**Specialty:** 65% health insurance, 20% pensions, 10% flex compensation, 4% disability, 1% life.

**Self-insured clients/claims:** Administration: 10 clients, approximately \$10 million claims paid. Adjusting: two clients.

**Client mix:** Administration: 10 corporations. Adjusting: two Taft-Hartley plans. Health plans: 20,000 employees covered, 50,000 dependents covered.

**Staff:** 30 total staff members.

**Charges:** Administration, adjusting and auditing: percent of premium volume, on retainer, per employee.

**Branch offices:** Administrative office in San Diego, Calif.

**Principal officers:** David S. Walker, president; Arthur C. Mathews, executive vp; Robert W. Morrill, vp.

**Membership:** SPBA.

**Allied Benefit Systems Inc.**

222 S. Riverside Plaza, Chicago, Ill. 60606-6001; 312-906-8080

**Year founded:** 1980.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Nationwide.

**Specialty:** 95% health insurance, 5% disability.

**Self-insured clients/claims:** Administration: 38 clients, \$30 million claims paid.

**Client mix:** Administration: 36 corporations, two public/government entities. Health plans: 10,200 employees covered, 12,500 dependents covered.

**Staff:** 15 total staff members, nine of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$750,000 total, \$600,000 from claim services.

**Principal officers:** Laurence Wilneff, president; Ben D. Schenker, executive vp; Paulette Vission, vp-administration/claims.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

**ALTA Health Strategies Inc.**

2614 S. 1935 W., Salt Lake City, Utah 84119; 801-973-7300

**Year founded:** 1960.

**Services provided:** 83% claims administration, 17% other services.

**Region served:** Nationwide.

**Specialty:** 93% health insurance, 5% flex compensation, 2% disability.

**Self-insured clients/claims:** Administration: 777 clients, \$1.8 billion claims paid.

**Client mix:** Administration: 551 corporations, 202 public/government entities, four multiemployer plans, 10 union sponsored plans, 10 association plans. Health plans: 722,000 employees covered, 1,083,000 dependents covered.

**Staff:** 707 total staff members, 650 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, per transaction.

**Branch offices:** Administrative and sales offices in Atlanta; Boise, Idaho; Houston; Santa Ana and San Francisco, Calif.; St. Louis; Tempe, Ariz. Additional administrative offices in Wheat Ridge, Colo.; Milwaukee; Minneapolis; Pittsburgh. Additional sales offices in Albuquerque, N.M.; Denver; Framingham, Mass.; Irving, Texas; Princeton, N.J.; Tucson, Ariz.; Wayne, Pa.

**Principal officers:** W. Terry Nof-

singer, president; R. Shomer and K. Kinghorn, executive vps; L. Summerhays, senior vp-finance; D. Burge, senior vp-administration; C. Whiting, senior vp; P. O'Donnell, senior vp-managed care; C. Kennedy, senior vp-managed care operations.

**Membership:** SPBA, SIIA.

**American Insurance Administrators Inc.**

6420 Wilshire Blvd., Suite 200, Los Angeles, Calif. 90048; 213-658-5125

**Year founded:** 1977.

**Parent company:** Management Applied Programming.

**Services provided:** 95% claims administration, 1% adjusting, 4% other services.

**Region served:** West Coast.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 16 clients, \$9 million claims paid.

**Client mix:** Administration: 10 corporations, two public/government entities, four union-sponsored plans. Health plans: 40,000 employees covered, 100,000 dependents covered.

**Staff:** 36 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, medical, \$6-\$7; dental, \$2-\$2.25. Adjusting and auditing: by the hour, \$20-\$50.

**1987 gross revenues:** \$1.9 million total.

**Branch offices:** Administrative and sales office in Orange, Calif.

**Principal officers:** F.N. Dastur, president; Herbert Schaffer, executive vp; P.H. Dalal, chief financial officer; Robert Bassin vp; Barbara Rabinowitz, assistant vp.

**Membership:** SPBA.

**American SelfCare Corp.**

800 Roosevelt Road, Building E, Suite 200, Glen Ellyn, Ill. 60137; 312-653-6120

**Year founded:** 1953.

**Parent company:** American Family Corp.

**Services provided:** 90% claims administration, 10% other services.

**Region served:** Nationwide.

**Specialty:** 95% health insurance, 2.5% disability, 0.5% flex compensation.

**Self-insured clients/claims:** Administration: 63 clients.

**Client mix:** Administration: 53

corporations, 10 public/government entities. Health plans: 84,500 employees covered, 145,000 dependents covered.

**Staff:** 83 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee.

**1987 gross revenues:** \$2.5 million total.

**Branch offices:** Administrative office in Columbus, Ga.

**Principal officers:** Salvador Diaz-Verson, president; Louis A. Hazouri, secretary; Leonard J. Jagoda, treasurer.

**Membership:** SPBA, SIIA, Chicago Claim Assn., Self Insurance Assn. of Illinois.

**Arkansas Diversified Services Inc.**

601 Gaines, Little Rock, Ark. 72207; 501-378-2466

**Year founded:** 1974.

**Parent company:** Arkansas Blue Cross & Blue Shield.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 16 clients, \$15 million claims paid.

**Client mix:** Administration: 15 corporations, one public/government entity. Health plans: 11,000 employees covered, 30,000 dependents covered.

**Staff:** 50 total staff members, 18 of whom serve self-insured clients only.

**Charges:** Administration: per contract per month.

**1987 gross revenues:** \$1 million total.

**Principal officers:** Jim House, vice chairman of the board; John Greer, president; G. Alec Smith, executive vp; Mark White, treasurer.

**Membership:** SIIA.

**Associated Health Plans Inc. of Louisiana**

2821 Richland Ave., Metairie, La. 70002; 504-885-9365

**Year founded:** 1978.

**Services provided:** 50% claims administration, 50% other services.

**Region served:** Southeast.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 90 clients.

**Client mix:** Administration: 90 corporations. Health plans: approximately 20,000 employees covered, approximately 30,000 dependents covered.

**Staff:** 38 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$3.50-\$8.

**1987 gross revenues:** \$1.4 million total.

**Branch offices:** Administrative office in New Orleans.

**Principal officers:** A.J. Blanchat, chief executive officer; Pamela A. Chaff, president; Vincent J. Varisco, vp.

**Membership:** SPBA.

**B**

**Babb Inc.**

850 Ridge Ave., Pittsburgh, Pa. 15212; 412-237-2115

**Year founded:** 1929.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 5% disability, 5% life.

**Self-insured clients/claims:** Administration: 100 clients, \$25 million claims paid.

**Client mix:** Administration: 100 corporations. Health plans: 15,000 employees covered, 37,500 dependents covered.

**Staff:** 85 total staff members, 15 of whom serve self-insured clients only.

**Charges:** Administration: flat charge per employee.

**1987 gross revenues:** \$40 million total.

**Branch offices:** Sales office in Wayne, Pa.

**Subsidiaries:** Babb Health Care Administration Services Inc., Higham Whitridge Inc., Higham Whitridge Securities Inc.

**Principal officers:** Ronald B. Li-

Continued on facing page

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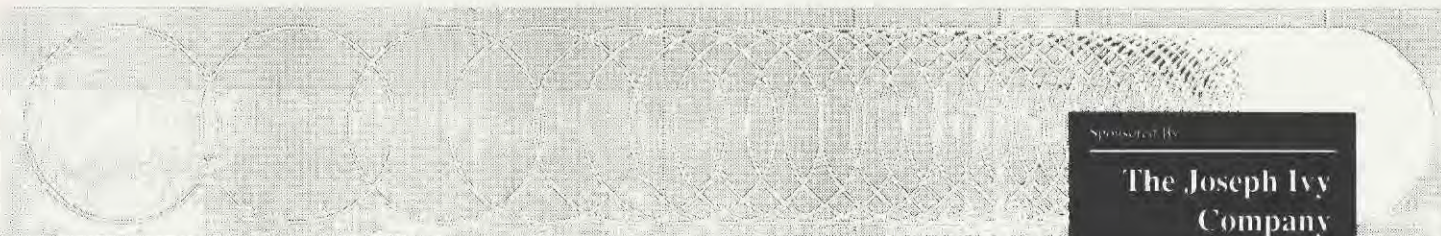
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- "Regulation of Pools: Who Are Your Friends?"
- "Pool RMIS Needs & Available Resources"
- "Myths and Realities of Pool Risk Financing Alternatives"
- "Tax Issues Affecting Pools"
- "Understanding Proposed GASB Rules"

**Conference Materials Will Include ...**

- Outline and sample pooling business plan
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- Checklist for evaluating RMIS needs
- Summary analysis of risk financing alternatives
- Summary of logistical accounting and reserving considerations

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## How to use directory

The annual directory of claims specialists lists companies that generate at least 50% or \$500,000 of their gross revenues from handling claims for self-insured clients.

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

Companies are organized according to the type of business in which they specialize. Those handling only employee benefits/group insurance are listed beginning on page 27, those handling only property/casualty claims (including workers compensation) are listed beginning on page 48, and those handling both employee benefits/group insurance and property/casualty claims are listed beginning on page 54.

Listings begin with the company name, address, year founded and parent company (if any). Following is information on the percentage of the company's gross revenues generated by:

- Claims administration, which includes overseeing control of claims files, directing adjusters and paying claims.

- Claims adjusting, which includes investigating claims and making recommendations to the claims administrator but does not include paying claims.

- Claims auditing, which includes reviewing the overall integrity of the claims file operation, verifying the accuracy and direction of claims payment and recommending solutions to claims administration problems.

- Other services, not related to claims services for self-insured clients, that the company may provide.

Types of claims the company specializes in servicing are noted. These are given as a percentage of gross revenues derived from handling claims for self-insured clients. Within the specialty heading, "health insurance" encompasses medical, dental, vision and prescription drug claims.

The geographic region served by the company, number of self-insured claims administration clients and amount of claims paid for them, number of claims adjusting clients and number of auditing projects conducted in 1987 also are included.

Next, types of self-insured clients serviced, information on staffing and ways in which the company bills for its services are listed.

When reported by the company, total 1987 gross revenues are included. Because *Business Insurance* gathered much of the information on companies before year-end 1987, revenue figures may be estimated.

Locations of administrative and sales offices as well as subsidiaries follow. The names and titles of principal officers and membership in claims organizations complete the listings.

The information reported for each company is based on that company's responses to a *Business Insurance* questionnaire. There are no public documents available to allow verification of the information provided.

The names of two professional organizations are abbreviated in the listings: SIIA is Self-Insurance Institute of America, SPBA is Society of Professional Benefit Administrators.

*Continued from facing page*  
vingston, chairman/chief executive officer; William M. Steele, vice chairman; Chester Sanderson, treasurer; Arnold Ruttenberg, vp.  
**Membership:** SIIA.

### The Bell Cos.

1 Citizens Plaza, Suite 401, P.O. Box 879, Anderson, Ind. 46015; 317-642-1199

**Year founded:** 1985.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 5% flex compensation, 5% disability.

**Self-insured clients/claims:** Administration: 40 clients, \$4.1 million claims paid.

**Client mix:** Administration: 40 corporations. Health plans: 9,600 employees covered, 25,920 dependents covered.

**Staff:** Eight total staff members, six of whom serve self-insured clients only.

**Charges:** Administration: per em-

ployee per month, \$1.50-\$9.50.

**Branch offices:** Sales office in Indianapolis.

**Principal officers:** Greg Bell, president; Dane Hudson, vp-sales; Joyce Misner, senior vp-administration; Rich Mousty.

**Membership:** SPBA, SIIA, National Assn. of Employee Benefit Administrators.

### Benefit Administration Services Ltd.

401 E. Capitol, Suite 413, Jackson, Miss. 39201; 601-969-1286

**Year founded:** 1984.

**Services provided:** 70% claims administration, 30% other services.

**Region served:** Southern states.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 20 clients, \$2.3 million claims paid.

**Client mix:** Administration: 18 corporations, one public/government entity, one association plan. Health plans: more than 2,500 employees covered.

*Continued on next page*

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**Spotlight report**

Continued from previous page  
 vered, more than 3,000 dependents covered.

**Staff:** Eight total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per capita.

**Principal officers:** John W. Nicholson Jr., chief executive officer; Tom Brown, president; Karen R. Watson, vp/treasurer; Leslie M. Driskell, secretary.

**Membership:** SIIA, National Assn. of Employee Benefit Administrators.

**Benefit Consultant Services**

5353 E. Princess Anne Road, P.O. Drawer 12569, Norfolk, Va. 23502; 804-855-8061

**Year founded:** 1972.

**Parent company:** Donald F. Smith & Associates.

**Services provided:** 51% claims administration, 49% other services.

**Region served:** Nationwide.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 12 clients, approxi-

mately \$5.3 million claims paid.

**Client mix:** Administration: Eight corporations, two union-sponsored plans, two association plans. Health plans: 3,945 employees covered, 1,800 dependent units covered.

**Staff:** 12 staff members assigned to claims administration, seven of whom serve self-insured clients only.

**Charges:** Administration and adjusting: per employee per month.

**Branch offices:** Administrative and sales offices in Princeton and Pennington, N.J.; Newport News, Va. Additional sales offices in Augusta, Maine; Concord, N.H.; Richmond, Va.; Wallingford, Conn.

**Principal officers:** Donald F. Smith, president; Terence J. McDonough, executive vp; Robert M. Neumann, senior vp; M.G. Stadler and Charles Lascola, vps.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

**Benefit Management Inc.**

321 E. Fourth, P.O. Box 1058, Joplin, Mo. 64802; 417-623-3860

**Year founded:** 1980.

**Parent company:** Insurance Center Associates Inc.

**Services provided:** 100% claims administration.

**Region served:** Midwest.

**Specialty:** 80% health insurance, 12% disability, 8% flex compensation.

**Self-insured clients/claims:** Administration: 25 clients, \$6 million claims paid.

**Client mix:** Administration: 24

corporations, one public/government entity. Health plans: 5,300 employees covered, 10,000 dependents covered.

**Staff:** 12 total staff members, nine of whom serve self-insured clients only.

**Charges:** Administration: per covered employee.

**Principal officers:** Steven D. Hall, president; Jack Flournoy and Al Burgess, vps; J. Scott Brothers, secretary/treasurer.

**Membership:** SPBA.

**Benefit Management of Maine Inc.**

901 Washington Ave., Portland, Maine, 04103; 207-772-1244

**Year founded:** 1981.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Northeast.

**Specialty:** 90% health insurance, 5% pensions, 5% disability.

**Self-insured clients/claims:** Administration: 40 clients, \$18 million claims paid.

**Client mix:** Administration: 40 corporations. Health plans: 14,000 employees covered, 28,000 dependents covered.

**Staff:** 55 total staff members, 25 of whom serve self-insured clients only.

**Charges:** Administration: per employee, flat fee.

**1987 gross revenues:** \$2.4 million total, \$1.9 million from claim services.

**Branch offices:** Sales offices in Bedford, N.H.; Burlington, Vt.

**Principal officers:** Gordon E. Gray, president; Alan Graffam, executive vp; Joseph F. Orefice Jr., chief operating officer.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

**Benefit Plan Administrators Inc.**

1900 Folsom, Suite 100, Boulder, Colo. 80302; 303-442-1000

**Year founded:** 1984.

**Services provided:** 80% claims administration, 10% adjusting, 10% auditing.

**Region served:** Nationwide.

**Specialty:** 80% health insurance, 20% flex compensation.

**Self-insured clients/claims:** Administration: 35 clients, \$2.5 million claims paid. Adjusting: two clients; types of claims include health insurance. Auditing: 15 projects conducted.

**Client mix:** Administration: 32 corporations, three public/government entities. Auditing: two corporations. Health plans: 2,900 employees covered, 5,100 dependents covered.

**Staff:** 13 total staff members, four of whom serve self-insured clients only.

**Charges:** Administration: per enrolled employee, \$4-\$6. Adjusting and auditing: by the hour, \$25-\$50.

**1987 gross revenues:** \$200,000 total, all from claim services.

**Branch offices:** Sales office in Denver.

**Principal officers:** William G. Hofgard, president; Mark William Hofgard and Linda L. Anderson, vps; Edna Hofgard, secretary/treasurer.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

**Benefit Plan Services Inc.**

P.O. Box 2793, High Point, N.C. 27261; 919-889-2003

**Year founded:** 1977.

**Services provided:** 98% claims administration, 2% other services.

**Region served:** Southeast.

**Specialty:** 98% health insurance, 2% disability.

**Self-insured clients/claims:** Administration: 12 clients, \$4.5 million claims paid.

**Client mix:** Administration: 10 corporations, two public/government entities. Health plans: 3,400 employees covered, 4,800 dependents covered.

**Staff:** Four total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3-\$5.

**1987 gross revenues:** \$165,000 total.

**Principal officers:** J. Larry Peters, president; Alan O. Peters, vp; Sandra A. Peters, secretary.

**Membership:** SPBA.

**Benefit Plans Northeast**

P.O. Box 629, Avon, Conn. 06001; 203-678-0700

**Year founded:** 1974.

**Services provided:** 100% claims administration.

**Region served:** Connecticut, Massachusetts, Rhode Island, New Hampshire, Vermont and Maine.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 75 clients.

**Client mix:** Administration: 75 corporations. Health plans: 10,000 employees covered, 15,000 dependents covered.

**Staff:** 17 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$10.

**1987 gross revenues:** \$750,000 total, all from claim services.

**Principal officers:** Leonard Cutler, president/treasurer; Arlene Cutler, vp/secretary.

**Membership:** SPBA.

**BenefitAmerica**

3030 N. Rocky Point Drive W., Suite 370, Tampa, Fla. 33622; 813-888-7980

**Year founded:** 1987.

**Parent company:** Colonial Life & Accident Insurance Co.

**Services provided:** 75% claims administration, 25% other services.

**Region served:** Nationwide.

**Specialty:** 70% health insurance, 25% flex compensation, 5% disability.

**Self-insured clients/claims:** Administration: 150 clients.

**Client mix:** Administration: 128 corporations, 20 public/government entities, one multiemployer plan, one association plan. Health plans: 18,000 employees covered, 31,000 dependents covered.

**Staff:** 44 total staff members, 40 of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$3.50 and up.

**1987 gross revenues:** \$2 million from claim services.

**Branch offices:** Administrative office in Tifton, Ga.

**Principal officers:** William M. Bennett, president.

**Membership:** SPBA, SIIA, Employers Council on Flexible Compensation, International Foundation of Employee Benefit Plans.

**BenePlan Strategies Inc.**

405 W. First St., Dayton, Ohio 45402; 513-226-4626

**Year founded:** 1983.

**Parent company:** M.A. Hanna Co.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Nationwide.

**Specialty:** 80% health insurance, 10% flex compensation, 10% disability.

**Self-insured clients/claims:** Administration: 22 clients, \$32.8 million claims paid.

**Client mix:** Administration: 17 corporations, five public/government entities. Health plans: 30,608 employees covered, 33,974 dependents covered.

**Staff:** 32 total staff members, 27 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$1.1 million total.

**Principal officers:** Ralph Zimmerman, president; William Bligh, vp-marketing; Keith Phelan, director-finance/operations; Phyllis Ashburn, director-claims administration.

**Membership:** SPBA.

**Booke & Co.**

P.O. Box 66, Winston-Salem, N.C. 27102; 919-748-1120

**Year founded:** 1941.

**Services provided:** 5% claims administration, 95% other services.

**Region served:** Southeast, Midwest and Mid-Atlantic.

**Specialty:** 80% health insurance, 20% flex compensation.

**Self-insured clients/claims:** Administration: 29 clients, \$9 million claims paid. Auditing: two projects conducted.

**Client mix:** Administration: 29 corporations. Auditing: two corporations. Health plans: 13,000 employees covered, approximately 15,000 dependents covered.

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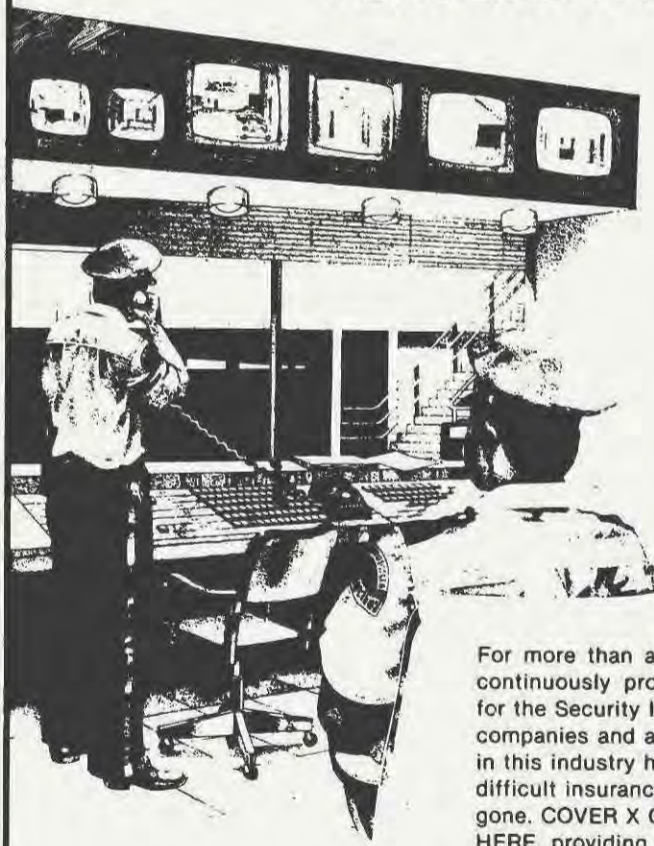
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Continued from facing page

**Staff:** 320 total staff members, 24 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month. Auditing: by the hour.

**Branch offices:** Sales offices in Birmingham, Ala.; Columbus, Ohio.

**Principal officers:** Sam L. Boone Jr., chairman/chief financial officer; Henry M. Boone, vice chairman; Donald C. Ingram, president; Roger L. Vaughn, executive vp; Robert M. Carlisle Jr., senior vp.

**Membership:** SPBA.

#### Brookfield Inc.

1030 Higgins Road, Suite 200,  
Park Ridge, Ill. 60068;  
312-692-7020

**Year founded:** 1971.

**Parent company:** Aon Corp.

**Services provided:** 95% claims administration, 1% auditing, 4% other services.

**Region served:** Nationwide.

**Specialty:** 96% health insurance, 2% flex compensation, 2% disability.

**Self-insured clients/claims:** Administration: 100 clients, \$138 million claims paid.

**Client mix:** Administration: 88 corporations, 10 public/government entities, two multiemployer plans. Health plans: 142,000 employees covered, 319,500 dependents covered.

**Staff:** 85 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee. Auditing: percent of billed and audited amounts, 0.5% billed, 1% audited.

**Principal officers:** C. Kenneth Frantz, president; Charles L. Loherty, vp-sales; Kenneth Peters, vp-claims; Patricia Reger, director-client services.

**Membership:** Self Insurance Assn. of Illinois.

#### Burr-Cummings

##### & Associates Inc.

2140 N. Broadway, Suite 200,  
Walnut Creek, Calif. 94596;  
415-930-8600

**Year founded:** 1956.

**Services provided:** 30% claims administration, 20% adjusting, 50% other services.

**Region served:** California and northern Nevada.

**Specialty:** 40% pensions, 30% health insurance, 20% disability, 10% life.

**Self-insured clients/claims:** Administration: five clients.

**Client mix:** Administration: four Taft-Hartley plans, one association plan.

**Staff:** 14 total staff members, five of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$4.50-\$7.

**1987 gross revenues:** \$850,000 total.

**Subsidiaries:** Burwin Inc., BCA Administrators Inc.

**Principal officers:** Richard L. Cummings, chairman; Brian Cummings, president; William C. Brooks, vp; Dorothy Cummings, secretary/treasurer.

**Membership:** SPBA, National Institute of Pension Administrators.

**Charges:** Administration: per employee per month, \$5-\$6.

**1987 gross revenues:** \$1.25 million total, all from claim services.

**Branch offices:** Administrative offices in Lansing, Mich.; Houston; Kansas City, Mo.; Denver.

**Principal officers:** Virgil Hammerstad, president/chairman; Keith Lindstam, vp-internal operations; Barbara Gruner, vp-external operations.

**Membership:** SPBA, SIIA.

#### CCI Administrators Inc.

2751 Tuller Parkway Drive, Dublin,  
Ohio 43017; 614-764-7600

**Year founded:** 1981.

**Services provided:** 100% claims administration.

**Region served:** Midwest.

**Specialty:** 95% health insurance, 5% disability.

**Self-insured clients/claims:** Administration: 35 clients, \$9.5 million claims paid.

**Client mix:** Administration: 35 corporations.

**Staff:** 12 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$4.50-\$7.50.

**Principal officers:** R. Ted Miller, president; R.T. Alkire, vp.

*Continued on next page*

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## RLI UPDATE

### Consolidated Statutory Financial Information

#### RLI Insurance Company and Mt. Hawley Insurance Company

#### STATUTORY SURPLUS

(000 Omitted)

1987 — \$61,783\*  
1986 — \$53,063  
1985 — \$37,037  
1984 — \$16,739  
1983 — \$12,238  
1982 — \$11,084

#### COMBINED RATIO

1987 — 77.2\*  
1986 — 84.1  
1985 — 99.7  
1984 — 97.0  
1983 — 94.9  
1982 — 99.1

5 YEAR  
COMBINED RATIO: 92.9  
(1982-1986)

#### ASSETS

(000 Omitted)

1987 — \$157,388\*  
1986 — \$159,568  
1985 — \$105,993  
1984 — \$ 48,719  
1983 — \$ 35,156  
1982 — \$ 36,171

#### LOSS RESERVES

(000 Omitted)

1987 — \$50,402\*  
1986 — \$46,243  
1985 — \$22,784  
1984 — \$ 9,150  
1983 — \$ 4,985  
1982 — \$ 4,455

\*Six months results ended June 30, 1987

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For Specialty Insurance Coverages

C

#### CC Systems/Minnesota

1200 Yankee Doodle Road, P.O.  
Box 64668, St. Paul, Minn. 55164;  
612-456-5940

**Year founded:** 1982.

**Parent company:** Blue Cross & Blue Shield of Minnesota.

**Services provided:** 100% claims administration.

**Region served:** Minnesota and surrounding states.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 50 clients, approximately \$25 million claims paid.

**Client mix:** Administration: 50 corporations. Health plans: 25,000 employees covered, approximately 40,000 dependents covered.

**Staff:** 35 total staff members, all of whom serve self-insured clients only.

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(202) 682-3800

### Continued from previous page Chandler & Associates Inc.

35 River St., Chagrin Falls, Ohio  
44022; 216-247-4315

**Year founded:** 1961.

**Services provided:** 97% claims administration, 3% other services.

**Region served:** Ohio.

**Specialty:** 98% health insurance, 1% flex compensation, 1% disability.

**Self-insured clients/claims:** Administration: 410 clients, \$14.2 million claims paid.

**Client mix:** Administration: 407 corporations, one multiemployer plan, one Taft-Hartley plan, one union-sponsored plan. Health plans: 19,300 employees covered, 29,000 dependents covered.

**Staff:** 23 total staff members, 21 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$1.2 million total, \$1.1 million from claim services.

**Principal officers:** Arthur W. Chandler, president; Rita P. Lehman, vp; Joyce A. Johnson, secretary/treasurer.

**Membership:** SPBA, SIIA.

### Claims & Risk Services (CARS)

P.O. Box 58961, Riyadh 11515,  
Saudi Arabia; 966-01-476-4077

**Year founded:** 1986.

**Services provided:** 100% claims administration.

**Region served:** Saudi Arabia and countries in the Persian Gulf.

**Staff:** 17 total staff members.

**Charges:** Administration: per claim.

**Branch offices:** Sales offices in Teddah and Al Khohar, Saudi Arabia.

**Principal officers:** Michael Lawrence, managing director; Jeffrey Herman and Issam Abu Issa, administrative managers.

**Membership:** National Assn. of Employee Benefit Administrators.

### Computer Claims Administration Inc.

1242 N. 28th, Billings, Mont.  
59101; 406-245-3575

**Year founded:** 1980.

**Services provided:** 100% claims administration.

**Region served:** Northwest.

**Specialty:** 85% health insurance, 14% flex compensation, 1% disability.

**Self-insured clients/claims:** Administration: 83 clients, \$5.7 million claims paid.

**Client mix:** Administration: 67 corporations, 14 public/government entities, two association plans. Health plans: 6,700 employees covered, 15,000 dependents covered.

**Staff:** Nine total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3.50-\$12.

**1987 gross revenues:** \$320,000 total, all from claim services.

**Branch offices:** Sales office in Miles City, Mont.

**Principal officers:** Frederick H. Larson, president; Nicki L. Larson, secretary/treasurer.

**Membership:** SPBA.

### Concept Administrators Inc.

9342 Tech Center Drive, Suite 600,  
Sacramento, Calif. 95826;  
916-364-7026

**Year founded:** 1979.

**Parent company:** Lincoln National Administrative Services Corp.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 95% health insurance, 5% flex compensation.

**Self-insured clients/claims:** Administration: 300 clients, \$40 million claims paid.

**Client mix:** Administration: 285 corporations, 10 public/government entities, five association plans. Health plans: 55,000 employees covered, 65,000 dependents covered.

**Staff:** 75 total staff members, 60 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$4-\$8.

**1987 gross revenues:** \$3.5 million total.

**Branch offices:** Administrative and sales office in Seattle. Additional

administrative offices in Redding, Calif.; Reno, Nev.

**Principal officers:** G. Roland Perry, president; Gary W. Goldberg, senior vp.

**Membership:** SPBA, SIIA, National Assn. of Employee Benefit Administrators.

### Control Data Benefit Services

2100 N. Greenville Ave.,  
Richardson, Texas 75081;  
214-437-7200

**Year founded:** Began offering claims administration services in 1980.

**Parent company:** Control Data Corp.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 99% health insurance, 1% dental review.

**Self-insured clients/claims:** Administration: 13 clients, \$91 million claims paid.

**Client mix:** Administration: 10 corporations, one multiemployer plan, one Taft-Hartley plan, one union-sponsored plan. Health plans: 92,500 employees covered, 186,000 dependents covered.

**Staff:** 165 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, per claim, per draft, percent of paid benefits, or combination of methods.

**1987 gross revenues:** \$6.2 million total.

**Branch offices:** Sales office in Minneapolis.

**Principal officers:** Alan S. Jones, director-operations; Russell Clark Jr., manager-operations/finance; Carl J. Dvorak, manager-data processing.

### Coordinated Benefits Systems Inc.

6301 Gaston Ave. Suite 550,  
Dallas, Texas 75214;  
214-821-6070

**Year founded:** 1986.

**Services provided:** 80% claims administration, 10% adjusting, 10% other services.

**Region served:** Nationwide.

**Specialty:** 85% health insurance, 5% flex compensation, 5% consulting, 3% disability, 2% life.

**Self-insured clients/claims:** Administration: 14 clients, \$13 million claims paid. Adjusting: one client; types of claims include health insurance.

**Client mix:** Administration: five corporations, four public/government entities, one multiemployer plan, one union-sponsored plan, one association plan. Adjusting: one corporation. Health plans: 20,000 employees covered, 20,000 dependents covered.

**Staff:** 20 total staff members, 19 of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$4-\$6. Adjusting: per employee, \$2-\$3.

**Branch offices:** Administrative and sales offices in Timonium, Md.; Orange, Calif.

**Principal officers:** Bernard DiFiore, president; Margaret B. Muse, vp.

### Thomas P. Corcoran- Consultant & Administrator

2354 Stanwell Drive, Concord,  
Calif. 94520; 415-798-2550

**Year founded:** 1968.

**Services provided:** 20% claims administration, 65% adjusting, 15% auditing.

**Region served:** Western states.

**Specialty:** 80% health insurance, 20% pensions.

**Self-insured clients/claims:** Administration: four clients, \$5.3 million claims paid.

**Client mix:** Administration: four Taft-Hartley plans. Health plans: 7,500 employees covered, 10,500 dependents covered.

**Staff:** 27 total staff members.

**Charges:** Administration: per employee per month, \$2.80-\$6.25.

**1987 gross revenues:** \$1.5 million total.

**Principal officers:** Thomas P. Corcoran, owner; Lynn Monday, vp-administration; Gino Roth, vp-claims; Dennis Monday, vp-data processing.

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 cessing; M. Kathleen Corcoran, vp-  
 accounting.  
**Membership:** SPBA.

**Corporate Diversified Services Inc.**  
 8805 Indian Hills Drive, Suite 100,  
 Omaha, Neb. 68114;  
 402-393-3133

**Year founded:** 1974.  
**Parent company:** Nebraska Blue  
 Cross & Blue Shield.

**Services provided:** 90% claims  
 administration, 10% other services.

**Region served:** Nebraska, Michi-  
 gan, Oklahoma, Texas and Califor-  
 nia.

**Specialty:** 90% health insurance,  
 10% disability.

**Self-insured clients/claims:** Ad-  
 ministration: 229 groups, \$7.4 million  
 claims paid.

**Client mix:** Administration: 228  
 corporations, one union-sponsored  
 plan. Health plans: 10,458 employees  
 covered.

**Staff:** 33 total staff members, 19 of  
 whom serve self-insured clients only.

**Charges:** Administration: per em-  
 ployee per month, \$2.45-\$5.50.

**1987 gross revenues:** \$519,825  
 total.

**Principal officers:** Richard Guf-  
 fey, president; Cheri Kowal, vp-operations;  
 Jerry Herbel, vp/treasurer;  
 Robert Henrichsen, vp-marketing.

**Membership:** SIIA, International  
 Foundation of Employee Benefit  
 Plans.

**Corporate Group Systems Inc.**  
 P.O. Box 5710, 32290 W. Five Mile  
 Road, Livonia, Mich. 48151-5710;  
 313-525-3600

**Year founded:** 1977.  
**Parent company:** Alexander &  
 Alexander Services Inc.

**Services provided:** 100% claims  
 administration.

**Region served:** Nationwide.

**Specialty:** 80% health insurance,  
 15% flex compensation, 5% disabili-  
 ty.

**Self-insured clients/claims:** Ad-  
 ministration: 45 clients, \$14 million  
 claims paid.

**Client mix:** Administration: 25  
 corporations, 20 public/government  
 entities. Health plans: 12,000 em-  
 ployees covered, 20,000 dependents  
 covered.

**Staff:** 200 total staff members, 25  
 of whom serve self-insured clients  
 only.

**Charges:** Administration: per em-  
 ployee per month.

**1987 gross revenues:** \$750,000  
 total, all from claims services.

**Branch offices:** Administrative  
 office in Northville, Mich. Sales of-  
 fices in Grand Rapids and Bay City,  
 Mich.

**Affiliated companies:** Alexsis  
 Inc., Corporate Service Inc.

**Principal officers:** Pete Proffer,  
 president; Don Fisher, vp/general  
 manager; Tim Ermatinger, secretary/  
 treasurer; Darwin Daniel, vp-mar-  
 keting/sales.

**Corporate Systems Administration Inc.**  
 3201 Bristol Highway, P.O. Box  
 1036, Johnson City, Tenn. 37601;  
 615-282-3420

**Year founded:** 1980.  
**Services provided:** 80% claims  
 administration, 20% other services.

**Region served:** East.

**Specialty:** 85% health insurance,  
 10% flex compensation, 5% other ser-  
 vices.

**Self-insured clients/claims:** Ad-  
 ministration: 18 clients, \$13.5 million  
 claims paid.

**Client mix:** Administration: cli-  
 ents include corporations,  
 public/government entities and Taft-  
 Hartley plans. Health plans: 12,600  
 employees covered, 22,000 depen-  
 dents covered.

**Staff:** 14 total staff members, nine  
 of whom serve self-insured clients  
 only.

**Charges:** Administration: per em-  
 ployee, \$4-\$7.

**Principal officers:** Thomas H. Re-  
 pass, president; Cecil Byers, vp;  
 Douglas M. Sizemore, secretary/tre-  
 asurer.

**Membership:** SPBA, SIIA, National  
 Assn. of Employee Benefit Ad-  
 ministrators.

**Corroon & Black Benefits Inc.**  
 P.O. Box 1280, 301 Plus Park  
 Blvd., Nashville, Tenn. 37202;  
 615-367-9707

**Year founded:** 1959.  
**Parent company:** Corroon &  
 Black Corp.

**Services provided:** 35% claims  
 administration, 65% other services.

**Region served:** Nationwide.

**Specialty:** 80% health insurance,  
 8% life, 7% disability, 5% pensions.

**Self-insured clients/claims:** Ad-  
 ministration: 75 clients, \$46 million  
 claims paid.

**Client mix:** Administration: 63  
 corporations, 11 public/government  
 entities, one union-sponsored plan.  
 Health plans: 30,000 employees cov-  
 ered, 75,000 dependents covered.

**Staff:** 397 total staff members, 52  
 of whom serve self-insured clients  
 only.

**Charges:** Administration: per em-  
 ployee per month, \$4-\$9.

**1987 gross revenues:** \$33 million  
 total.

**Branch offices:** Administrative

and sales office in Los Angeles.  
**Subsidiaries:** Blair Follin Allen &  
 Walker; Smith, Reed, Thompson &  
 Ellis.  
**Principal officers:** Donald King,  
 chairman; Richard Carpenter, presi-  
 dent; John Jackson, treasurer; Mi-  
 chael Vaughn, secretary.  
**Membership:** SPBA.

**D**

**DBL Services Inc.**  
 314 Broadway, St. Louis, Mo.  
 63102; 314-241-8665

**Year founded:** 1978.  
**Services provided:** 65% claims  
 administration, 32% auditing, 3% ad-  
 justing.

**Region served:** Midwest and mid-  
 dle-South states.

**Specialty:** 95% health insurance,  
 3% flex compensation, 2% disability.

**Self-insured clients/claims:** Ad-  
 ministration: 16 clients, approxi-  
 mately \$32 million claims paid. Au-

ditng: one project conducted.

**Client mix:** Administration: six  
 corporations, eight public/govern-  
 ment entities, one Taft-Hartley plan.  
 Auditing: one corporation. Health  
 plans: 32,000 employees covered,  
 14,000 dependents covered.

**Staff:** 42 total staff members, 35 of  
 whom serve self-insured clients only.

**Charges:** Administration and au-  
 diting: per employee per month.

**1987 gross revenues:** \$750,000  
 total.

**Principal officers:** Anne Landau,  
 president; Donald Boniface, vp-sales;  
 E. Edward Oquist, vp-analytical ser-  
 vices; Karen Maggio, vp-computer  
 services; H. Stephen Landau Jr.,  
 chairman.

**Membership:** SPBA, National  
 Assn. of Employee Benefit Adminis-  
 trators, Professional Insurance Mass-  
 Marketing Assn., International Foun-  
 dation of Employee Benefit Plans.

**The Daniel & Henry Co.**  
 100 N. Jefferson, St. Louis, Mo.  
 63103; 314-421-1525

**Year founded:** 1921.

**Services provided:** 100% claims  
 administration.

**Region served:** Nationwide.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Ad-  
 ministration: 29 clients.

**Client mix:** Administration: 25  
 corporations, one public/government  
 entity, three Taft-Hartley plans.

Health plans: 11,000 employees cov-  
 ered, 17,500 dependents covered.

**Staff:** 17 total staff members, 15 of  
 whom serve self-insured clients only.

**1987 gross revenues:** \$473,000  
 total, all from claim services.

**Principal officers:** C. Peyton  
 Daniel, president; C.S. Prew Jr.,  
 chairman; R.C. Mueller, treasurer;  
 John Childress, executive vp; J.A.  
 Harrison, senior vp.

**Diversified Group Brokerage Corp.**  
 369 N. Main St., P.O. Box 180,  
 Marlborough, Conn. 06447;  
 203-295-9583

**Year founded:** 1968.

*Continued on next page*

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 Phoenix, Arizona 85012  
 (602) 265-0681  
 1-800-433-6915

**Spotlight report***Continued from previous page***Services provided:** 35% claims administration, 65% other services.**Region served:** Connecticut, Massachusetts, Maine, New Hampshire, Vermont, Pennsylvania, Ohio, West Virginia and New York.**Specialty:** 95% health insurance, 2% flex compensation, 3% disability.**Self-insured clients/claims:** Administration: 420 clients, \$18 million claims paid.**Client mix:** Administration: 331 corporations, three public/government entities, 75 multiemployer plans, one union-sponsored plan. Health plans: 31,000 employees covered, 80,000 dependents covered.**Staff:** 75 total staff members, 57 of whom serve self-insured clients only.**Charges:** Administration: per employee per month, \$3.25-\$5.50.**1987 gross revenues:** \$4.3 million total, \$1.4 million from claim services.**Branch offices:** Sales offices in Norwell and Newberry, Mass.; Hamden, Conn.; Pittsburgh.**Subsidiaries:** Pioneer Management Systems Inc.**Principal officers:** Robert H. Souleau, president; Edward J. O'Brien, executive vp; Katherine Shea, vp-underwriting; Mary Armstrong, vp-administration; Duane C. Briskey, secretary/treasurer.**Membership:** SPBA, Connecticut Assn. of Third Party Administrators, National Assn. of Employee Benefit Administrators.**E****E.B.A. & M. Corp.**

31351 Via Colinas, Westlake Village, Calif. 91362; 805-497-4581

**Year founded:** 1974.**Services provided:** 100% claims administration.**Region served:** California.**Specialty:** 90% health insurance, 10% flex compensation.**Self-insured clients/claims:** Administration: 50 clients, \$12 million claims paid.**Client mix:** Administration: 50 corporations. Health plans: 8,100 employees covered, 6,000 dependents covered.**Staff:** 15 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per employee, \$5-\$9.50.**1987 gross revenues:** \$1.2 million total, all from claim services.**Principal officers:** Vern Gossen, president; Judith Gossen, secretary/treasurer.**Membership:** SIAA, National Assn. of Employee Benefit Administrators.**Eastern Benefit Systems Inc.**

200 Freeway Drive E., East Orange, N.J. 07018; 201-676-3333; 800-524-0227

**Year founded:** 1980.**Parent company:** W.S. Vogel Agency Inc.**Services provided:** 100% claims administration.**Region served:** Nationwide.**Specialty:** 90% health insurance, 5% flex compensation, 5% disability.**Self-insured clients/claims:** Administration: 32 clients, \$60 million claims paid.**Client mix:** Administration: 30 corporations, two public/government entities. Health plans: 42,000 employees covered, 105,000 dependents covered.**Staff:** 51 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per employee per month.**1987 gross revenues:** \$2 million total, all from claim services.**Subsidiaries:** Central Benefit Systems Inc.**Principal officers:** William E. Vogel, chief executive officer; Antonio Lim, president; Dominick D. Fanuele, vp-marketing.**Membership:** SPBA.**Employee Benefit Claims of Wisconsin Inc.**

5235 N. Ironwood Road, P.O. Box 17200, Milwaukee, Wis. 53217; 414-962-1766

**Year founded:** 1977.**Parent company:** SAFECO Administrative Services.**Services provided:** 100% claims

administration.

**Region served:** Midwest.**Specialty:** 100% health insurance.**Self-insured clients/claims:** Administration: 400 clients, \$48 million claims paid.**Client mix:** Administration: 375 corporations, 19 public/government entities, two multiemployer plans, two union-sponsored plans, two association plans. Health plans: 30,000 employees covered, 60,000 dependents covered.**Staff:** 65 total staff members, 31 of whom serve self-insured clients only.**Charges:** Administration: percent of claims paid.**Branch offices:** Administrative office in Appleton, Wis.**Principal officers:** John Feith, president; John A. Feith, vp; M.J. Gscheidmeier, secretary/treasurer.**Membership:** SIAA.**Employee Benefit Management Corp.**

4789 Rings Road, Columbus, Ohio 43017; 614-766-5300

**Year founded:** 1959.**Services provided:** 75% claims administration, 25% other services.**Region served:** Midwest and eastern United States.**Specialty:** 90% health insurance, 5% pensions, 3% disability, 2% flex compensation.**Self-insured clients/claims:** Administration: 141 clients, \$68 million claims paid.**Client mix:** Administration: 130 corporations, three multiemployer plans, five Taft-Hartley plans, three association plans. Health plans: 45,000 employees covered.**Staff:** 94 total staff members, 89 of whom serve self-insured clients only.**Charges:** Administration: per employee per month, \$4.50-\$7.50.**1987 gross revenues:** \$3.7 million total, \$2.8 million from claim services.**Branch offices:** Administrative office in Indianapolis.**Principal officers:** R.G. Means chairman; T.C. Jack, president; M.S. White, vp; R.C. Cummings, vp.**Membership:** SPBA, SIAA, National Assn. of Employee Benefit Administrators, International Founda-

tion of Employee Benefit Plans.

**Employee Benefit Plans Inc.**

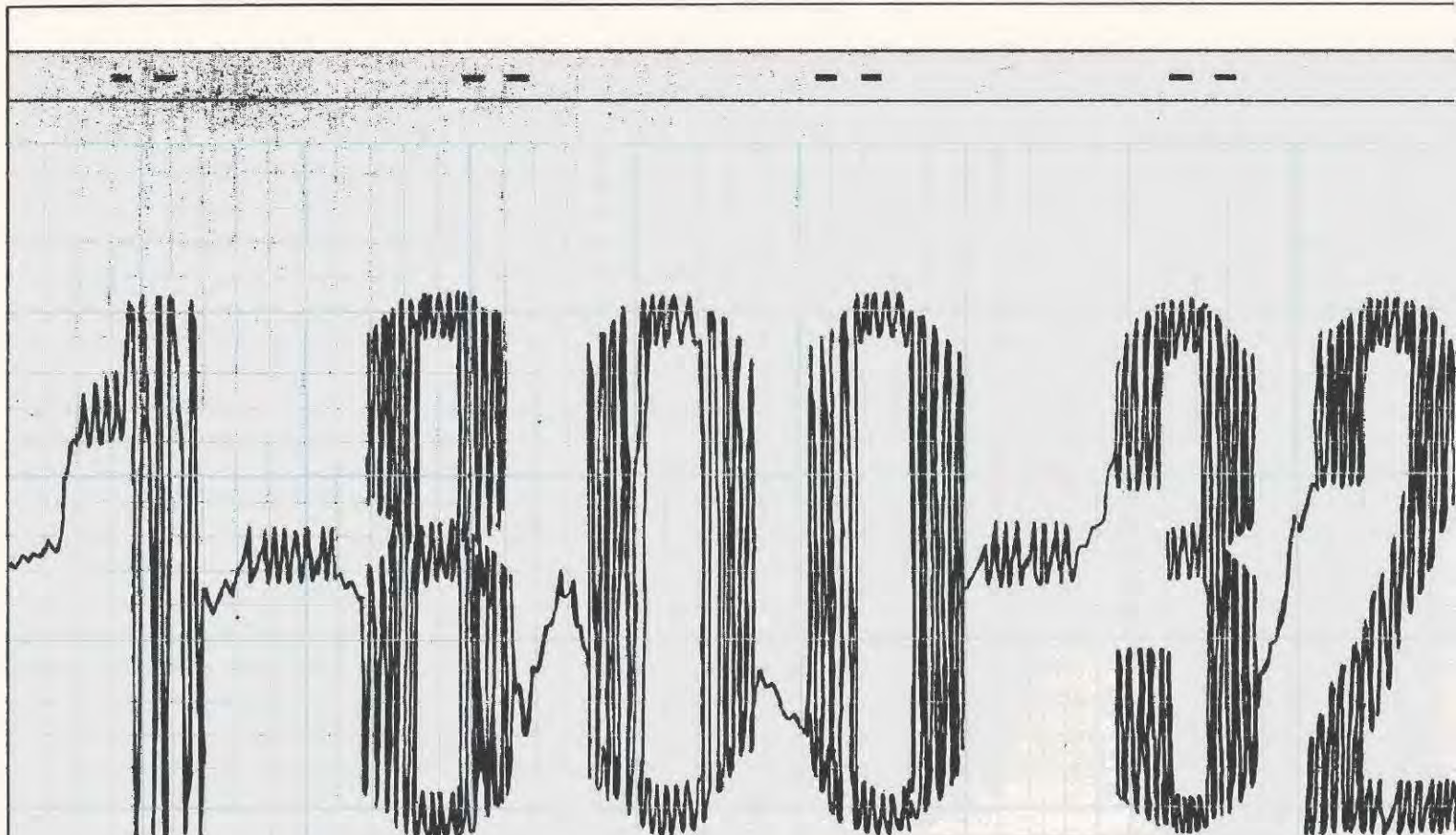
435 Forc Road, Suite 500, Minneapolis, Minn. 55426; 612-546-4353

**Year founded:** 1974.**Parent company:** Summit Ventures.**Services provided:** 51% claims administration, 49% other services.**Region served:** Nationwide.**Specialty:** 100% health insurance.**Self-insured clients/claims:** Administration: 3,025 clients, \$375 million claims paid.**Client mix:** Administration: 1,879 corporations, 1,119 public/government entities, six multiemployer plans, four Taft-Hartley plans, 17 association plans. Health plans: 268,000 employees covered, 402,000 dependents covered.**Staff:** 560 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: percent of paid claims, 4%-6%; per employee,

\$4-\$7.

**1987 gross revenues:** \$30.4 million total, \$15.6 million from claim services.**Branch offices:** Administrative and sales offices in Austin, Dallas, Houston and Galveston, Texas; Chicago; Miami; Philadelphia; Seattle and Spokane, Wash.; Billings, Mont.; San Francisco, Costa Mesa and Fresno, Calif.; Sioux Falls, S.D.; Tulsa, Okla.**Subsidiaries:** Comprehensive Benefit Services Co. Inc., Insurance Management Administrators Inc.**Principal officers:** William Sagan, president/chief executive officer; Robert Brook, vp-marketing; Tom Toussaint, vp-underwriting; Michael Bedessem, controller; Henry Helgen III, vp/general counsel.**Membership:** SPBA.**Employee Group Services Ltd.**

888 10th St., Marion, Iowa 52302; 319-373-1401

**Year founded:** 1980.*Continued on facing page*

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**Services provided:** 90% claims administration, 8% adjusting, 2% auditing.

**Region served:** Midwest.

**Specialty:** Health insurance, flex compensation, disability and life.

**Self-insured clients/claims:** Administration: 90 clients, Adjusting: types of claims include medical, dental, vision. Auditing: 45 projects conducted.

**Client mix:** Administration: 89 corporations and public/government entities, one union-sponsored plan.

**Charges:** Administration: per employee. Adjusting and auditing: by the hour.

**Branch offices:** Administrative office in Cedar Rapids, Iowa.

**Principal officers:** John R. Ver Hulst, president; Jerald Ver Hulst, vp.

**Membership:** SPBA.

**Employee Services Inc.**

120 S. Indiana Ave., P.O. Box 1610, Sioux Falls, S.D. 57101; 605-336-2457

**Parent company:** Lincoln Na-

tional Administrative Services Corp. **Services provided:** 80% claims administration, 20% other services.

**Region served:** Upper Midwest.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 40 clients, \$11 million claims paid.

**Client mix:** Administration: 38 corporations, two public/government entities. Health plans: 10,500 employees covered.

**Staff:** 26 total staff members, all whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$600,000 total.

**Principal officers:** John Timmer, president; Marvin E. Jensen, vp/comptroller; Phil Hegg, vp-marketing; Deborah K. Hinde, vp-claims.

**Membership:** SPBA.

**Executive & Employee Benefit Plans Inc.**

2025 Riverside Drive, Columbus, Ohio 43221; 614-481-8391

**Year founded:** 1959.

**Parent company:** Community Mutual Insurance Co.

**Services provided:** 75% claims administration, 25% other services.

**Region served:** Nationwide.

**Specialty:** 97% health insurance; 3% disability.

**Self-insured clients/claims:** Administration: 78 clients, \$120.4 million claims paid.

**Client mix:** Administration: 76 corporations, one public/government entity, one association plan. Health plans: 50,640 employees covered.

**Staff:** 80 total staff members, 75 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month based on percent of claims paid.

**1987 gross revenues:** \$3.9 million total.

**Branch offices:** Administrative offices in Cleveland; Houston; Vienna, Va. Sales office in Vienna, Va.

**Principal officers:** Dwane R. Houser, president; Diana L. Hilmer, senior vp; C.J. Wintersteller, vp; Jayne O'Mera, director-claims; Brenda L. Brown, director-finance/

quality assurance. **Membership:** SIIA.

**F**

**FCS Health Benefit Administration**

P.O. Box 308, Grand Island, N.Y. 14072; 716-773-1143

**Year founded:** 1984.

**Parent company:** Hollis Boss Agency Inc.

**Services provided:** 95% claims administration, 5% other services.

**Region served:** Northeastern United States.

**Specialty:** 100% health insurance. **Self-insured clients/claims:** Administration: 25 clients.

**Client mix:** Administration: nine corporations, 14 public/government entities, one multiemployer plan, one association plan.

**Staff:** 18 total staff members, all of

whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3.75-\$7.

**1987 gross revenues:** \$550,000 total.

**Branch offices:** Administrative and sales office in Springfield, Pa.

**Principal officers:** Hollis Boss, president; Larry Thompson, vp.

**Membership:** SPBA.

**The J.P. Farley Corp.**

24600 Center Ridge Road, Suite 425, Westlake, Ohio 44145; 216-871-6800

**Year founded:** 1982.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Midwest.

**Specialty:** 90% health insurance, 5% flex compensation, 5% disability.

**Self-insured clients/claims:** Administration: 18 clients, \$8 million claims paid.

**Client mix:** Administration: 16 corporations, one Taft-Hartley plan, one association plan. Health plans: 6,500 employees covered, 12,000 dependents covered.

**Staff:** 15 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3-\$11.

**1987 gross revenues:** \$600,000 total, \$480,000 from claim services.

**Principal officers:** James P. Farley, president; Coral E. Farley, secretary/treasurer.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

**Financial Insurance Service Consultants Inc.**

2603 W. 22nd St., Suite 22, Oak Brook, Ill. 60521; 312-571-7500

**Year founded:** 1977.

**Parent company:** Delta Financial Corp.

**Services provided:** 100% claims administration.

**Region served:** Midwest.

**Specialty:** 99% health insurance, 1% life.

**Self-insured clients/claims:** Administration: 710 clients, \$27 million claims paid.

**Client mix:** Administration: 10 corporations, two multiemployer plans. Health plans: 19,000 employees covered, 9,500 dependents covered.

**Staff:** 17 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$2.50-\$8.

**1987 gross revenues:** \$1.8 million from claim services.

**Principal officers:** Douglas M. Rothery, vp; Shirley Pych, assistant vp.

**Membership:** SPBA, SIIA.

**First American Administrative Services**

602 Mount Rushmore Road, P.O. Box 8150, Rapid City, S.D. 57709; 605-343-2509

**Year founded:** 1983.

**Parent companies:** Dobbs Inc. and First American Systems Inc.

**Services provided:** 100% claims administration.

**Region served:** South Dakota and Wyoming.

**Specialty:** 99% health insurance, 1% flex compensation.

**Self-insured clients/claims:** Administration: 23 clients, \$3.9 million claims paid.

**Client mix:** Administration: two corporations, 15 public/government entities, six association plans. Health plans: 3,200 employees covered, 3,000 dependents covered.

**Staff:** Six total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3-\$7.

**1987 gross revenues:** \$212,000 total, all from claim services.

**Branch offices:** Administrative office in Cheyenne, Wyo.

**Principal officers:** Joe Dobbs, president; Cheryl Trulson, administrative manager; Glenda Schweigert, claim manager.

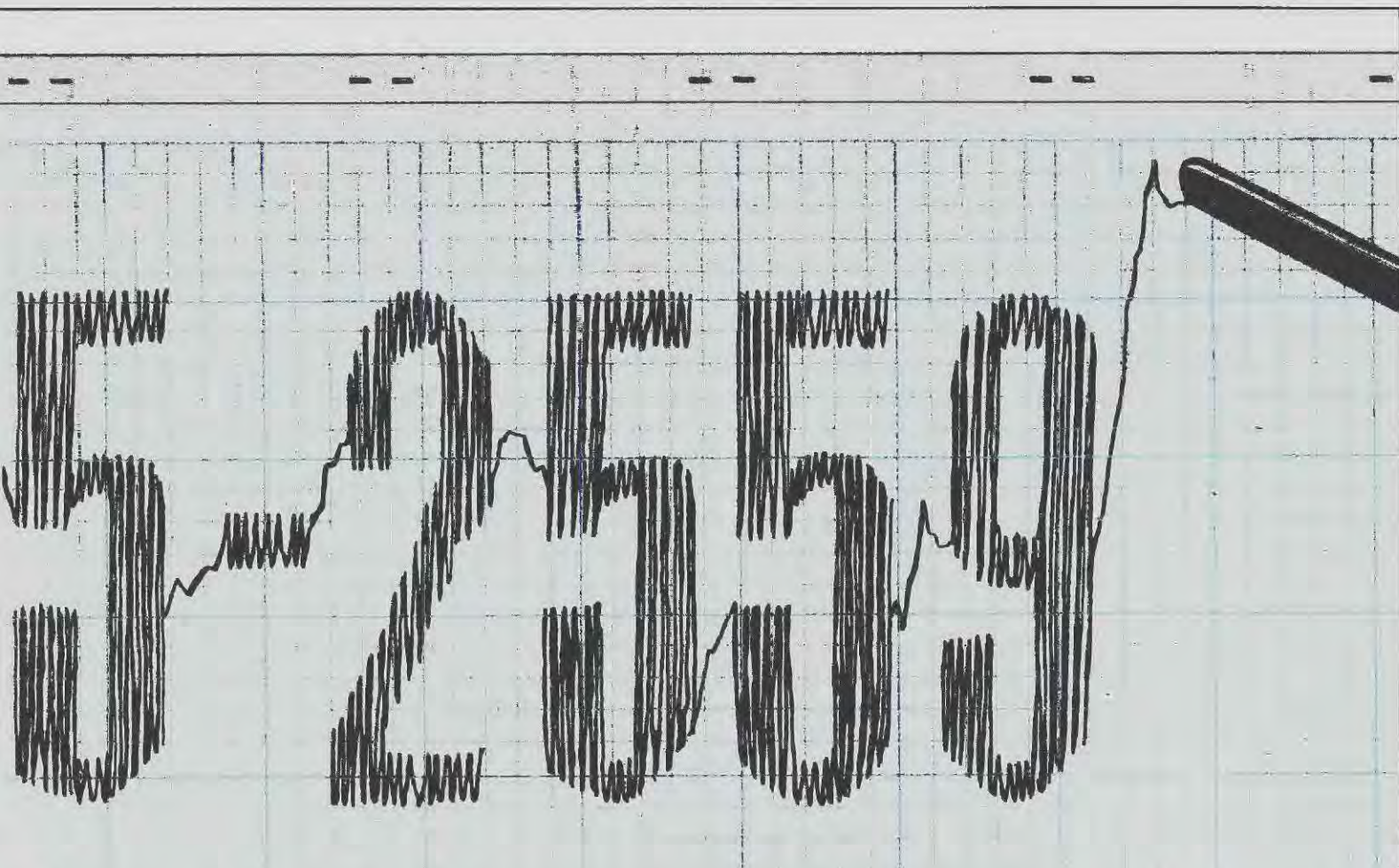
**Membership:** SPBA.

**First Benefits Agency Inc.**

3636 Copley Road, Suite 201, P.O. Box 4138, Akron, Ohio 44321; 216-666-0337

**Year founded:** 1980.

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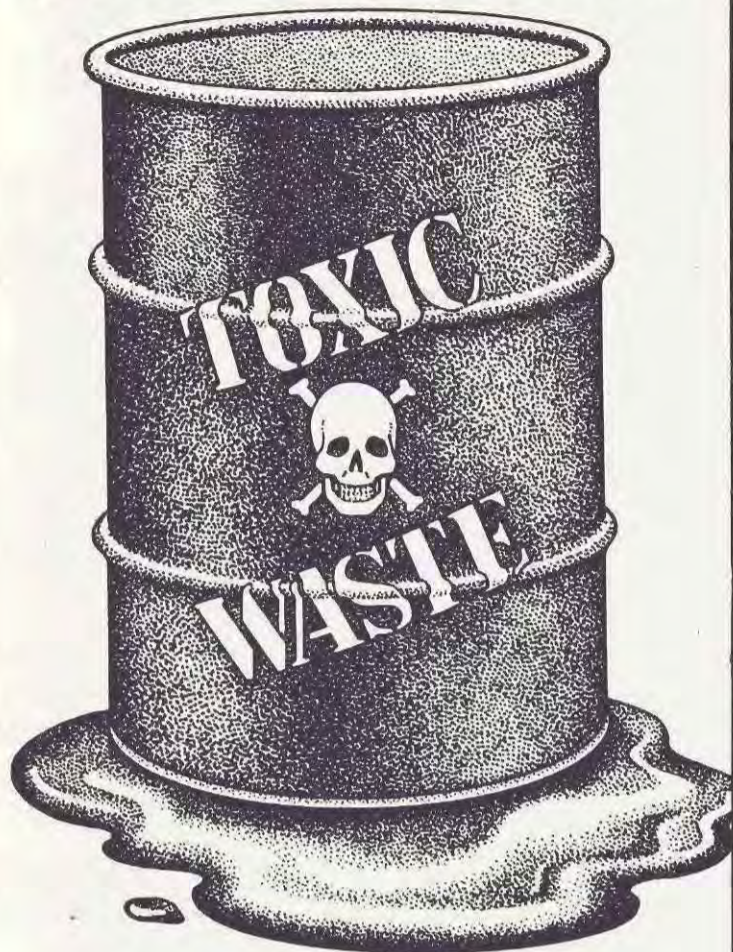
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# It Pays to Have the Facts



If there's a spill at your dump site, others are likely to assume your company's at fault. That's why, before the summons arrives, you should make one phone call:

Countrywide Services, 314/878-3306.

Our professional investigators have at least 10 years' experience each. They'll be swiftly assigned to find facts vital to your defense.

For example: Is the EPA RI/FS adequate? Who else was using the dump site? Is apportionment possible?

Perhaps your company is not responsible after all. Or perhaps responsibility should be divided among several companies. In either event, our investigation would prove very worth your while.

We provide complete claims management services to major self-insured manufacturers throughout the world. Please keep our phone number handy.

Let others assume what they will. We'll arm you with the facts.



## Countrywide Services Corporation

Specializing in product liability claims management.

11933 Westline Drive, St. Louis, MO 63141, 314/878-3306

Continued from previous page

**Services provided:** 75% claims administration, 10% adjusting, 10% auditing, 5% other services.

**Region served:** Nationwide.

**Specialty:** 60% health insurance, 18% pensions, 15% life, 5% disability, 2% flex compensation.

**Self-insured clients/claims:** Administration: 261 clients, \$50 million claims paid.

**Client mix:** Administration: 85 corporations, 50 public/government entities, four multiemployer plans, 110 Taft-Hartley plans, 10 union-sponsored plans, two association plans. Health plans: 104,000 employees covered, 82,000 dependents covered.

**Staff:** 95 total staff members, 85 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$4 million total.

**Branch offices:** Administrative offices in Canton, Columbus, Copley, Mansfield and Youngstown, Ohio; Southfield, Mich.; Tallahassee, Fla.; Chicago; Dallas. Sales offices in Columbus and Youngstown, Ohio; Southfield, Mich.; Cape Coral and Tallahassee, Fla.; Chicago; Dallas.

**Subsidiaries:** First Benefits Inc. of Florida, First Ohio Preferred.

**Principal officers:** Robert C. Frazier, president; Richard B. Linn, vp/treasurer; Charles Mazingo, Albert Goetz, Edward Dunlavy and Edward Tolley, vps.

**Membership:** SPBA, International Foundation of Employee Benefit Plans.

### First Fund Insurance Administrators Inc.

17811 Fitch St., Irvine, Calif. 92713; 714-863-0660

**Year founded:** 1972.

**Parent company:** MSI Insurance. **Services provided:** 75% claims administration, 25% other services.

**Region served:** California.

**Specialty:** 100% health insurance. **Self-insured clients/claims:** Administration: 100 clients, \$35 million claims paid.

**Client mix:** Administration: 100 corporations. Health plans: 16,000 employees covered, 40,000 dependents covered.

dents covered.

**Staff:** 50 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$2 million total.

**Principal officers:** Peter H. Hokanson, vp/chief operating officer.

**Membership:** SPBA, SIIA.

### Fox-Everett Inc.

P.O. Box 188, Jackson, Miss. 39205; 601-969-2000

**Year founded:** 1945.

**Services provided:** 75% claims administration, 25% other services.

**Region served:** Nationwide.

**Specialty:** 95% health insurance, 5% flex compensation.

**Self-insured clients/claims:** Administration: 20 clients, \$18 million claims paid.

**Client mix:** Administration: 13 corporations, six public/government entities, one multiemployer plan. Health plans: 15,000 employees covered, 31,000 dependents covered.

**Staff:** 12 employee benefit department staff members, 10 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$4-\$5.

**1987 gross revenues:** \$825,000 total, \$625,000 from claim services.

**Branch offices:** Sales office in Gulfport, Miss.

**Principal officers:** Carl J. Bush, president; John F. Anderson Jr., executive vp; W.E. Kinchen, vp-administration/secretary; W.H. Mathison III, vp-marketing; C. Larry Vance, treasurer/vp-finance; Robert B. Smith, manager-employee benefits department.

**Membership:** SIIA.

### Fringe Benefit Review Inc.

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

**Year founded:** 1978.

**Services provided:** 50% claims administration, 5% adjusting, 5% auditing, 40% other services.

**Region served:** Nationwide.

**Specialty:** 80% health insurance, 10% disability, 5% flex compensation, 5% life.

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**Self-insured clients/claims:** Administration: 75 clients, \$35 million claims paid.

**Client mix:** Administration: 70 corporations, five public/government entities. Health plans: 50,000 employees covered, 100,000 dependents covered.

**Staff:** 97 total staff members, 85 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$2-\$6.

**1987 gross revenues:** \$3.5 million total.

**Branch offices:** Administrative and sales offices in Raleigh, N.C.; Atlanta. Additional administrative office in High Point, N.C.

**Principal officers:** F. Richard Atkinson, president; W. James Michelsen, vp; Jerry Castelloe, vp/chief operating officer.

**Membership:** SPBA, SIIA.

## G

### General Insurance Exchange Agency Inc.

78 Maple Drive, P.O. Box 1449, Hudson, Ohio 44236; 216-656-2300

**Year founded:** 1964.

**Services provided:** 95% claims administration, 5% other services.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 5% flex compensation, 5% disability.

**Self-insured clients/claims:** Administration: 17 clients, \$6.5 million claims paid.

**Client mix:** Administration: eight corporations, two public/government entities, two Taft-Hartley plans, three union-sponsored plans, two association plans. Health plans: 4,500 employees covered, 11,130 dependents covered.

**Staff:** Seven total staff members, six of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$1.25-\$7.80.

**Branch offices:** Sales offices in New York and Buffalo, N.Y.

**Principal officers:** James M. Tetreault, president/chief executive officer.

**Membership:** National Assn. of Employee Benefit Administrators.

### Genelco Inc.

1600 S. Brentwood, St. Louis, Mo. 63144; 314-962-2040

**Year founded:** 1973.

**Parent company:** General American Life Insurance Co.

**Services provided:** 75% claims administration, 10% adjusting, 15% auditing.

**Region served:** Nationwide.

**Specialty:** 80% health insurance, 10% flex compensation, 10% disability.

**Self-insured clients/claims:** Administration: 86 clients, \$110 million claims paid. Auditing: two projects conducted.

**Client mix:** Administration: 78 corporations, four public/government entities, one Taft-Hartley plan, two union-sponsored plans. Auditing: one Taft-Hartley plan. Health plans: 62,000 employees covered, 91,000 dependents covered.

**Staff:** 126 total staff members, 78 of whom serve self-insured clients only.

**Charges:** Administration: fixed rate per employee. Auditing: flat hourly rate.

**1987 gross revenues:** \$10 million total.

**Branch offices:** Administrative and sales offices in Philadelphia, Denver.

**Subsidiaries:** Inscor.

**Principal officers:** David B. Johnson, president; Russell E. Korte, executive vp; Ben C. Allen, senior vp; Larry M. Amundsen, vp-marketing/sales.

**Membership:** SIIA.

### Group Plans Inc.

4750 Ashwood Drive, P.O. Box 42124, Cincinnati, Ohio 45242; 513-530-5533

**Year founded:** 1979.

**Services provided:** 90% claims administration, 10% other services.

**Region served:** Midwest, West and Southwest.

**Specialty:** 85% health insurance,

Continued on facing page

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10% flex compensation, 5% disability.

**Self-insured clients/claims:** Administration: 90 clients, \$45 million claims paid.

**Client mix:** Administration: 85 corporations, two multiemployer plans, one union-sponsored plan, two association plans. Health plans: 25,000 employees covered, 87,500 dependents covered.

**Staff:** 36 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$1.5 million from claim services.

**Branch offices:** Administrative and sales office in Irvine, Calif. Additional administrative office in Cuyahoga Falls, Ohio.

**Principal officers:** Larry Sheakley, president/chief executive officer; Raymond Sheakley, secretary/treasurer; Bill Weatherholt, vp/general manager.

**Membership:** SIIA.

#### Group Services & Administration Inc.

3113 Classen, Suite 4, Oklahoma City, Okla. 73118; 405-528-4400

**Year founded:** 1980.

**Services provided:** 90% claims administration and auditing, 10% other services.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 5% disability, 5% life.

**Self-insured clients/claims:** Administration: 26 clients, \$750,000 claims paid. Auditing: two projects conducted.

**Client mix:** Administration: 24 corporations, two public/government entities. Health plans: 2,730 employees covered.

**Staff:** Six total staff members, three of whom serve self-insured clients only.

**Charges:** Administration: per employee. Auditing: flat fee.

**1987 gross revenues:** \$275,000 total.

**Principal officers:** Ron Stephenson, president; Gary Stephenson, vp; R. Denning Crowe, secretary/treasurer.

#### Group Services Administrators Inc.

30 Montgomery St., Jersey City, N.J. 07302; 201-433-7360; 212-349-2699

**Year founded:** 1955.

**Services provided:** 90% claims administration, 5% auditing, 5% other services.

**Region served:** New Jersey and New York.

**Specialty:** 95% health insurance, 4% life, 1% disability.

**Self-insured clients/claims:** Administration: 32 clients, \$25 million claims paid.

**Client mix:** Administration: three corporations, one public/government entity, one multiemployer plan, 26 Taft-Hartley plans, one association plan. Health plans: 60,000 employees covered, 135,000 dependents covered.

**Staff:** 25 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month. Auditing: included in administration charges.

**1987 gross revenues:** \$950,000 total, \$900,000 from claim services.

**Principal officers:** Robert C. Gerald, president; Edward F. Comerford, vp.

**Membership:** SPBA, International Foundation of Employee Benefit Plans, New Jersey Assn. of Third Party Administrators.

**H**

#### Harden & Co. Insurance Services Inc.

2552 Stanwell Drive, Suite 105, Concord, Calif. 94520; 415-682-7707

**Year founded:** 1974.

**Parent company:** Anchor Pacific Underwriters Inc.

**Services provided:** 100% claims administration.

**Region served:** California, Oregon and Nevada.

**Specialty:** 97% health insurance, 2% life, 1% disability.

**Self-insured clients/claims:** Administration: 125 clients, \$30 million claims paid.

**Client mix:** Administration: 125 corporations. Health plans: 17,400 employees covered, 43,500 dependents covered.

**Staff:** 45 total staff members, 23 of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$6.25-\$11.50.

**1987 gross revenues:** \$2.1 million total.

**Principal officers:** James R. Dunathan, president/chief executive officer; Earl Wiklund and Bette Brent, senior vps; Deborah Castellucci, director.

**Membership:** SPBA, Independent Administrators Assn. of California.

#### Health Care Administrators Inc.

10333 N. Meridian, Suite 230, Indianapolis, Ind. 46290; 317-843-2092

**Year founded:** 1985.

Continued on next page

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## TIME DOESN'T HEAL ALL WOUNDS



Continued from previous page

**Parent company:** L.L. Holding Corp.**Services provided:** 98% claims administration and adjusting, 2% auditing.**Region served:** Nationwide.**Specialty:** 95% health insurance, 5% disability.**Self-insured clients/claims:** Administration: 14 clients, \$4.5 million claims paid. Adjusting: 13 clients; types of claims include medical, dental, vision. Auditing: four projects conducted.**Client mix:** Administration: 14 corporations. Health plans: 4,800 employees covered, 11,400 dependents covered.**Staff:** 11 total staff members, 10 of whom serve self-insured clients only.**Charges:** Administration: per employee. Adjusting and auditing: by the hour.**Branch offices:** Administrative and sales office in Lafayette, Ind.**Principal officers:** R.M. Whitsel, president; T. Anderson, executive vp; Charles D. Calvi Jr., vp; C. Epps, director-administration.**Membership:** SPBA, SIIA, International Foundation of Employee Benefit Plans.**Health Claims Administration Inc.**

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

**Year founded:** 1977.**Services provided:** 100% claims administration.**Region served:** Nationwide.**Specialty:** 98% health insurance, 2% disability.**Self-insured clients/claims:** Administration: 100 clients, \$30 million claims paid.**Client mix:** Administration: 24 corporations, 70 public/government entities, six multiemployer plans. Health plans: 15,000 employees covered, 25,000 dependents covered.**Staff:** 40 total staff members.**Charges:** Administration: per employee per month, \$3.50-\$7.**1987 gross revenues:** \$1.5 million total.**Subsidiaries:** George T. Relyea

C.L.U. &amp; Associates, The Metabasis Group.

**Principal officers:** George T. Relyea, president; James Relyea and John Lorenz, vps.**Health Plan Administrators**

P.O. Box 3169, Danbury, Conn. 06813; 203-794-1703

**Year founded:** 1984.**Services provided:** 95% claims administration, 5% other services.**Region served:** Nationwide.**Specialty:** 99% health insurance, 1% flex compensation.**Self-insured clients/claims:** Administration: 59 clients, \$12 million claims paid.**Client mix:** Administration: seven corporations, 20 public/government entities, two Taft-Hartley plans, 30 union-sponsored plans. Health plans: 23,000 employees covered, 69,000 dependents covered.**Staff:** 19 total staff members, eight of whom serve self-insured clients only.**Charges:** Administration: per employee per month, \$1.75.**Principal officers:** Roy Mordhorst, president.**Membership:** Connecticut Assn. of Third Party Administrators.**HealthFlex**

600 Suffolk St., Lowell, Mass. 01854; 617-937-8100

**Year founded:** 1985.**Parent company:** Blue Cross & Blue Shield of Massachusetts.**Services provided:** 80% claims administration, 10% adjusting, 10% auditing.**Region served:** Nationwide.**Specialty:** 60% health insurance, 25% flex compensation, 10% disability, 5% life.**Self-insured clients/claims:** Administration: 20 clients.**Client mix:** Administration: 12 corporations, four public/government entities, two union-sponsored plans, two association plans. Health plans: 12,000 employees covered, 25,000 dependents covered.**Staff:** 50 total staff members, 40 of whom serve self-insured clients only.**Charges:** Administration: per employee per month.**Branch offices:** Sales offices in Boston, New Bedford, Springfield and Worcester, Mass.**Principal officers:** Jim Kane, director-marketing; Ed Esposito, director-operations; Dick Twomey, sales manager.**HealthKeepers**

11205 Wright Circle, Suite 210, Omaha, Neb. 68144; 402-330-7667

**Year founded:** 1986.**Parent company:** Resource Ventures Corp.**Services provided:** 100% claims administration.**Region served:** Midwest.**Specialty:** 50% health insurance, 50% flex compensation.**Staff:** 12 total staff members, 10 of whom serve self-insured clients only.**Charges:** Administration: per employee.**Branch offices:** Sales office in Lincoln, Neb.**Principal officers:** Linus G. Humpal; executive vp; Mary Simard, vp-operations; Lolly Hetherington, vp-sales.**Membership:** National Assn. of Employee Benefit Administrators.**Heller Associates**

2787 Bristol St., Costa Mesa, Calif. 92626; 714-549-7052

**Year founded:** 1980.**Services provided:** 60% claims administration, 40% other services.**Region served:** Costa Mesa, Riverside and Pasadena, Calif.**Specialty:** 60% health insurance; 40% pensions, flex compensation, disability and life.**Client mix:** Administration clients include corporations, public/government entities, multiemployer plans, Taft-Hartley plans, union-sponsored plans, association plans. Health plans: 30,000 employees covered, 70,000 dependents covered.**Charges:** Administration: per employee.**Branch offices:** Administrative offices in Riverside and Pasadena, Calif.**Principal officers:** Frank Heller,

president; Phillip R. Steffensen, executive vp; Sharon Donovan and Charles Jackson, senior vps; Boris Wlasoff, vp.

**Membership:** SPBA, SIIA, National Assn. of Employee Benefit Administrators.**Hospital Benefits Inc.**

1771-A Lelia Drive, P.O. Box 16989, Jackson, Miss. 39236; 601-981-5741

**Year founded:** 1978.**Services provided:** 100% claims administration.**Region served:** Nationwide.**Specialty:** 89% health insurance, 8% life, 3% disability.**Self-insured clients/claims:** Administration: 41 clients, \$4.5 million claims paid.**Client mix:** Administration: 25 corporations, 16 public/government entities. Health plans: 3,400 employees covered, 6,700 dependents covered.**Staff:** Nine total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per employee, \$2-\$9.**1987 gross revenues:** \$478,000 total, all from claim services.**Subsidiaries:** Alternate Benefits Corp.**Principal officers:** Ralph Brewster, president; Betty Brewster and Barbara Williams, vps; Vern Boothe, vp/treasurer.**Membership:** SPBA, Jackson Assn. of Health Underwriters.**Challenge #1**

*Candy Hallett, VP—Underwriting, when asked what LDG does best, said "Just about anything to do with people insurance or reinsurance." Come now, "Candy, that covers a lot of ground. Can you back it up?"*



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total.

**Principal officers:** Ken E. Wells, chief executive officer; Joanna Rudge and Joan Ramos.**Membership:** SPBA, SIIA, National Assn. of Employee Benefit Administrators.**Insurance Benefit Administrators Inc.**

5600 S. Wolf Road, Western Springs, Ill. 60558; 312-246-4900; 800-232-4343

**Year founded:** 1969.**Services provided:** 100% claims administration.**Region served:** Nationwide.**Specialty:** 95% health insurance, 3% disability, 2% life.**Self-insured clients/claims:** Administration: 87 clients, \$9.2 million claims paid.**Client mix:** Administration: 87 corporations.**Staff:** 123 total staff members, 16 of whom serve self-insured clients only.**Charges:** Administration: per employee per month, \$4.50-\$8.**Branch offices:** Sales offices in Minneapolis, St. Louis, Philadelphia.**Principal officers:** Fran Gaik, president; Casey Gaik, chairman; Harry Pavelq, controller.**Membership:** SIIA, Professional Insurance Mass-Marketing Assn.**Insurance Design Administrators**

3 Post Road, Oakland, N.J. 07436; 201-337-0555

**Year founded:** 1984.**Services provided:** 95% claims administration, 5% other services.**Region served:** Nationwide.**Specialty:** 99% health insurance, 1% flex compensation.**Self-insured clients/claims:** Administration: 60 clients, \$9.6 million claims paid.**Client mix:** Administration: 51 corporations, nine public/government entities. Health plans: 13,000 employees covered, 30,000 dependents covered.**Staff:** 20 total staff members, 16 of whom serve self-insured clients only.**Charges:** Administration: flat fee per employee, \$3-\$6.**1987 gross revenues:** \$780,000 total.**Branch offices:** Sales office in Ramsey, N.J.**Principal officers:** Russell P. Minetti, chief executive officer; Joseph Henly, vp-sales/marketing; Stewart J. English, vp-finance.**Membership:** SPBA, SIIA, New Jersey Assn. of Third Party Administrators.**Insurance Services Inc.**

3015 E. Central, Wichita, Kan. 67214-4894; 316-686-3373

**Year founded:** 1977.**Services provided:** 100% claims administration.**Region served:** Nationwide.**Specialty:** 100% health insurance.**Self-insured clients/claims:** Administration: 19 clients, \$4.5 million claims paid.**Client mix:** Administration: 19 corporations. Health plans: 4,500 employees covered, 9,100 dependents covered.**Staff:** 10 total staff members, six of whom serve self-insured clients only.**Charges:** Administration: per employee, \$5.50-\$10.**1987 gross revenues:** \$300,000 total.**Principal officers:** Alvin F. Salle, chairman; Tillie D. Salle, president; Marc Salle, secretary; Dorothy McMinnville, treasurer.**Membership:** SPBA.**JAS Inc.**

2589 S. Main, Suite 200, Salt Lake City, Utah 84115; 801-487-0743

**Year founded:** 1986.**Services provided:** 75% claims administration, 5% adjusting, 5% auditing, 15% other services.**Region served:** Nationwide.**Specialty:** 70% health insurance, 20% pensions, 5% flex compensation, 5% disability.

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**K**

**Continued from facing page**  
**Self-insured clients/claims:** Administration: 12 clients, \$15 million claims paid. Adjusting: two clients. Auditing: two projects conducted.  
**Client mix:** Administration: one corporation, 11 multiemployer plans. Health plans: 12,000 employees covered, 25,000 dependents covered.  
**Staff:** 28 total staff members, all of whom serve self-insured clients only.  
**Charges:** Administration: per employee, \$8-\$12.  
**Principal officers:** Scott N. Sheffield, operations manager.  
**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

**Jardine Emett & Chandler-Affinity Group Services**  
 433 State St., Schenectady, N.Y. 12305; 518-381-1600

**Year founded:** 1982.  
**Parent company:** Jardine Emett & Chandler Inc.  
**Services provided:** 100% claims administration.  
**Region served:** Nationwide.  
**Specialty:** 80% health insurance, 20% disability.  
**Client mix:** Administration: 10 Taft-Hartley plans, one union-sponsored plan. Health plans: 280,000 employees covered.  
**Staff:** 54 total staff members, all of whom serve self-insured clients only.  
**Charges:** Administration: per employee per month.  
**1987 gross revenues:** \$4.5 million total, all from claim services.  
**Branch offices:** Sales office in New York.  
**Principal officers:** R.J.O. Barton, chief executive officer; George Brown, chief operating officer; E. Paul Hansen, chief financial officer; Thomas P. McDonough, president; Gary P. Hickey, vp.  
**Membership:** SIIA.

**Johnson Administrators**  
 P.O. Box 248, Newtown, Pa. 18940; 215-860-1300

**Year founded:** 1980.  
**Parent company:** The Johnson Cos.  
**Services provided:** 100% claims administration.  
**Region served:** Eastern states.  
**Specialty:** 70% health insurance, 30% flex compensation.  
**Self-insured clients/claims:** Administration: 150 clients, \$50 million claims paid.  
**Client mix:** Administration: 145 corporations, five public/government entities. Health plans: 65,000 employees covered, 120,000 dependents covered.  
**Staff:** 230 total staff members, 65 of whom serve self-insured clients only.  
**Charges:** Administration: per employee per month, \$5-\$10.  
**Branch offices:** Administrative and sales office in Langhorne, Pa. Additional sales offices in Dover, Del.; Boston.  
**Principal officers:** Edwin T. Johnson, chairman; R. Theodore Benna, executive vp; Donald L. Gallie, chief operating officer; David O. Oberkircher and Janice Haban, vps.  
**Membership:** SPBA.

**Jones Hill & Mercer Employee Benefits Inc.**  
 P.O. Box 9966, Savannah, Ga. 31412; 912-236-1551

**Year founded:** 1885.  
**Services provided:** 100% claims administration.  
**Region served:** Nationwide.  
**Specialty:** 100% health insurance.  
**Self-insured clients/claims:** Administration: 35 clients, \$53 million claims paid.  
**Client mix:** Administration: 34 corporations, one public/government entity. Health plans: more than 45,000 employees covered, more than 67,000 dependents covered.  
**Staff:** 45 total staff members, 23 of whom serve self-insured clients only.  
**Charges:** Administration: based on deductions from plan fund account.  
**1987 gross revenues:** More than \$1 million total.  
**Principal officers:** Dennis O. Lotton, president; J. Cliff McCarry and W. Roger Holden, executive vps.  
**Membership:** SPBA, SIIA.

**Kelly & Associates Inc.**  
 303 E. Ohio St., Chicago, Ill. 60611; 312-649-1200

**Year founded:** 1955.  
**Parent company:** Monycy.  
**Services provided:** 50% claims administration, 50% other services.  
**Region served:** Nationwide.  
**Specialty:** 50% health insurance, 50% pensions.  
**Self-insured clients/claims:** Administration: \$250 million claims paid.  
**Client mix:** Health plans: 300,000 employees covered.

**Staff:** 400 total staff members, all of whom serve self-insured clients only.  
**Charges:** Administration: per employee.  
**Branch offices:** Administrative and sales offices in Milwaukee; Indianapolis; Denver; Dallas; Decatur, Ill.; Lansing, Mich.; Washington, D.C.; Boston; New Orleans; Little Rock, Ark.; Oklahoma City; Phoenix; Albuquerque, N.M.; Houston.  
**Principal officers:** Robert E. Kelly Jr., president.  
**Membership:** SPBA.

**Kendall Insurance Inc.**  
 90 S. Main St., Rochester, N.H. 03867; 603-332-5800

**Year founded:** 1904.

**Services provided:** 80% claims administration, 15% auditing, 5% other services.  
**Region served:** Northeast.  
**Specialty:** 70% health insurance, 20% life insurance, 5% flex compensation, 5% disability.  
**Self-insured clients/claims:** Administration: 24 clients, \$10.3 million claims paid.  
**Client mix:** Administration: 13 corporations, one public/government entity, two multiemployer plans, five union-sponsored plans, three association plans.  
**Staff:** 24 total staff members, 17 of whom serve self-insured clients only.  
**Charges:** Administration: per employee, \$6.50-\$10.  
**1987 gross revenues:** \$775,000 total.

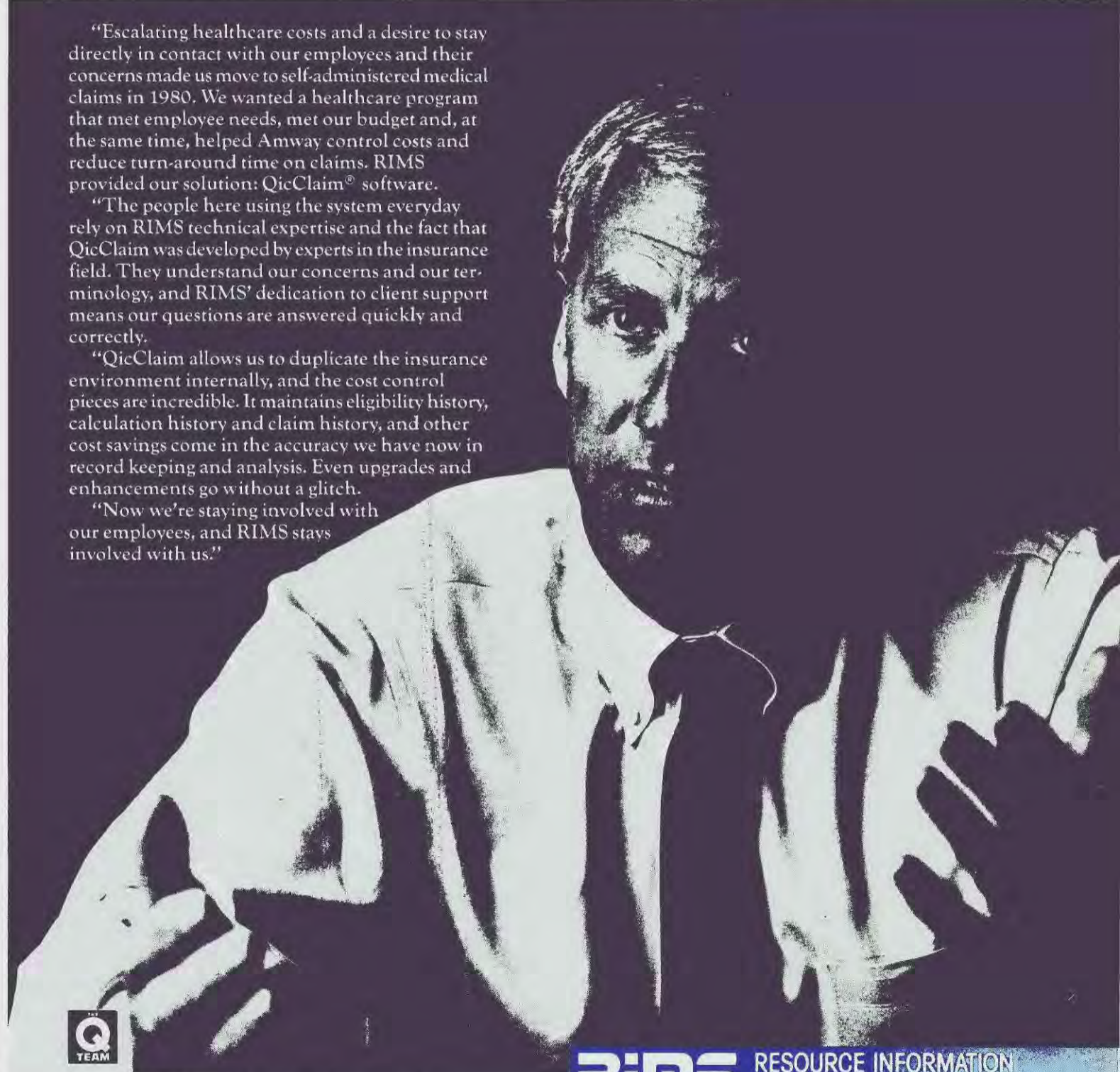
**Principal officers:** Kennett R. Kendall Jr., president; Everett W. Page, Roger Ervin, Richard Carr, Laurence Cole, Brian Derovin and Thomas Keating, vps.  
**Membership:** SIIA, National Assn. of Employee Benefit Administrators.

**Kepple & Co. Inc.**  
 1811 W. Altorfer Drive, Peoria, Ill. 61615-1926; 309-692-7330

**Year founded:** 1982.  
**Services provided:** 80% claims administration and auditing, 20% other services.  
**Region served:** Nationwide.  
**Specialty:** 97% health insurance, 1% flex compensation, 1% disability.  
*Continued on next page*

**"We're saving 6 to 8 percent on healthcare costs...and that's after we've paid the staff, paid for the computer, the software and the maintenance."**

- Tom Cole, Director of Benefits and Compensation, Amway Corp., Ada, MI



"Escalating healthcare costs and a desire to stay directly in contact with our employees and their concerns made us move to self-administered medical claims in 1980. We wanted a healthcare program that met employee needs, met our budget and, at the same time, helped Amway control costs and reduce turn-around time on claims. RIMS provided our solution: QicClaim® software.

"The people here using the system everyday rely on RIMS technical expertise and the fact that QicClaim was developed by experts in the insurance field. They understand our concerns and our terminology, and RIMS' dedication to client support means our questions are answered quickly and correctly.

"QicClaim allows us to duplicate the insurance environment internally, and the cost control pieces are incredible. It maintains eligibility history, calculation history and claim history, and other cost savings come in the accuracy we have now in record keeping and analysis. Even upgrades and enhancements go without a glitch.

"Now we're staying involved with our employees, and RIMS stays involved with us."



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**Spotlight report**

Continued from previous page  
1% life.

**Self-insured clients/claims:** Administration: 25 clients, \$11.1 million claims paid. Auditing: six projects conducted.

**Client mix:** Administration: 20 corporations, one public/government entity, two Taft-Hartley plans, two union-sponsored plans. Health plans: approximately 10,000 employees covered, approximately 14,000 dependents covered.

**Staff:** 40 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**Principal officers:** Michael D. Kepple, president; Norman LaConte, chairman; Kevin Roberts, vp/secretary/treasurer.

**Membership:** SPBA, SIIA, National Assn. of Employee Benefit Administrators.

**Key Benefit Administrators Inc.**

5326 N. Hillside Ave., Indianapolis, Ind. 46220; 317-255-3822

**Year founded:** 1979.

**Parent company:** Blue Cross & Blue Shield of Indiana.

**Services provided:** 75% claims administration, 25% other services.

**Region served:** Midwest.

**Specialty:** 75% health insurance, 25% flex compensation.

**Self-insured clients/claims:** Administration: 120 clients, \$26.5 million claims paid.

**Client mix:** Administration: 102 corporations, 12 public/government entities, one multiemployer plan, two Taft-Hartley plans, one union-sponsored plan, two association plans. Health plans: 19,500 employees covered, 49,300 dependents covered.

**Staff:** 80 total staff members, 65 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$5-\$8.

**1987 gross revenues:** \$2.1 million total, \$1.6 million from claims services.

**Principal officers:** Larry R. Dust, president; Jerry Brown, chief operating officer; Bradley Ray, vp-finance; Anita Quigley, vp-administration; Joyce Cleverly, vp-research/development; William Stafford, vp-marketing.

**Membership:** SPBA.

**Klais & Co. Inc.**

1867 W. Market St., Akron, Ohio 44313; 216-867-8443

**Year founded:** 1980.

**Services provided:** 90% claims administration, 10% other services.

**Region served:** Midwest and southeast.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 60 clients.

**Client mix:** Administration: 30

corporations, 29 public/government entities, one association plan. Health plans: 13,000 employees covered, 28,000 dependents covered.

**Staff:** 26 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee.

**1987 gross revenues:** \$1.3 million from claim services.

**Branch offices:** Sales offices in Dayton, Ohio; Atlanta.

**Principal officers:** Daniel V. Klais, president; Nancy K. Hinebaugh, vp.

**Membership:** SIIA.

**LaHood & Associates Inc.**

6900 W. 80th, Overland Park, Kan. 66204; 913-341-0001

**Year founded:** 1974.

**Parent company:** Blue Cross & Blue Shield of Kansas City.

**Services provided:** 88% claims administration, 12% other services.

**Region served:** Nationwide.

**Specialty:** 92% health insurance, 5% disability, 3% flex compensation.

**Self-insured clients/claims:** Administration: 350 clients, \$180 million claims paid.

**Client mix:** Administration: 299 corporations, 27 public/government entities, 12 Taft-Hartley plans, 12 association plans. Health plans: 120,000 employees covered, 165,000 dependents covered.

**Staff:** 106 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per covered employee, \$1.75-\$10.

**1987 gross revenues:** \$5 million total.

**Branch offices:** Sales offices in St. Louis; Waterloo, Iowa.

**Principal officers:** Richard Kreckler, chairman; George LaHood, president; Joel Frisch and Zona Bauer, vps.

**Membership:** SPBA, SIIA.

**Lytle Associates Inc.**

101 Lang Blvd., Grand Island, N.Y. 14072; 716-773-6626

**Year founded:** 1956.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 97% health insurance, 2% flex compensation, 1% disability.

**Self-insured clients/claims:** Administration: 33 clients.

**Client mix:** Administration: 25 corporations, seven public/government entities, one Taft-Hartley plan.

**Staff:** 33 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3-\$7.

**Principal officers:** Robert L. Dotton, president; Thomas A. Lytle and Paul D. Lytle.

**Membership:** SIIA.

**M.C. Health Systems Inc.**

2133 Luray Ave., Cincinnati, Ohio 45206; 513-961-2459

**Year founded:** 1986

**Parent company:** Magnacare Health Plan.

**Services provided:** 50% claims administration, 25% auditing, 25% other services.

**Region served:** Ohio, Kentucky, Indiana, West Virginia and Michigan.

**Specialty:** 80% health insurance, 10% disability, 10% life.

**Self-insured clients/claims:** Administration: seven clients, \$2 million claims paid.

**Client mix:** Administration: four corporations, three Taft-Hartley plans. Health plans: 6,000 employees covered, 15,000 dependents covered.

**Staff:** 52 total staff members, three of whom serve self-insured clients only.

**Charges:** Administration: per enrollee per month, \$5-\$10; percent of paid claims, 5%-8%.

**1987 gross revenues:** \$2.5 million total.

**Principal officers:** Robert Quirk, chief executive officer; Beverly Bredenoerde, chief operating officer; Richard Moore, manager-corporate accounts.

**MCE Benefits Management Service Inc.**

213 Gadsden Highway, Suite 124, Birmingham, Ala. 35235; 205-833-4157

**Year founded:** 1986.

**Parent company:** Eastern Health Systems.

**Services provided:** 100% claims administration.

**Region served:** Southeast.

**Specialty:** 99% health insurance, 1% flex compensation.

**Self-insured clients/claims:** Administration: five clients, \$1.9 million claims paid.

**Client mix:** Administration: three corporations, two multi-employer plans.

**Staff:** Nine total staff members, all of whom serve self-insured clients only.

**Principal officers:** Robert C. Chapman, chairman of the board; Michael G. Zorn, president; Thomas M. Hales, vp.

**Membership:** SIIA, National Assn. of Employee Benefit Administrators.

**MHA Diversified Services Inc.**

5220 Galaxie Drive, Jackson, Miss. 39206; 601-982-7332

**Year founded:** 1979.

**Parent company:** Mississippi Hospital Assn.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 101 clients.

**Client mix:** Administration: 14 corporations, 87 public/government entities. Health plans: 23,000 employees covered, 26,000 dependents covered.

**Staff:** 22 total staff members, 20 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$705,000 from claim services.

**Principal officers:** Kenneth R. McIntosh, executive vp; Bill Saint Sing, director-internal operations/marketing.

**Membership:** National Assn. of Employee Benefit Administrators.

**The MacKinnon Co. Inc.**

53-A Dwight Place, Fairfield, N.J. 07006; 201-694-1445

**Year founded:** 1969.

**Parent company:** Meeker-Sharkey Financial Group Inc.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Primarily northeast.

**Specialty:** 90% health insurance, 10% disability.

**Self-insured clients/claims:** Administration: 12 clients, \$12 million claims paid.

**Client mix:** Administration: nine corporations, three association plans. Health plans: 12,200 employees covered, 30,500 dependents covered.

**Staff:** 22 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$6-\$10.

**1987 gross revenues:** \$1 million total, \$800,000 from claim services.

**Principal officers:** Thomas Sharkey, chairman; Walter A. MacKinnon, president/treasurer; James A. Payton, vp; James Manhardt, secretary.

**Membership:** SPBA, New Jersey Assn. of Third Party Administrators.

**The Maxon Co.**

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

**Year founded:** 1957.

**Services provided:** 90% claims administration, 10% auditing.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 10% disability.

**Self-insured clients/claims:** Administration: six clients, \$7 million claims paid.

**Client mix:** Administration: two corporations, one public/government entity, one multi-employer plan, two Taft-Hartley plans. Health plans: 8,000 employees covered, 12,000 dependents covered.

**Staff:** 75 total staff members, 15 of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$4-\$12.

**Branch offices:** Sales office in Washington, D.C.

**Subsidiaries:** Pres White Agency, DHMO.

**Principal officers:** Stanley Rubenzahl, owner.

Continued on facing page



# is CEBS for you?

**find out at a CEBS information meeting!**

Attend a special information meeting to learn more about the Certified Employee Benefit Specialist program and how CEBS can best meet your educational needs as an employee benefit professional. Program participants include representatives from the CEBS program and from the local university offering CEBS classes. Refreshments will be provided. To attend the meeting in your area, call the number listed.

<p><b>Chicago, IL</b> February 10 Roosevelt University-Downtown Sullivan Room-2nd Floor 12:00 noon-1:00 p.m. (312) 341-3637</p> <p><b>Dallas, TX</b> January 26 Loews Anatole Dallas 12:00 noon-1:00 p.m. (214) 739-3224</p> <p><b>Denver, CO</b> February 3 Embassy Suites Denver Southeast 4:30-5:30 p.m. (303) 871-2046</p> <p><b>Fort Collins, CO</b> February 2 Fort Collins Marriott Hotel 12:00 noon-1:00 p.m. (303) 491-5288</p> <p><b>Fort Lauderdale, FL</b> February 2 Fort Lauderdale Marriott Cypress Creek 5:30-6:30 p.m. (305) 372-0140</p> <p><b>Los Angeles, CA</b> January 27 Hyatt Regency Los Angeles at Broadway Plaza 12:00 noon-1:00 p.m. (213) 380-9600, (714) 833-8784</p> <p><b>Madison, WI</b> February 9 Best Western Inn on the Park 12:00 noon-1:00 p.m. (608) 263-3473, 262-5367</p> <p><b>Milwaukee, WI</b> February 17 International Foundation of Employee Benefit Plans 5:00-6:00 p.m. (414) 224-7118</p>	<p><b>Minneapolis, MN</b> March 2 The Ritz Hotel Minneapolis 12:00 noon-1:00 p.m. (612) 625-0174</p> <p><b>Northbrook, IL</b> February 10 Allgauer's Hotel 6:00-7:00 p.m. (312) 341-3637</p> <p><b>Orlando, FL</b> February 4 Radisson Plaza Hotel Orlando 12:00 noon-1:00 p.m. (305) 275-2446</p> <p><b>Phoenix, AZ</b> January 28 Phoenix College Lower Level, Student Center 12:00 noon-1:00 p.m. (602) 285-7467, 285-7468</p> <p><b>San Francisco, CA</b> January 27 Golden Gate University Faculty &amp; Staff Lounge, 6th Floor 5:45-6:45 p.m. (415) 442-7248</p> <p><b>San Jose, CA</b> January 27 Hyatt San Jose at San Jose Airport 12:00 noon-1:00 p.m. (415) 986-6356</p> <p><b>Seattle, WA</b> January 26 University of Washington-Downtown Campus 12:00 noon-1:00 p.m. (206) 543-2300</p> <p><b>Tampa, FL</b> February 3 Hyatt Regency Westshore at Tampa Intl. 12:00 noon-1:00 p.m. (813) 621-2441</p>
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**If you are unable to attend the information meeting, but would like to receive a free CEBS Catalog, contact the International Foundation of Employee Benefit Plans, CEBS Department, 18700 W. Blue-mound Rd., P.O. Box 69, Brookfield, WI 53008-0069, (414) 786-6700.**

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Planned Administrators, Inc.

Continued from facing page  
Membership: SPBA.

**McConachie Financial Services Inc.**

1420 Renaissance Drive, Park Ridge, Ill. 60068; 312-297-3640

**Year founded:** 1982.  
**Services provided:** 90% claims administration, 10% other services.  
**Region served:** Nationwide.  
**Specialty:** 100% health insurance.  
**Self-insured clients/claims:** Administration: 14 clients.  
**Client mix:** Administration: 14 corporations. Health plans: 2,300 employees covered, 1,900 dependents covered.  
**Staff:** Five total staff members.  
**Charges:** Administration: per employee per month, health, \$2-\$5; dental, 90 cents-\$1.90.  
**1987 gross revenues:** \$180,000 total.  
**Principal officers:** Scot McConachie, president.  
Membership: SPBA.

**McQueen Inc.**

7400 Metro Blvd., Suite 250, Edina, Minn. 55435; 612-831-5574

**Year founded:** 1982.  
**Services provided:** 55% claims administration, 45% other services.  
**Region served:** Minnesota.  
**Specialty:** 50% dental insurance, 25% flex compensation, 25% short-term disability.  
**Self-insured clients/claims:** Administration: 63 clients, \$1.5 million claims paid.  
**Client mix:** Administration: 56 corporations, one public/government entity, two Taft-Hartley plans, three union-sponsored plans, one association plan. Health plans: 5,900 employees covered.  
**Staff:** 12 total staff members, five of whom serve self-insured clients only.  
**Charges:** Administration: per employee per month, \$1.50-\$3.50.  
**1987 gross revenues:** \$395,000 total.  
**Principal officers:** Cynthia Johnson, president; Kim Olson, vp.

**Med Benefit Systems Inc.**

100 E. Wayne St., Suite 500, South Bend, Ind. 46601; 219-237-0560

**Year founded:** 1985.  
**Services provided:** 100% claims administration.  
**Region served:** Nationwide.  
**Specialty:** 85% health insurance, 10% disability, 5% flex compensation.  
**Self-insured clients/claims:** Administration: more than 50 clients.  
**Client mix:** Administration: more than 50 corporations.  
**Charges:** Administration: per employee per month, \$4-8.50.  
**1987 gross revenues:** More than \$500,000 total, all from claim services.  
**Branch offices:** Sales offices in Indianapolis.  
**Principal officers:** Rick M. Tolson, director.  
Membership: SPBA, National Assn. of Employee Benefit Administrators.

**Med-Pay Inc.**

1650 E. Battlefield, Springfield, Mo. 65804; 417-887-0333

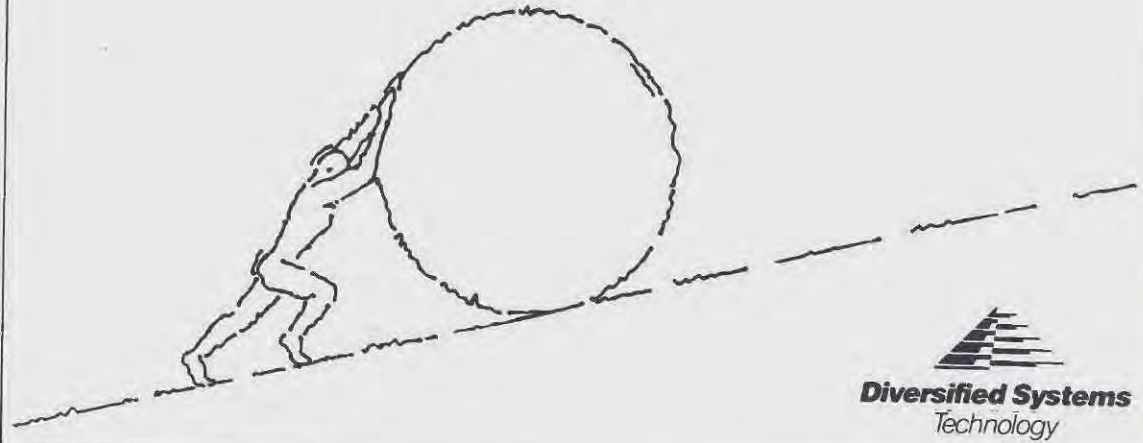
**Year founded:** 1981.  
**Services provided:** 100% claims administration.  
**Region served:** Primarily mid-west.  
**Specialty:** 95% health insurance, 5% disability.  
**Self-insured clients/claims:** Administration: 30 clients, more than \$7 million claims paid.  
**Client mix:** Health plans: 7,000 employees covered, 20,000 dependents covered.  
**Staff:** 12 total staff members, all of whom serve self-insured clients only.  
**Charges:** Administration: per employee per month.  
**1987 gross revenues:** \$550,000 total.  
**Subsidiaries:** K.M. & M. & Associates Inc., Man-Morris Insurors.  
**Principal officers:** Gordon L. Kinne, president.  
Membership: SPBA.

**Medical Claims Service Inc.**

119 Beach St., Boston, Mass. 02111; 617-426-8660

**Year founded:** 1975.  
**Services provided:** 65% claims administration, 35% other services.  
**Region served:** Nationwide.  
**Specialty:** 90% health insurance, 5% flex compensation, 5% disability.  
**Self-insured clients/claims:** Administration: 152 clients.  
**Client mix:** Administration: 145 corporations, three Taft-Hartley plans, three union-sponsored plans, one association plan. Health plans: 13,000 employees covered, 20,000 dependents covered.  
**Staff:** 60 total staff members, 57 of whom serve self-insured clients only.  
**Charges:** Administration: per covered employee per month.  
**1987 gross revenues:** \$2.4 million total, \$1.5 million from claims services.  
**Subsidiaries:** A.M. Franklin Insurance Agency Inc.  
Continued on next page

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## Spotlight report

Continued from previous page

**Principal officers:** William G. McKelvey, president; Angela Markert, vp; Theodore Varga, claims manager.

**Membership:** SPBA, SIIA.

### Member Service Administrators

P.O. Box 3028, Tulsa, Okla. 74102; 800-672-2378

**Year founded:** 1983.

**Parent company:** Blue Cross & Blue Shield of Oklahoma.

**Services provided:** 60% claims administration, 10% adjusting, 10% auditing, 20% other services.

**Region served:** Oklahoma and southwestern states.

**Specialty:** 75% health insurance, 20% disability, 5% flex compensation.

**Self-insured clients/claims:** Administration: 33 clients, \$35 million claims paid.

**Client mix:** Administration: 15 corporations, 15 public/government entities, two union-sponsored plans, one association plan. Health plans: 50,000 employees covered, 125,000 dependents covered.

**Staff:** 48 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$2-\$15.

**1987 gross revenues:** \$2.1 million total.

**Branch offices:** Administrative office in Oklahoma City.

**Principal officers:** Ralph S. Rhoades, chief executive officer; Richard D. McCutchen, executive vp; Rocky L. Rockett, vp-operations.

**Membership:** SIIA, National Assn. of Employee Benefit Administrators.

### MICA Benefits Corp.

703 John Adams Parkway, Idaho Falls, Idaho 83401; 208-529-4060

**Year founded:** 1985.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Idaho, Utah and Nevada.

**Specialty:** 89% health insurance, 10% flex compensation, 1% pensions.

**Self-insured clients/claims:** Administration: 12 clients, \$2.1 million claims paid.

**Client mix:** Administration: 10 corporations, two public/government entities. Health plans: 938 employees covered, 2,706 dependents covered.

**Staff:** Seven total staff members, four of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3.50-\$7.

**1987 gross revenues:** \$146,000 total.

**Subsidiaries:** Mitchell Insurance.

**Principal officers:** Jerry Mitchell, president.

**Membership:** National Assn. of Employee Benefit Administrators.

### Midwest Benefit Administrators Inc.

175 Embassy Plaza, 9110 W. Dodge Road, Omaha, Neb. 68114; 402-397-7000

**Year founded:** 1982.

**Parent company:** Mammel-Schropp-Swartzbaugh-Engler & Jones Inc.

**Services provided:** 100% claims administration.

**Region served:** Midwest.

**Specialty:** 95% health insurance, 3% disability, 2% flex compensation.

**Self-insured clients/claims:** Administration: 34 clients, \$8 million claims paid.

**Client mix:** Administration: 31 corporations, three public/government entities. Health plans: 8,000 employees covered.

**Staff:** 13 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3-\$8.

**1987 gross revenues:** \$460,000 total.

**Principal officers:** Melvin B. Engler, president; Stephen D. Snyder and John A. Carlson, vps.

**Membership:** SPBA, SIIA.

### Midwest Benefits Corp.

22255 Greenfield, Suite 404, Southfield, Mich. 48075; 313-569-9700

**Year founded:** 1972.

**Services provided:** 90% claims administration, 10% other services.

**Region served:** Nationwide.

**Specialty:** 95% health insurance, 3% disability, 2% flex compensation.

**Self-insured clients/claims:** Administration: 258 clients, \$80 million claims paid.

**Client mix:** Administration: 250 corporations, five public/government entities, two Taft-Hartley plans, one union-sponsored plan. Health plans: 53,000 employees covered, 132,000 dependents covered.

**Staff:** 105 staff members who serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$4.5 million total, \$4 million from claims services.

**Branch offices:** Sales office in Grand Rapids, Mich.

**Principal officers:** Frank Spadafore, president; Ronald Klein, executive vp; Michael Zuzenak, secretary/treasurer.

**Membership:** SPBA, SIIA, International Assn. of Employee Benefit Plans, National Assn. of Independent Benefit Administrators.

### Mountain States Administration Co.

2530 S. Parker Road, Suite 606, Aurora, Colo. 80014; 303-368-4500

**Year founded:** 1980.

**Services provided:** 95% claims administration, 2% auditing, 3% other services.

**Region served:** Southwest and Rocky Mountain states.

**Specialty:** 90% health insurance, 5% flex compensation, 5% disability.

**Self-insured clients/claims:** Administration: 25 clients, \$16 million claims paid. Auditing: two projects conducted.

**Client mix:** Administration: 23 corporations, two public/government entities. Auditing: two public/government entities. Health plans: 13,000 employees covered, 28,000 dependents covered.

**Staff:** 16 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3-\$7.

**1987 gross revenues:** \$900,000 total.

**Principal officers:** Clarence Gray, president; Linda Brunson, manager.

**Membership:** National Assn. of Employee Benefit Administrators.

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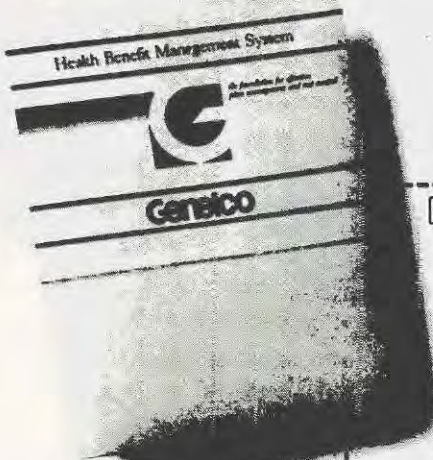
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N

### NCAS

3702 Pender Drive, Fairfax, Va. 22030; 703-385-1001

**Year founded:** 1983.

**Parent company:** GHMSI Cos. Inc.

**Services provided:** 60% claims administration, 40% other services.

**Region served:** Nationwide.

**Specialty:** 96% health insurance, 2% flex compensation, 2% disability.

**Self-insured clients/claims:** Administration: 59 clients, \$42 million claims paid.

**Client mix:** Administration: 30 corporations, 25 public/government entities, one multiemployer plan, one Taft-Hartley plan, one union-sponsored plan, one association plan. Health plans: 52,000 employees covered, 55,000 dependents covered.

**Staff:** 70 total staff members, 52 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month \$3.33-\$9.50.

**1987 gross revenues:** \$3.3 million total, \$1.8 million from claim services.

**Affiliates:** Employer Plan Services, Argon Management, Claims Service Administrators.

**Affiliated company offices:** Administrative and sales offices in Wheeling, W. Va.; Cheryenne, Wyo.; Lynnwood, Wash.; Tempe, Ariz.; Bloomfield Hills, Mich.; Harrisburg, Pa.

**Subsidiaries:** NCAS Insurance Agency Inc.

**Principal officers:** Joseph P. Gamble, chairman; Victor M. Brian, vice chairman; Benjamin W. Giuliani, secretary; William G. Hendren, president; Joseph A. Crowley, vp.

**Membership:** SPBA, SIIA, Employers Council for Flexible Compensation, International Foundation of Employee Benefit Plans.

### NGS Inc.

27575 Harper, St. Clair Shores, Mich. 48081; 313-779-7679

**Year founded:** 1979.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Primarily Midwest.

**Specialty:** 96% health insurance, 4% disability.

**Self-insured clients/claims:** Administration: 89 clients, \$46 million claims paid.

**Client mix:** Administration: 88 corporations, one public/government entity. Health plans: 52,000 employees covered, 79,000 dependents covered.

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**Staff:** 150 total staff members, 120 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$72 million total.

**Subsidiaries:** Northern Group Systems Inc., Equation Inc., Mon-goose Administrators Inc., American HealthCard Systems Inc.

**Principal officers:** William D. Alcott, president/chief executive officer; Ronald L. Kocher, executive vp; Findley C. Doyle Jr. and James Blashill, senior vps; Michael J. Verlinden, vp-finance.

**Membership:** SPBA, SIA.

**National Benefit Administrators Inc.**  
P.O. Box 1270, Colorado Springs, Colo. 80901; 303-636-3382

**Year founded:** 1985.

**Parent company:** Primac Insurance Co.

**Services provided:** 100% claims administration and auditing.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 5% flex compensation; 5% disability.

**Self-insured clients/claims:** Administration and adjusting: 126 clients, \$15 million claims paid. Auditing: two projects conducted.

**Client mix:** Administration: 99 corporations, 26 public/government entities, one association plan. Health plans: 8,000 employees covered, 20,000 dependents covered.

**Staff:** Nine total staff members, five of whom serve self-insured clients only.

**Charges:** Administration: per covered employee per month, \$4.25-\$7. Auditing: \$50-\$75 per hour.

**1987 gross revenues:** \$400,000 total.

**Principal officers:** Don L. Childsen, president; Erik D. Nebeker, vp; Dennis A. Weber, secretary/treasurer; Karen O'Rourke, operations supervisor.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

**National Benefit Consultants Inc.**  
445 S. Madison, Suite 201, Green Bay, Wis. 54301; 414-432-6752

**Year founded:** 1981.

**Services provided:** 95% claims administration, 5% adjusting.

**Region served:** Nationwide.

**Specialty:** 95% health insurance, 5% flex compensation.

**Self-insured clients/claims:** Administration: 105 clients, \$5.5 million claims paid. Adjusting: one client.

**Client mix:** Administration: clients include corporations, public/government entities, union-sponsored plans, association plans. Health plans: 14,000 employees covered, 47,000 dependents covered.

**Staff:** 21 total staff members, 19 of whom serve self-insured clients only.

**Charges:** Administration: flat fee.

**1987 gross revenues:** \$800,000 total.

**Branch offices:** Administrative sales office in Los Angeles. Additional administrative offices in San Bernadino and Garden Grove, Calif.

**Subsidiaries:** Comprehensive Benefit Services.

**Principal officers:** Robert Hergenrader, president; Marti Hergenrader, Daniel Kennedy and Rebecca Kennedy.

**Membership:** National Assn. of Employee Benefit Administrators.

**National Health Plan Corp.**  
500 Eighth Ave., New York, N.Y. 10018; 212-279-3232

**Year founded:** 1953.

**Services provided:** 100% claims administration, adjusting and auditing.

**Region served:** Nationwide.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: approximately 100 clients, approximately \$15 million claims paid.

**Client mix:** Administration: 10 corporations, 25 public/government entities, 64 Taft-Hartley plans, one union sponsored plan, one association plan. Health plans: 150,000 employees covered, 400,000 dependents covered.

**Staff:** 13 total staff members, all of

whom serve self-insured clients only.

**Charges:** Administration: per employee, percent of claims. Adjusting and auditing: included in administration charges.

**1987 gross revenues:** \$1.5 million total, all from claim services.

**Branch offices:** Administrative office in Lauderhill, Fla.

**Subsidiaries:** Universal Prescription Administrators, MailMed Universal Data Services, Prescription Plan Service, Prescription Plan Corp.

**Principal officers:** Alvin S. Konigsberg, chairman; D.H. Zaback and Teresita M. Miranda, vps.

**Membership:** SPBA, SIA, International Foundation of Employee Benefit Plans, Conference of Unions & Employee Benefit Funds.

**National Prescription Administrators Inc.**  
1200 Route 46, Clifton, N.J. 07013; 800-526-7471

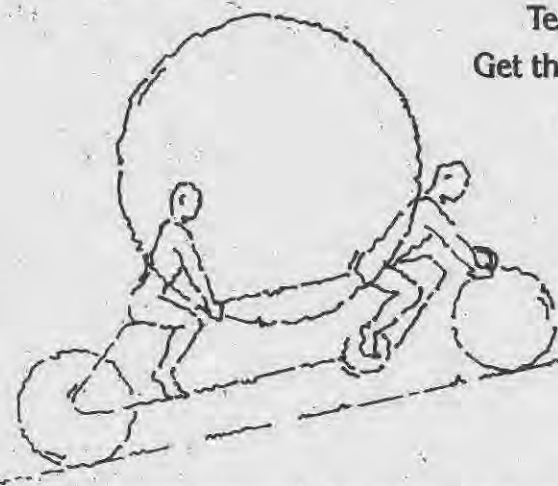
**Year founded:** 1978.

**Services provided:** 100% claims

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Spotlight report

Continued from previous page administration.

Region served: Nationwide. Specialty: 100% health insurance. Self-insured clients/claims: Administration: 500 clients. Client mix: Administration: 27 corporations, 43 public/government entities, 55 multiemployer plans, 122 Taft-Hartley plans, 226 union-sponsored plans.

Staff: More than 150 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per claim.

Branch offices: Sales offices in San Francisco; Harrisburg, Pa.; Washington D.C.; Hillsboro, N.C.

Subsidiaries: National Vision Administrators, NPA Data Processing.

Principal officers: Richard O. Ullman, president; Al Hosier, executive vp; Don Schell, senior vp; Stacey Tabor and David S. Karlin, vps.

New World Services Ltd.

423 Sycamore, Suite 103, P.O. Box 1030; Niles, Mich. 49120; 616-684-6700

Year founded: 1983.

Parent company: Assn. of Independent Corrugated Converters.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 80% health insurance,

10% life, 8% flex compensation, 2% disability.

Self-insured clients/claims: Administration: 75 clients.

Client mix: Administration: 75 corporations and association plans. Health plans: 5,000 employees covered, 11,500 dependents covered.

Staff: Eight total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee.

Principal officers: Robert D. Cravens, president; Ruth E. Halvorson, administrative manager.

Membership: SIIA, National Assn. of Employee Benefit Administrators.

Nobel Group Benefits

Box 330, Cannonsburg, Pa. 15317; 412-746-8700

Year founded: 1982.

Parent company: Nobel Holdings Inc.

Services provided: 90% claims administration, 10% auditing. Region served: Nationwide.

Specialty: 90% health insurance, 5% life, 3% flex compensation, 2% disability.

Self-insured clients/claims: Administration: 145 clients, \$20 million claims paid.

Client mix: Administration: 145 corporations. Health plans: 16,000 employees covered, 31,000 dependents covered.

dents covered.

Staff: 40 total staff members, 35 of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$3.50-\$9. Auditing: \$50-\$100 per hour.

1987 gross revenues: \$2.3 million total.

Branch offices: Administrative offices in Dallas; Knoxville, Tenn. Sales offices in Atlanta; San Antonio, Texas; Tucson, Ariz.; Boston; Allentown and Indiana, Pa.; Seattle; Columbia, S.C.; Salt Lake City.

Subsidiaries: Nobel Insurance Agency Inc., Nobel Insurance Services Inc., Nobel Services Inc.

Principal officers: David C. Bramer, vp; R. Fred McMurray, executive vp; Jack L. Zogg, chief executive officer; Michele Peinol, assistant vp.

Membership: SPBA, SIIA.

North American Administrators Inc.

455 Commerce Drive, Amherst, N.Y. 14150; 716-691-8556

Year founded: 1983.

Services provided: 90% claims administration, 10% adjusting.

Region served: Nationwide. Specialty: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 30 clients, \$30 million claims paid. Adjusting: two clients; types of claims include medical, dental.

Client mix: Administration: 19 corporations, 10 public/government entities, one union-sponsored plan. Adjusting: two public/government entities. Health plans: 25,000 employees covered, 45,000 dependents covered.

Staff: 25 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, medical \$4.25. Adjusting: flat fee per month.

Branch offices: Administrative and sales offices in Buffalo, N.Y.

Subsidiaries: Care Network Inc.

Principal officers: Ronald K. Zoeller, president; E. Timothy Danahy, executive vp; David W. Miller, senior vp/treasurer; Edward T. Danahy Jr., secretary.

Northwest Administrators

P.O. Box 3105, Great Falls, Mont. 59403; 406-761-5000

Year founded: 1981.

Parent company: Cogswell Agency.

Services provided: 85% claims administration, 5% auditing, 10% other services.

Region served: Montana, Idaho and Wyoming.

Specialty: 65% health insurance, 15% flex compensation, 10% disability, 10% life.

Self-insured clients/claims: Administration: 70 clients, \$496,800 claims paid.

Client mix: Administration: 68 corporations, two association plans. Health plans: 2,085 employees covered, 5,838 dependents covered.

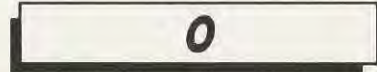
Staff: Five total staff members, three of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$3-\$5.

1987 gross revenues: \$113,000 total.

Principal officers: William Bourret, president; Harold Johnson, vp; F.B. Cogswell Jr., chairman of the board; Lorrin Darby Jr., treasurer; Marjorie Hardebeck, secretary.

Membership: SPBA, National Assn. of Employee Benefit Administrators.



Oliver & Larkin Inc.

710 Lakeway, Suite 270, Sunnyvale, Calif. 94086; 408-735-9975

Year founded: 1986.

Services provided: 99% claims administration, 1% other services.

Region served: Nationwide.

Specialty: 100% disability.

Self-insured clients/claims: Administration: 24 clients, \$2.5 million claims paid.

Client mix: Administration: 24 corporations.

Staff: Five total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of covered payroll.

Principal officers: Michael L. Oliver, president; Thomas H. Larkin Jr., executive vp; Nancy W. Cantley, claims manager.



PAS Inc.

2728 Coho St., Madison, Wis. 53713; 608-273-1776

Year founded: 1981.

Services provided: 100% claims administration.

Region served: Wisconsin, Illinois and Iowa.

Specialty: 85% health insurance, 10% flex compensation, 5% disability.

Self-insured clients/claims: Administration: 178 clients, \$15.9 million claims paid.

Client mix: Administration: 151 corporations, 27 public/government entities. Health plans: 15,852 employees covered, 38,868 dependents covered.

Staff: 19 total staff members, 17 of whom serve self-insured clients only.

Charges: Administration: fixed fee, \$3.25-\$6.50.

1987 gross revenues: \$452,386 total, all from claim services.

Principal officers: Gene F. Jensen, president; Barbara M. Jensen, vp/office manager; Hiedy J. Jensen, vp-operations.

Membership: National Assn. of Employee Benefit Administrators, Wisconsin Assn. of Health Underwriters.

Pittman & Associates Inc.

1 Prescott, Memphis, Tenn. 38111; 901-323-2140

Year founded: 1971.

Services provided: 85% claims administration, 5% auditing, 10% other services.

Region served: Southeast and Southwest.

Specialty: 86% health insurance, 5% flex compensation, 5% life, 4% disability.

Self-insured clients/claims: Administration: 21 clients, \$3.5 claims paid.

Client mix: Administration: 21

corporations. Health plans: 3,000 employees covered, 1,400 dependents covered.

Staff: 52 total staff members, three of whom serve self-insured clients only.

Charges: Administration: per employee per month. Auditing: per claim bill, per hour.

Branch offices: Administrative and sales offices in Nashville, Tenn.

Principal officers: A.H. Pittman, president; Jane Hogan, vp/agency manager.

Power Group Designs

7007 College Blvd., Suite 100, Overland Park, Kan. 66211; 913-491-3280

Year founded: 1983.

Services provided: 70% claims administration, 30% other services.

Region served: Missouri and Kansas.

Specialty: 97% health insurance, 3% disability.

Principal officers: Paul T. Power, president.

Membership: National Assn. of Employee Benefit Administrators.

Pyramid Benefit Services

P.O. Box 1017, South Bend, Ind. 46624; 219-232-2993

Year founded: 1984.

Parent company: Midwest Commerce Banking Co.

Services provided: 100% claims administration.

Region served: Companies headquartered in Indiana and southern Michigan.

Specialty: 100% health insurance.

Self-insured clients/claims: Administration: 25 clients, \$3.6 million claims paid.

Client mix: Administration: 23 corporations, two public/government entities. Health plans: 3,500 employees covered, 7,500 dependents covered.

Staff: Seven total staff members, four of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$6-\$8.50.

1987 gross revenues: \$213,000 total, all from claim services.

Principal officers: Cori Guagenti, general manager; Rosemary Barnes, operations manager; Carole Watson, underwriting assistant.

Membership: International Foundation of Employee Benefit Plans, National Assn. of Employee Benefit Administrators.



The Queen's Health Care Plan

1585 Kapiolani Blvd., Suite 1340, Honolulu, Hawaii 96814; 808-942-9656

Year founded: 1985.

Services provided: 56% claims administration, 44% other services.

Region served: Hawaii and the South Pacific.

Specialty: 100% health insurance.

Self-insured clients/claims: Administration: one client, \$3.5 million claims paid.

Client mix: Administration: one corporation. Health plans: 6,600 employees covered, 7,000 dependents covered.

Staff: 16 total staff members, six of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$6-\$12.

Principal officers: Michael J. Meagher, president; Karl H. Berg, chairman; Robert C. Clingan, vp; Sue Christofferson, executive director.



Richard J. Reese & Associates Inc.

7645 Metro Blvd., Minneapolis, Minn. 55435; 612-835-7035

Year founded: 1967.

Parent company: Ulico Casualty Co.

Services provided: 5% claims ad-

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Continued from facing page  
ministration, 25% adjusting, 70% other services.

**Region served:** Midwest.  
**Specialty:** 100% health insurance.  
**Self-insured clients/claims:** Administration: 12 clients, \$53.7 million claims paid.  
**Client mix:** Administration: 12 Taft-Hartley plans. Health plans: 33,450 employees covered, 50,000 dependents covered.

**Staff:** 85 total staff members, 30 of whom serve self-insured clients only.  
**Charges:** Administration: flat monthly fee.

**1987 gross revenues:** \$4.5 million total, \$1.4 million from claim services.

**Branch offices:** Administrative offices in Kansas City and St. Louis, Mo.; Madison, Wis.

**Principal officers:** Daniel E. O'Sullivan, chairman; James Luce, vice chairman; Richard J. Reese, president; Jerome Pollock Sr. and James Stolfa, vps.

**Membership:** SPBA, International Foundation of Employee Benefit Plans.

**Branch offices:** Administrative and sales offices in Birmingham, Ala. Additional sales offices in Pittsburgh, Chicago.

**Principal officers:** Thomas P. Luby, president; Richard C. Saeldon, vp-sales; Bonnie Bletcher Krauss, vp-administration; Marsha Phillips, vp-client service.

**Membership:** SPBA, SIIA.

**Self-Funded Plans of the South Inc.**  
300 Cahaba Park Circle,  
Birmingham, Ala. 35242;  
205-991-2815

**Year founded:** 1969.  
**Services provided:** 95% claims administration, 5% other services.

**Region served:** Southeast states.  
**Specialty:** 94% health insurance, 5% disability, 1% life.

**Self-insured clients/claims:** Administration: 210 clients, \$15 million claims paid.

**Client mix:** Administration: 190 corporations, one public/government  
*Continued on next page*

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New York, New York 10016

### S

**SIEBA Ltd.**  
3206 Vestal Parkway E., Vestal,  
N.Y. 13850-2144; 607-770-0120

**Year founded:** 1983.  
**Services provided:** 100% claims administration.

**Region served:** Northeast.  
**Specialty:** 100% health insurance.  
**Self-insured clients/claims:** Administration: nine clients, \$4 million claims paid.

**Client mix:** Administration: Seven corporations, one public/government entity, one union-sponsored plan. Health plans: 6,000 employees covered, 14,000 dependents covered.

**Staff:** Nine total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$1.50-\$4.85.

**Principal officers:** Richard G. DoBell, president/chief executive officer; Gordon Coughlin, secretary/treasurer; C.F. Hotchkiss Jr., chairman.

**S.M. Administrators**  
P.O. Box 695, Eugene, Ore.  
97440; 503-683-4279

**Year founded:** 1977.  
**Services provided:** 100% claims administration.

**Region served:** Western states.  
**Specialty:** 100% health insurance.  
**Self-insured clients/claims:** Administration: three clients, \$800,000 claims paid.

**Client mix:** Administration: Three association plans. Health plans: 730 employees covered, 1,606 dependents covered.

**Staff:** Four total staff members, three of whom serve self-insured clients only.

**Charges:** Administration: flat fee per covered employee, \$5-\$17.

**1987 gross revenues:** \$162,000 total.

**Principal officers:** Gene Stewart, president; Marla Prentice, secretary/treasurer.

**Membership:** SPBA.

**Self-Funded Plans Inc.**  
1432 Hamilton Ave., Cleveland,  
Ohio 44114; 216-566-1455

**Year founded:** 1980.  
**Services provided:** 100% claims administration.

**Region served:** Nationwide.  
**Specialty:** 98% health insurance, 1% flex compensation, 1% disability.  
**Self-insured clients/claims:** Administration: 155 clients, \$23 million claims paid.

**Client mix:** Administration: 149 corporations, six public/government entities. Health plans: 31,635 employees covered, 48,108 dependents covered.

**Staff:** 55 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee claim fee.  
**1987 gross revenues:** \$3 million total.

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## Spotlight report

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entity, three multiemployer plans, one Taft-Hartley plan, 13 union-sponsored plans, two association plans. Health plans: 8,000 employees covered, 21,000 dependents covered.

**Staff:** 26 total staff members, 23 of whom serve self-insured clients only.  
**Charges:** Administration: fee for service, fee per plan, per employee per month, \$3-\$5.

**1987 gross revenues:** \$1.2 million total.

**Branch offices:** Administrative office in Cleveland. Sales office in Chicago.

**Subsidiaries:** Self-Funded Plans Inc.

**Principal officers:** Thomas P. Luby, chairman; W. Hal Shepherd, president; Bonnie Krauss vp.  
**Membership:** SPBA, SIIA.

### Self Funding Administrators Inc.

498 Palm Springs Drive, Suite 101, Altamonte Springs, Fla. 32701; 305-831-2511

**Year founded:** 1981.

**Parent company:** Lincoln National Administrative Services Corp.

**Services provided:** 90% claims administration, 10% other services.

**Region served:** Nationwide.  
**Specialty:** 95% health insurance, 2% flex compensation, 2% disability, 1% life.

**Self-insured clients/claims:** Administration: 55 clients \$7.8 million claims paid.

**Client mix:** Administration: 55 corporations. Health plans: 9,000 employees covered, 20,000 dependents covered.

**Staff:** 25 total staff members, 23 of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$4-\$8.

**1987 gross revenues:** \$800,000 total, \$700,000 from claim services.

**Principal officers:** Jessica L. Harkness, chief operating officer; James Seeds, secretary; Kathy Horvath, director-administration.  
**Membership:** SIIA.

### Spectrum Benefits Inc.

744 Office Parkway, Suite 148, St. Louis, Mo. 63141; 314-991-0878

**Year founded:** 1985.

**Services provided:** 93% claims administration, 1% adjusting, 1% auditing, 5% other services.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 5% life, 3% COBRA, 2% flex compensation.

**Self-insured clients/claims:** Administration: seven clients. Adjusting: one client. Auditing: six projects conducted.

**Client mix:** Administration: five corporations, one Taft-Hartley plan, one union-sponsored plan. Auditing: five corporations, one union-sponsored plan. Health plans: 5,000 employees covered, 12,500 dependents covered.

**Staff:** Six total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$2.25-\$9. Auditing: per claim. Auditing: fee for service.

**Subsidiaries:** Update Inc.

**Principal officers:** Mary Lewis, president/treasurer; Patricia Everman, vp/secretary.

**Membership:** SPBA, SIIA.

### Susquehanna Administrators Inc.

26-28 W. King St., P.O. Box 1523, Lancaster, Pa. 17603; 717-295-9201

**Year founded:** 1975.

**Parent company:** Lincoln National Life Insurance Co.

**Services provided:** 95% claims administration, 5% other services.

**Region served:** Mid-Atlantic states.

**Specialty:** 90% health insurance, 10% flex compensation.

**Self-insured clients/claims:** Administration: 350 clients, \$100 million claims paid.

**Client mix:** Administration: 285 corporations, 25 public/government

entities, 31 multiemployer plans, seven Taft-Hartley plans, two association plans. Health plans: 89,000 employees covered, 207,000 dependents covered.

**Staff:** 143 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$4-\$8.

**1987 gross revenues:** \$6.3 million total.

**Branch offices:** Administrative and sales offices in Philadelphia, Baltimore.

**Subsidiaries:** Leader Administrators.

**Principal officers:** Kenneth G. Stoult, chief executive officer; John B. Penrose, president-Pennsylvania office; Kevin P. Mullen, executive vp-Pennsylvania office; Michael Thompson, president-Maryland office; Robert Hancock, president-Leader Administrators.  
**Membership:** SPBA, SIIA.

### Syncor Administrative Services Inc.

P.O. Box 1327, 3000 Dundee, Northbrook, Ill. 60065-1327; 312-291-1230

**Year founded:** 1971.

**Services provided:** 90% claims administration, 5% auditing, 5% other services.

**Region served:** Nationwide.

**Specialty:** 90% health insurance, 5% flex compensation, 5% disability.

**Self-insured clients/claims:** Administration: 75 clients, \$24 million claims paid. Auditing: five projects conducted.

**Client mix:** Administration: 64 corporations, 11 public/government entities. Auditing: one public/government entity, four multiemployer plans. Health plans: 15,000 employees covered, 22,000 dependents covered.

**Staff:** 28 total staff members.

**Charges:** Administration: per employee per month, \$3 and up. Auditing: percent of bills, 3% and up.

**1987 gross revenues:** \$1.5 million

total, \$1.4 million from claim services.

**Branch offices:** Administrative and sales office in Arlington Heights, Ill. Additional administrative offices in Waukegan and Olympia Fields, Ill.

**Subsidiaries:** DataMed Inc.

**Principal officers:** A.J. Corso, president; Judith A. Corso and Catherine E. Ward.

**Membership:** SPBA, SIIA.

T

### TPA of America Inc.

2999 W. Sixth St., Los Angeles, Calif. 90020-1496; 213-738-1590

**Year founded:** 1952.

**Services provided:** 76% claims administration, 24% other services.

**Region served:** Nationwide.

**Specialty:** 70% health insurance; 15% pensions; 8% multiemployer, vacation and apprenticeship plans; 3% flex compensation; 3% disability; 3% life.

**Self-insured clients/claims:** Administration: 328 clients, \$646 million claims paid.

**Client mix:** Administration: 69 corporations, three public/government entities, 255 multiemployer plans, one association plan. Health plans: 478,200 employees covered, 802,200 dependents covered.

**Staff:** 940 total staff members, 545 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$2.25-\$8. Auditing: flat fee, time and expenses.

**1987 gross revenues:** \$30.7 million total. \$16.4 million from claim services.

**Branch offices:** Los Angeles and El Monte, Calif.; New York; Phoenix and Tucson, Ariz.; Golden, Colo.; Jacksonville, Fla.; Shreveport, La.; St. Paul, Minn.; Kansas City, Mo.; Las Vegas, Nev.; Albuquerque, N.M.; Oklahoma City; Dallas, Houston and Nederland, Texas; Salt Lake City; Chicago.

**Subsidiaries:** Healthcare Strategies Inc., Management Employee Group Administrators Corp. (ME-GACO), First Transcontinental Life Insurance Corp.

**Principal officers:** Tom E. Greene III, chairman; Harry L. Auston, president; Robert J. Cardinal, senior vp-TPA of America Inc., president/chairman-American Benefit Plan Administrators; C.J. Monson, executive vp/chief operating officer, American Benefit Plan Administrators; Thomas J. O'Neill, executive vp/chief operating officer, Mass Insurance Consultants & Administrators Inc.

**Membership:** SPBA, SIIA, International Foundation of Employee Benefits Plans, Self-Insurance Institute of Illinois.

### Total Program Administrators Inc.

P.O. Box C32070, Richmond, Va. 23260; 804-342-4070

**Year founded:** 1985.

**Parent company:** Blue Cross & Blue Shield of Virginia.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Nationwide.

**Specialty:** 80% health insurance, 20% flex compensation.

**Self-insured clients/claims:** Administration: 24 clients.

**Client mix:** Administration: 24 corporations.

**Staff:** 70 total staff members, 60 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** Approximately \$2.1 million total.

**Branch offices:** Sales offices in Roanoke, Fairfax and Norfolk, Va.

**Principal officers:** David P. Morgan, director-TPA/flexible benefits consulting.

**Membership:** SIIA, National Assn. of Employee Benefit Administrators, Employers Council on Flexible Compensation.

### The Travelers Plan Administrators Inc.

One Tower Square, Hartford, Conn. 06183; 203-277-7040

**Year founded:** 1985.

**Parent company:** The Travelers Insurance Co.

**Services provided:** 87% claims administration, 1% adjusting, 1% auditing, 11% other services.

**Region served:** Nationwide.

**Specialty:** 92% health insurance, 6% flex compensation, 2% disability.

**Self-insured clients/claims:** Administration: 330 clients, \$220 million claims paid.

**Client mix:** Administration: 305 corporations, 15 public/government entities, two multiemployer plans, three Taft-Hartley plans, five association plans. Health plans: 208,000 employees covered, approximately 320,000 dependents covered.

**Staff:** 176 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month.

**1987 gross revenues:** \$8 million total, all from claim services.

**Branch offices:** Administrative and sales offices in Philadelphia; Nashville, Tenn.; Sarasota and West Palm Beach, Fla.; Cleveland; Detroit; Chicago and Rockford, Ill.; Minneapolis; Denver, Dallas; Phoenix, Ariz.; San Francisco; Seattle.

**Subsidiaries:** Employer Services Corp., The Travelers Plan Administrators of Arizona Inc., The Travelers Plan Administrators of California Inc., The Travelers Plan Administrators of Colorado Inc., The Travelers Plan Administrators of Florida Inc., The Travelers Plan Administrators of Illinois Inc., The Travelers Plan Administrators of Michigan Inc., The Travelers Plan Administrators of Minnesota Inc., The Travelers Plan Administrators of Ohio Inc., The Travelers Plan Administrators of Pennsylvania Inc., The Travelers Plan Administrators of Tennessee Inc., The Travelers Plan Administrators of Washington Inc.

**Principal officers:** William R. Horne, president; Thomas N. McArdle, J. Frederick Allen, Paulette Porter, Barbara C. Corbett, Stephen F. Rasnick, Edward Taff, Doris A. Miller, John Bertosa, Mark J. Kleppinger, G. Bruce Thompson, Marilyn Kelly and Dawn E. Charbonneau, officers of subsidiaries.

**Membership:** SII, National Assn. of Employee Benefit Administrators.

### Tyrrell Consultants Inc.

72 Junction Square Drive, Concord, Mass. 01742; 617-369-6698

**Year founded:** 1968.

**Services provided:** 75% claims administration, 15% adjusting, 10% auditing.

**Region served:** Nationwide.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 10 clients. Auditing: 25 projects conducted.

**Client mix:** Administration: two corporations, five multiemployer plans, three Taft-Hartley plans. Adjusting and auditing: clients include corporations, Taft-Hartley plans and union sponsored plans. Health plans: 5,000 employees covered, 12,000 dependents covered.

**Staff:** 15 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: percent of claims. Adjusting and auditing: included in administration fee.

**Subsidiaries:** Tyrrell Insurance Agency, Stress-Less Inc.

**Principal officers:** John Tyrrell, president; Clark H. Tyrrell and Christopher P. Tyrrell, vps.

U

### U.S. Administrators Inc.

3540 Wilshire Blvd., Los Angeles, Calif. 90010; 213-383-1100

**Year founded:** 1962.

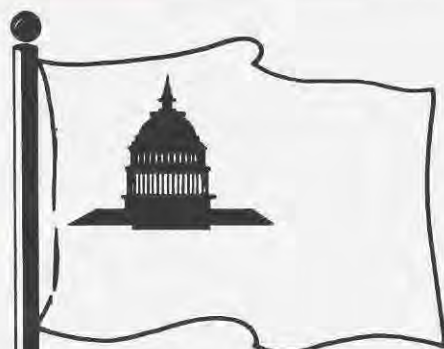
**Parent company:** Crownx Inc.  
**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 100% health insurance.  
**Self-insured clients/claims:** Administration: 60 clients, \$1.2 billion claims paid.

**Client mix:** Administration: 43 corporations, five public/government

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*Continued from facing page*  
 entities, one multiemployer plan, one Taft-Hartley plan, five union-sponsored plans, five association plans. Health plans: 594,781 employees covered, 1.4 million dependents covered.

**Staff:** 817 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per eligible employee, medical \$6-\$15; dental \$1-\$2.50; prescription drug, 75 cents-\$2; vision 55 cents-75 cents; cost management services \$1.50-\$5.

**Branch offices:** Administrative and sales office in Pittsburgh. Additional administrative offices in Calabasas and North Hollywood, Calif.

**Principal officers:** Samuel X. Kaplan, founder/chairman; Geoffrey T. Wood, president/chief executive officer; Matthew W. Kaplan, executive vp-marketing; Ted White, senior vp-trust business.

#### United Medical Resources Inc.

2343 Auburn Ave., Cincinnati, Ohio 45219; 513-651-3737

**Year founded:** 1983.

**Services provided:** 72% claims administration, 27% adjusting, 1% other services.

**Region served:** Nationwide.

**Specialty:** 99% health insurance, 1% flex compensation.

**Self-insured clients/claims:** Administration: 20 clients, \$25 million claims paid.

**Client mix:** Administration: 19 corporations, one multiemployer plan. Health plans: 18,200 employees covered, 36,000 dependents covered.

**Staff:** 27 total staff members, 21 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$3.20-\$8.15. Adjusting: per employee per month, \$1.90-\$2.05.

**1987 gross revenues:** \$1.4 million total.

**Principal officers:** Victoria B. Buyniski, president; James L. Armitage, vp; Tom A. Steele, controller; Becki Terretti, claims supervisor; Julie Mueller, customer support.

**Membership:** SIIA.

V

#### Variable Protection Administrators Inc.

7123 Pearl Road, Suite 300, Cleveland, Ohio 44130; 216-676-8585

**Year founded:** 1968.

**Services provided:** 57% claims administration, 1% auditing, 42% other services.

**Region served:** Nationwide.

**Specialty:** 94% health insurance, 3% disability, 3% life.

**Self-insured clients/claims:** Administration: four clients.

**Client mix:** Administration: four corporations. Health plans: 400 employees covered, 1,050 dependents covered.

**Staff:** 50 total staff members, five of whom serve self-insured clients only.

**Charges:** Administration: per covered employee, \$5-\$20. Auditing: \$50-\$100 per hour.

**1987 gross revenues:** \$3.4 million total.

**Principal officers:** David Manley, president; David Campbell, vp-marketing; Susan Maddock, vp-underwriting; Anthony Manley, vp-claims; Timothy Eisenmann, vp-operations.

**Membership:** SPBA, North East Ohio Claims Assn.

#### Vision Service Plan Northeast Region

400 E. Town St., Columbus, Ohio 43216; 614-224-7709

**Year founded:** 1967.

**Services provided:** 65% claims administration, 35% other services.

**Region served:** Ohio, Michigan, Kentucky, West Virginia, Massachusetts, Vermont, New Hampshire and Maine.

**Specialty:** 100% health insurance.

**Self-insured clients/claims:** Administration: 170 clients, \$13.4 million claims paid.

**Client mix:** Administration: 39 corporations, 25 public/government entities, 19 union-sponsored plans. Health plans: 249,218 employees covered, 623,045 dependents covered.

**Staff:** 100 total staff members, 65 of whom serve self-insured clients only.

**Charges:** Administration: percent of claims, per eligible employee.

**1987 gross revenues:** Approximately \$25 million total.

**Branch offices:** Sales offices in Detroit, Boston.

**Principal officers:** William Bennett, president; Dennis Furton, Paul Becher and John Kackloudis, vps.

#### Voluntary Plan Administrators Inc. (VPA Inc.)

23586 Calabasas Road, Suite 101, P.O. Box 9830, Calabasas, Calif. 91302-9830; 818-888-8721

**Year founded:** 1979.

**Services provided:** 90% claims administration, 5% adjusting, 5% au-

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NO. 26

### J&H Forms Alternative Markets Division.

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The rise in formation of alternative risk financing vehicles continues strong despite the advent of a softening insurance market.

Within the last 18 months, alternative underwriting capacity has established historic highs utilizing such forms as: single-parent captives, risk retention groups, special-purpose insurers, and insurers formed from a combination of investor and conventional insurance market capital.

J&H has taken a leadership position in building much of this new capacity by creating special group programs with offshore insurance companies. In addition, J&H helped organize a combination of insurance-market and financial-market capital for AEIA<sup>1</sup> and ERIC<sup>2</sup>. More recently, we helped develop the Consolidated Catholic Casualty Risk Retention Group.

The creation of the Alternative Markets Division, formalizes J&H long-term activity in risk retention capital projects. Besides recognition as the world's leading manager of captive facilities, the unit also brings to the table dedicated resources in plan design, policy design, capital formation, captive formation and reinsurance intermediation.

For more information on participating in an alternative market facility, call your J&H office or Richard J. Rice. 212-574-8600.

<sup>1</sup>American Excess Insurance Association. <sup>2</sup>ERIC Reinsurance Co.

Continued from previous page  
diting.

**Region served:** Nationwide.  
**Specialty:** 85% disability, 15% sick pay and salary continuation plans.

**Self-insured clients/claims:** Administration: 220 clients, \$33 million claims paid. Adjusting: three clients; types of claims include short- and long-term disability, sick pay, salary continuation plans. Auditing: four projects conducted.

**Client mix:** Administration: 219 corporations, one public/government entity.

**Staff:** 50 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: percent of premiums, percent of contributions. Adjusting and auditing: \$75-\$150 per hour.

**Branch offices:** Administrative office in Santa Clara, Calif.

**Principal officers:** Jack H. Bredehorn, president; Ralph D. Hurley, vp.  
**Membership:** SPBA, SIIA, California Manufacturers Assn. ■

# Property/casualty claims firms

## A

### Aetna Technical Services Inc. (Aetnatec)

151 Farmington Ave., Hartford, Conn. 06156; 203-273-7593

**Year founded:** 1972.

**Parent company:** Aetna Life & Casualty Co.

**Services provided:** 97% claims administration, 1% auditing, 2% other services.

**Region served:** Nationwide.

**Specialty:** 75% workers compensation, 15% general liability, 7% automobile, 1% property damage, 1% professional liability, 1% bonds.

**Self-insured clients/claims:** Administration: more than 100 clients, more than \$50 million claims paid. Auditing: 10-15 projects conducted.

**Client mix:** Administration: approximately 95 corporations, 5 public/government entities.

**Charges:** Administration: per claim, guaranteed cost, percent of paid claims. Auditing: guaranteed cost.

**Branch offices:** Administrative offices in 52 cities in the United States.

**Principal officers:** Robertson Mackay, president; Robert F. Warner and Robert McDaniel, vps.

### Alexis Inc.

41000 W. Seven Mile Road, Suite 200, Northville, Mich. 48167; 313-348-2202

**Year founded:** 1932.

**Parent company:** Alexander & Alexander Inc.

**Services provided:** 80% claims administration, 20% other services.

**Region served:** Nationwide.

**Specialty:** 70% workers compensation, 15% general liability, 5% automobile, 5% property damage, 5% professional liability.

**Self-insured clients/claims:** Administration: 2,600 clients, \$650 million claims paid.

**Client mix:** Administration: 2,260 corporations, 284 public/government entities, 56 association plans.

**Staff:** 940 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: percent of premium, per claim.

**1987 gross revenues:** \$60 million total.

**Branch offices:** 53 administrative and sales offices in the United States.

**Subsidiaries:** Corporate Service Inc., Summit Consulting Inc.

**Principal officers:** John A. Malasky, national director; Ernest C. Fackler III, executive vp-western division; Joseph A. Giampetro, executive vp-eastern division; Ronald F. Proffer, president-Corporate Service Inc.; William B. Bull, president-Summit Consulting Inc.

**Membership:** SIIA.

### Allied Claim Services Inc.

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

**Year founded:** 1959.

**Services provided:** 45% claims

administration, 52% adjusting, 2% auditing, 1% other services.

**Region served:** New York.

**Specialty:** 47% workers compensation, 21% general liability, 17% automobile, 11% property damage, 2% professional liability, 2% inland marine.

**Self-insured clients/claims:** Administration: 22 clients, \$1.3 million claims paid. Adjusting: 26 clients; types of claims include workers compensation, general liability, automobile, property damage, professional liability, inland marine.

**Client mix:** Administration: 19 corporations, three public/government entities.

**Staff:** 24 total staff members, 11 of whom serve self-insured clients only.

**Charges:** Administration: per claim, flat rate, by contract. Adjusting: time and expense. Auditing: by contract plus expenses.

**Principal officers:** Henry E.B. Dendler, chairman; Gregory J. Dendler, president; Paul J. Nowak, vp; Edward E. Gress and Patrick H. Dendler, assistant vps.

**Membership:** National Council of Self-Insureds, New York State Self-Insurers Assn., International Assn. of Industrial Accident Boards & Commissions.

### American International Adjustment Co.

50 S. Clinton St., East Orange, N.J. 07018; 201-414-2700

**Year founded:** 1978.

**Parent company:** American International Group Inc.

**Services provided:** 95% claims administration, 2% adjusting, 2% auditing, 1% other services.

**Region served:** Nationwide.

**Specialty:** 40% general liability, 30% workers compensation, 25% automobile, 5% property damage.

**Self-insured clients/claims:** Administration: 100 clients. Adjusting: more than 200 clients; types of claims include general liability, workers compensation, automobile.

**Staff:** 2,400 total staff members.

**1987 gross revenues:** \$125 million total.

**Branch offices:** Administrative offices throughout the United States.

**Subsidiaries:** American International Health & Rehabilitation Services, American International Recovery.

**Principal officers:** Robert W. Witty, president; Stephen Reil, senior vp; Ronald W. Crump, vp-marketing; John Sterni and William Wilkinson, vps; Al Biel, vp-finance.

### Associated Claims Enterprises Inc.

10 S. LaSalle St., 12th Floor, Chicago, Ill. 60603-1099; 312-263-1620

**Year founded:** 1985.

**Parent company:** Cameron General Corp.

**Services provided:** 40% claims administration, 30% adjusting, 30% auditing.

**Region served:** Nationwide.

**Specialty:** 40% general liability, 30% professional liability, 20% specialty risk claims, 10% automobile.

**Self-insured clients/claims:** Administration: five clients. Adjusting: eight clients; types of claims include general liability, professional liability, specialty risks, automobile. Auditing: 20 projects conducted.

**Client mix:** Administration: 80% corporations, 20% association plans. Adjusting: 70% corporations, 5% public/government entities, 25% association plans. Auditing: 50% corporations, 5% public/government entities, 45% association plans.

**Staff:** 12 total staff members, eight of whom serve self-insured clients only.

**Charges:** Administration and adjusting: per claim, time and expense, flat fee. Auditing: time and expense, flat fee.

**Principal officers:** John Hendrickson, president; Kathie Wyatt-Vit and Richard J. Solski, assistant vps.

**Membership:** SIIA.

## B

### Bierly & Associates Inc.

1631 Huntington Drive, South Pasadena, Calif. 91030; 818-441-3151

**Year founded:** 1972.

**Parent company:** Bronco Ltd.

**Services provided:** 90% claims administration, 5% adjusting, 5% other services.

**Region served:** Pasadena, Santa Ana, San Diego, Fresno and Redwood City, Calif.

**Specialty:** 95% workers compensation, 5% general liability.

**Self-insured clients/claims:** Administration: 313 clients, \$100 million claims paid. Adjusting: 50 clients; types of claims include workers compensation.

**Client mix:** Administration: 56 corporations, 275 public/government entities. Adjusting: 25 corporations, 25 public/government entities.

**Staff:** 275 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: flat annual fee, per claim, percent of payroll. Adjusting: time and expense.

**1987 gross revenues:** \$10.5 million total.

**Subsidiaries:** Advanced Claims Technology, Retained Risk Management, Paige One Adjusters, Best Impressions Photocopy.

**Principal officers:** R. Michael Bierly, president; Bruce S. Vanner, executive vp; Harry C. Heinen and James Jamerson, senior vps; Bruce L. Miller, vp.

**Membership:** California Administrative Service Organization.

### Gregory B. Bragg & Associates Inc.

4811 Chippendale Drive, Suite 707, Sacramento, Calif. 95841; 916-344-7995; 800-422-7244 in California

**Year founded:** 1986.

**Services provided:** 40% claims administration, 50% adjusting, 10% auditing.

**Region served:** California.

**Specialty:** 50% general liability, 30% automobile, 20% property damage.

**Self-insured clients/claims:** Administration: 39 clients, \$1.3 million claims paid. Adjusting: six clients; types of claims include general liability, automobile, workers compensation.

**Client mix:** Administration: one corporation, 38 public/government entities. Adjusting: three corporations, three public/government entities.

**Staff:** 12 total staff members, six of whom serve self-insured clients only.

**Charges:** Administration: annual flat fee, \$600-\$4,800. Adjusting: time and expense, \$32-\$34 per hour plus expenses. Auditing: included in administration costs, or \$90 per hour.

**1987 gross revenues:** \$600,000 total.

**Branch offices:** Administrative offices in Chico and Fairfield, Calif.

**Principal officers:** Gregory B. Bragg, president; Lee Collins, vp; D.M. Grassinger, secretary; Robert R. Cregan, treasurer.

**Membership:** California Assn. of Independent Insurance Adjusters.

## C

### Caronia Corp.

350 Jericho Turnpike, Jericho, N.Y. 11753; 516-433-1200

**Year founded:** 1969.

**Services provided:** 50% claims administration, 15% adjusting, 15% auditing, 20% other services.

**Region served:** Nationwide.

**Specialty:** 70% professional liability, 10% product liability, 10% general liability, 5% workers compensation, 5% automobile.

**Self-insured clients/claims:** Administration: 80 clients. Auditing: 30 projects conducted.

**Client mix:** Administration: 78 corporations, two public/government

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 entities. Auditing: 27 corporations, three public/government entities.  
**Staff:** 155 total staff members.  
**Charges:** Administration, adjusting and auditing: time and expense, fixed fee.  
**Branch offices:** Administrative offices in Houston; Dallas; San Francisco and Tustin, Calif.; Phoenix, Ariz.; St. Louis; New Orleans; Tampa and Miami, Fla.; Atlanta; Louisville, Ky.; Nashville, Tenn.; Washington, D.C.; Chicago; Bedford, N.H.; Albany, N.Y.; London.  
**Principal officers:** Charles A. Caronia, president; Carl Ferdenzi, Randall Brent and Joseph Costantino, executive vps.  
**Membership:** Assn. of Independent Insurance Adjusters.

**Claim Administrators Inc.**  
 P.O. Box 36054, Richmond, Va. 23235; 804-379-2857

**Year founded:** 1985.  
**Services provided:** 100% auditing.

**Region served:** Nationwide.  
**Specialty:** 50% workers compensation, 15% general liability, 15% automobile, 15% property damage, 5% professional liability.  
**Client mix:** Auditing: 10 corporations, eight public/government entities, 12 association plans.  
**Staff:** One staff member, who serves self-insured clients only.  
**Charges:** Auditing: percent of indemnity, per audit, per week.  
**Principal officers:** D.E. Oliver, president, C.F. Oliver, treasurer.

**Claim & Risk Control Inc.**  
 5136 Express Drive S., Holbrook, N.Y. 11741; 516-467-4700

**Year founded:** 1977.  
**Services provided:** 60% claims administration, 30% adjusting, 10% auditing.

**Region served:** Nationwide.  
**Specialty:** 65% general liability, 20% automobile, 10% workers compensation, 5% property damage.  
**Self-insured clients/claims:** Administration: 20 clients. Adjusting: three clients. Auditing: four projects conducted.  
**Client mix:** Administration: 20 corporations.  
**Staff:** 35 total staff members.  
**Charges:** Administration: percent of incurred claims, time and expense. Adjusting: flat rate, time and expense. Auditing: flat fee, time and expense.  
**Principal officers:** Eugene Fleischer, president; Kathleen Arnone, vp.

**Claimco Inc.**  
 P.O. Box 729, Long Valley, N.J. 07853; 201-832-7752

**Year founded:** 1982.  
**Services provided:** 15% claims administration, 20% adjusting, 40% auditing, 25% other services.

**Region served:** Nationwide; adjusting services available in New Jersey, New York and Pennsylvania.  
**Specialty:** 40% general liability, 15% automobile, 15% professional liability, 15% reinsurance, 10% workers compensation, 5% property damage.  
**Self-insured clients/claims:** Administration: nine clients. Adjusting: 12 clients; types of claims include liquor liability, commercial automobile, general liability, professional liability, reinsurance. Auditing: 34 projects conducted.  
**Client mix:** Administration: nine corporations. Adjusting: 10 corporations. Auditing: 14 corporations.  
**Staff:** 14 total staff members, eight of whom serve self-insured clients only.  
**Charges:** Administration and auditing: time and expense, per diem, by contract. Adjusting: time and expense.  
**Branch offices:** Administrative offices in New York and Philadelphia.  
**Principal officers:** John M. Monahan, president; Bill Holt and Tom Walsh, vps; P.A. Monahan, secretary/treasurer.

**Claims Administration Services Inc.**  
 12235 Beach Blvd., Caller Box 2005, Stanton, Calif. 90680; 714-895-1223; 213-493-3691

**Year founded:** 1977.

**Services provided:** 80% claims administration, 15% adjusting, 5% auditing.

**Region served:** Nationwide.  
**Specialty:** 60% workers compensation, 40% general liability.

**Self-insured clients/claims:** Administration: 150 clients. Adjusting: 80 clients; types of claims include automobile, general liability, property.

**Client mix:** Administration: clients include corporations and public/government entities.

**Staff:** 125 total staff members, 65 of whom serve self-insured clients only.

**Charges:** Administration: time and expense, per claim. Adjusting: time and expense.

**Branch offices:** Administrative and sales office in San Diego.

**Subsidiaries:** National Panel of Select Adjusting Cos., NBA Group Inc., CDS of California and Nevada.

**Principal officers:** Douglas E. Hanson, president; Donald Baldwin, executive vp.

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**Spotlight report**

Continued from previous page

**Claims Management Services Inc.**

360 Market Place, P.O. Box 1447, Roswell, Ga. 30077; 404-998-7411

**Year founded:** 1984.**Services provided:** 80% claims administration, 20% adjusting.**Region served:** Southeastern United States.**Specialty:** 75% workers compensation, 15% general liability, 5% automobile, 5% professional liability.**Self-insured clients/claims:** Administration: 47 clients. Adjusting: 11 clients; types of claims include workers compensation, medical malpractice, product liability, general liability, automobile liability.**Client mix:** Administration: 41 corporations, four public/government entities, one multiemployer plan, one union-sponsored plan.**Staff:** 11 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: by the hour plus expenses, \$50-\$65. Adjusting: flat rate, \$50-\$600; by the hour plus expenses, \$50.**Principal officers:** Gene L. Jones, president; Thomas H. O'Steen, vp; Neill G. Stevens, secretary/treasurer.**Claims Management Services Inc. of Pennsylvania**

P.O. Box 230, Lemoyne, Pa. 17043; 717-763-7727

**Year founded:** 1984.**Services provided:** 100% claims administration.**Region served:** Pennsylvania.**Specialty:** 100% workers compensation.**Self-insured clients/claims:** Administration: four clients, \$5.3 million claims paid.**Client mix:** Administration: three corporations, one association plan.**Staff:** Six total staff members.**Charges:** Administration: per claim billing, \$50-\$250.**1987 gross revenues:** \$275,000 total.**Principal officers:** Edward L. Gallagher Jr., president; Cynthia L. Gallagher, vp.**Constitution State Service Co.**

100 Constitution Plaza, Suite 1632, Hartford, Conn. 06103; 203-277-5489

**Year founded:** 1980.**Parent company:** The Travelers Corp.**Services provided:** 93% claims administration, 5% adjusting, 2% auditing.**Region served:** Nationwide.**Specialty:** 33% workers compensation, 33% general liability, 33% automobile, 1% property damage.**Self-insured clients/claims:** Administration: 223 clients, \$260 million claims paid. Adjusting: 30 clients; types of claims include workers compensation, automobile liability, general liability. Auditing: two projects conducted.**Client mix:** Administration: 165 corporations, 45 public/government entities, 13 association plans.**Staff:** 27 staff members, 3,500 additional staff members provided by parent company.**Charges:** Administration: per claim. Adjusting and auditing: by the hour.**Branch offices:** Administrative

offices throughout the United States. Sales offices in New York, Atlanta, Los Angeles.

**Subsidiaries:** Constitution Appraisal Resources, LITFAX.**Principal officers:** Sheldon L. Rothbart, president/chief executive officer; Robert D. Greenberg, executive vp; Stephen H. Reynolds, vp; Robert M. McGinnis, treasurer.**Crawford & Co.**

5620 Glenridge Drive, Atlanta, Ga. 30342; 404-256-0830

**Year founded:** 1941.**Services provided:** 31% claims administration, 52% adjusting, 17% other services.**Region served:** Nationwide, Canada and Puerto Rico.**Specialty:** 60% workers compensation; 40% general liability, automobile, property damage, professional liability, bonds, ocean marine and inland marine.**Self-insured clients/claims:** Administration: 766 clients, \$985 million claims paid. Adjusting: 2,000 clients; types of claims include liability, workers compensation, property.**Client mix:** Administration: 674 corporations, 39 public/government entities, 53 association plans. Adjusting: 1,800 corporations, 150 public/government entities, 50 association plans.**Staff:** 5,000 total staff members.**Charges:** Administration: per claim, flat rate. Adjusting: time and expense.**1987 gross revenues:** \$265 million total.**Branch offices:** Administrative offices throughout the United States, Canada and Puerto Rico. Sales offices in Chicago; Dallas; Los Angeles; New York; Orlando, Fla.; San Fran-

cisco; Toronto; Washington, D.C.

**Subsidiaries:** Crawford & Co. Insurance Adjusters Ltd., Risk Sciences Group.**Principal officers:** F.L. Minix, chairman/chief executive officer; P.O. Bollinger, executive vp-services; D.R. Chapman, executive vp-finance; C.C. Lefler, executive vp-marketing.**Membership:** SIIA.**E****ESIS Inc.**

1600 Arch St., Philadelphia, Pa. 19103; 215-523-2100

**Year founded:** 1955.**Parent company:** CIGNA Corp.  
**Services provided:** 75% claims administration, 10% adjusting, 5% auditing, 10% other services.**Region served:** Nationwide.**Specialty:** 35% general liability, 33% automobile, 30% workers compensation, 1% property damage, 1% professional liability.**Self-insured clients/claims:** Administration: 1,100 clients, \$550 million claims paid. Auditing: 35 projects conducted.**Staff:** 48 marketing staff members, 3,100 claim personnel provided through parent company.**Charges:** Administration and adjusting: per claim. Auditing: flat fee.**Branch offices:** Sales offices in Atlanta, Boston, Chicago, Dallas, Detroit, Los Angeles, New York, San Francisco.**Subsidiaries:** SIMCO Inc.**Principal officers:** Edward P. Holleran, president; George W. Putnam, vp; Norma Kopp, treasurer.**Membership:** SIIA, National Council of Self-Insurers.**Employee Benefit****Administration Co.**

8441 Wayzata Blvd., Suite 200, Minneapolis, Minn. 55426-1392; 612-544-0311

**Year founded:** 1979.**Parent company:** W.R. Berkley Corp.**Services provided:** 100% claims administration.**Region served:** Minnesota, Oklahoma.**Specialty:** 98% workers compensation; 2% general liability, automobile, property damage, professional liability.**Self-insured clients/claims:** Administration: 1,300 clients.**Client mix:** Administration: 100 corporations, 1,200 public/government entities.**Staff:** 140 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: percent of premium. Adjusting and auditing charges included in administration fees.**Branch offices:** Administrative and sales office in Tulsa, Okla.**Principal officers:** Ernest Kallgren, president; Steve Letak and Ronald Holbach, vps.**F****The Fisher Associates**

3465 Torrance Blvd., Suite N, Torrance, Calif. 90503; 213-540-8803

**Year founded:** 1982.**Services provided:** 10% claims administration, 60% adjusting, 25% auditing, 5% other services.**Region served:** Nationwide; adjusting services available in Southern California.**Specialty:** 50% professional liability, 25% general liability, 25% product liability.**Self-insured clients/claims:** Administration: four clients, \$11 million claims paid. Adjusting: four clients; types of claims include professional liability, product liability, general liability. Auditing: five projects conducted.**Client mix:** Administration, adjusting and auditing: three corporations, one public/government entity.**Staff:** 10 total staff members, five of whom serve self-insured clients only.**Charges:** Administration: by the hour, \$55-\$75. Adjusting: by the hour, \$50-\$60. Auditing: by the hour,

\$95.

**1987 gross revenues:** More than \$1 million total.**Principal officers:** Frederick J. Fisher, president.**Membership:** California Assn. of Insurance Adjusters.**Fleming & Associates**

1150 Foothill Blvd., Suite E, La Canada, Calif. 91011; 818-790-8714

**Year founded:** 1976.**Services provided:** 75% claims administration, 5% auditing, 20% other services.**Region served:** West Coast.**Specialty:** 95% workers compensation, 5% general liability.**Self-insured clients/claims:** Administration: 48 clients, \$16.3 million claims paid. Auditing: 18 projects conducted.**Client mix:** Administration: 11 corporations, 37 public/government entities. Auditing: seven corporations, 11 public/government entities.**Staff:** 24 total staff members, 16 of whom serve self-insured clients only.**Charges:** Administration: per claim, \$200-\$400; percent of rates. Auditing: by the project; by the hour, \$60-\$125.**1987 gross revenues:** \$950,000 total.**Branch offices:** Administrative office in Salinas, Calif.**Principal officers:** William Edward Fleming, president; Jeff Seabrook, vp-financial services; William A. Lange, vp-data processing; Robert N. Hoyle, vp-claims.**Membership:** California Administrative Service Organization, Southern California Self-Insurers Assn.**J.H. Frank & Associates**

P.O. Box 116, Madison, N.J. 07940-0116; 201-822-2992

**Year founded:** 1985.**Services provided:** 30% claims administration, 50% auditing, 20% other services.**Region served:** Nationwide.**Specialty:** 40% general liability, 30% professional liability, 15% automobile, 5% workers compensation, 5% property damage, 5% bonds.**Self-insured clients/claims:** Administration: six clients, approximately \$3 million claims paid. Auditing: 10 projects conducted.**Client mix:** Administration: six corporations.**Staff:** Five full-time staff members, eight part-time staff members.**Charges:** Administration: monthly, quarterly, per diem, by the hour, by contract. Auditing: monthly, per diem, by the hour plus expenses.**Branch offices:** Administrative and sales office in New York. Additional administrative offices in Jacksonville, Fla.; Glendale, Calif.**Principal officers:** J.H. Frank, principal; M.E. Avroch, C. Simmons, J.T. Frank and Patricia Buck, associates.**Membership:** Excess & Surplus Line Claims Assn., New York Reinsurance Claims Assn.**Frontier Adjusters Inc.**

45 E. Monterey Way, Phoenix, Ariz. 85012; 602-264-1061

**Year founded:** 1957.**Services provided:** 9% claims administration, 91% adjusting.**Region served:** Nationwide.**Specialty:** 40% general liability, 40% automobile, 15% workers compensation, 5% property damage.**Self-insured clients/claims:** Administration: 50 clients, \$21.3 million claims paid. Adjusting: 39 clients; types of claims include automobile, general liability, workers compensation, property damage. Auditing: two projects conducted.**Client mix:** Administration: seven corporations, four public/government entities. Adjusting: 28 corporations, 11 public/government entities.**Staff:** 910 total staff members.**Charges:** Administration and adjusting: time and expense, \$30-\$65 per hour.**1987 gross revenues:** \$17 million total.**Branch offices:** 330 offices in the United States, Canada and Puerto Rico.**Principal officers:** William J. Roche, president; J.E. Ryberg, secretary/treasurer; Mike Soltau, executive vp; George Hill, vp/general counsel; Lou Mastos, vp.

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*Underwriting & Administrative Managers*

Continued from facing page

**G****W.R. Gibbens Inc.**

P.O. Box 15335, Las Vegas, Nev.  
89114; 702-737-0345

**Year founded:** 1966.

**Parent company:** The Gibbens Co. Inc.

**Services provided:** 85% claims administration, 1% auditing, 14% other services.

**Region served:** Nevada, Colorado, Washington.

**Specialty:** 100% workers compensation.

**Self-insured clients/claims:** Administration: 31 clients, \$6.5 million claims paid. Auditing: three projects conducted.

**Client mix:** Administration: 30 corporations, one public/government entity. Auditing: one corporation.

**Staff:** 27 total staff members, 20 of whom serve self-insured clients only.

**Charges:** Administration: percent of payroll. Auditing: by the hour.

**Branch offices:** Administrative and sales offices in Reno, Nev.; Denver; Olympia, Wash.

**Principal officers:** David E. Addison, president; Russ Pascoe, vp; Douglas Todd, secretary.

**Greenfield-Thompson Associates Inc.**

1645 McCandless Drive, Milpitas, Calif. 95035; 408-262-4333

**Year founded:** 1985.

**Services provided:** 90% claims administration, 10% other services.

**Region served:** California.

**Specialty:** 100% workers compensation.

**Self-insured clients/claims:** Administration: 119 clients, \$21 million claims paid.

**Client mix:** Administration: 32 corporations, 87 public/government entities.

**Staff:** 45 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: annual fee.

**Branch offices:** Administrative office in Tustin, Calif.

**Principal officers:** Deborah S. Greenfield, president; James L. Thompson, chairman.

**H****HCM Claim****Management Corp.**

3 Entin Road, Parsippany, N.J.  
07054; 800-426-2223;  
201-428-6474

**Year founded:** 1981.

**Parent company:** Hertz Corp.

**Services provided:** 70% claims administration, 30% other services.

**Region served:** Nationwide.

**Specialty:** 70% automobile, 10% general liability, 10% property damage, 10% inland marine.

**Self-insured clients/claims:** Administration: six clients, \$60 million claims paid.

**Client mix:** Administration: five corporations, one public/government entity.

**Staff:** 235 total staff members, 200 of whom serve self-insured clients only.

**Charges:** Administration: per occurrence, \$300-\$1,000.

**Branch offices:** Administrative offices in Boston; Chicago; Dallas; Irvine and Los Angeles, Calif.; Miami; New York; Pittsburgh; Rockville, Md.

**Principal officers:** William Sider, chairman; Thomas J. Santorelli, president; Terrance J. Ingrao, assistant secretary/managing attorney; David J. Troy Jr., assistant secretary/national account executive.

**Membership:** SIIA.

**Heyenrath & Associates**

1142 Manhattan Ave., Suite 240,  
Manhattan Beach, Calif. 90266;  
213-546-1108

**Year founded:** 1980.

**Services provided:** 90% auditing, 10% other services.

**Region served:** Nationwide.

**Specialty:** 60% workers compen-

sation, 20% general liability, 10% automobile, 10% property damage.

**Self-insured clients/claims:** Auditing: 51 projects conducted.

**Client mix:** Auditing: 14 corporations, 20 public/government entities, nine multiemployer plans, eight association plans.

**Staff:** Three total staff members, all of whom serve self-insured clients only.

**Charges:** Auditing: by the project; by the hour, \$80-\$150.

**Branch offices:** Administrative offices in Spokane, Wash.

**Principal officers:** Leo Heyenrath, senior partner.

**J****Fred S. James & Co. Inc.-  
Claims Management  
Services**

1285 Ave. of the Americas, New  
York, N.Y. 10019; 212-333-8900

**Year founded:** 1858.

**Parent company:** Sedgwick Group P.L.C.

**Region served:** Nationwide.

**Specialty:** 90% workers compensation, 4% general liability, 3% automobile, 2% professional liability, 1% property damage.

**Self-insured clients/claims:** Administration: 921 clients, \$195 million claims paid. Auditing: 47 projects conducted.

**Client mix:** Administration: 625 corporations, 224 public/government entities, 25 association plans. Auditing: 40 corporations, seven public/government entities.

**Staff:** 6,500 total staff members, 400 of whom serve self-insured clients only.

**Branch offices:** 45 administrative offices and 85 sales offices in the United States.

**Subsidiaries:** Applied Risk Management, FPE Group Inc.

**Principal officers:** Richard M. Page, chairman/president/chief executive officer; Roger E. Clayton, senior vp-client services; Robert L. Young, vp-claims management services.

**Membership:** SIIA, National Council of Self-Insurers, Workers Compensation Research Institute, International Assn. of Industrial Accident Boards & Commissions.

**Johns Eastern Co. Inc.**

P.O. Box 4175, Sarasota, Fla.  
34230; 813-957-3041

**Year founded:** 1946.

**Services provided:** 20% claims administration, 74% adjusting, 1% auditing, 5% other services.

**Region served:** Florida; Virginia; Washington, D.C.; Maryland; Delaware; Pennsylvania; New Jersey.

**Specialty:** 65% workers compensation, 15% general liability, 10% automobile, 5% property damage, 5% professional liability.

**Self-insured clients/claims:** Administration: 25 clients, \$3.1 million claims paid. Adjusting: seven clients; types of claims include workers compensation, automobile, general liability, professional liability.

**Client mix:** Administration: eight corporations, 17 public/government entities. Adjusting: five corporations. Auditing: three corporations.

**Staff:** 130 total staff members.

**Charges:** Administration: percent of premium, 5%. Auditing: by the hour, \$100.

**1987 gross revenues:** \$5.7 million total.

**Branch offices:** Administrative and sales offices in Clearwater, Fort Lauderdale, Jacksonville, Lakeland, Miami, Orlando, Tampa and West Palm Beach, Fla.; Baltimore and Greenbelt, Md.; Philadelphia; Norfolk, Va.

**Subsidiaries:** West Coast Auto Appraisal, Jeco Excess Agency Inc.

**Principal officers:** C.T. Johns, chairman; D.L. Johns, president; K.M. Johns III, executive vp; Allen Ladd and Norman Sensinger, regional managers.

**Membership:** SIIA, National Assn. of Independent Insurance Adjusters, Society of Chartered Property & Casualty Underwriters.

**K****Keenan & Associates**

2355 Crenshaw Blvd., Suite 200,  
P.O. Box 4328, Torrance, Calif.  
90510; 213-212-3344

**Year founded:** 1972.

**Services provided:** 28% claims administration, 72% other services.

**Region served:** California.

**Specialty:** 88% workers compensation, 6% automobile, 4% property damage, 2% general liability.

**Self-insured clients/claims:** Administration: 627 clients, \$33.1 million claims paid.

**Client mix:** Administration: eight corporations, 619 public/government entities.

**Staff:** 185 total staff members, 79 of whom serve self-insured clients only.

**Charges:** Administration: flat rate.

**1987 gross revenues:** \$13.5 million total, \$3.8 million from claim services.

**Branch offices:** Administrative and sales offices in Santa Ana, Riverside, Fresno, Campbell, Sacramento and Chico, Calif. Additional sales offices in San Diego, San Rafael and Thousand Oaks, Calif.

**Principal officers:** John R. Keenan, president; Murton L. Munson, senior vp; David J. DeWenter

and D. Mark Schulte, vps.

**Membership:** California Administrative Service Organization.

**L****Lindsey & Newsom  
Insurance Adjusters Inc.**

3910 Brookside Drive, P.O. Box  
6030, Tyler, Texas 75711;  
214-561-6700

**Year founded:** 1946.

**Services provided:** 10% claims administration, 88% adjusting, 2% auditing.

**Region served:** Nationwide; adjusting services available in Texas, New Mexico, Oklahoma, Arkansas and Louisiana.

**Specialty:** 60% workers compensation, 35% automobile, 5% general liability.

**Self-insured clients/claims:** Administration: 50 clients. Adjusting: 200 clients. Auditing: five projects conducted.

**Client mix:** Administration: includes corporations, public/government entities. Adjusting: 200 corporations. Auditing: four corporations, one association plan.

**Staff:** 350 total staff members.

**Charges:** Administration: percent of premium, percent of incurred claims, annual fee, fee per claim. Ad-

justing and auditing: time and expense.

**Subsidiaries:** Risk Management Service Co., The Remedy Co., Vale National Training Center.

**Principal officers:** Robert B. Irwin, president; Terry A. Grant, executive vp; Don L. Guin, senior vp; Pat O'Neal, administrative senior vp; Bill Hilliard, vp-property; Ed Sebastian, vp-customer services.

**Membership:** Texas Surplus Lines Assn., National Assn. of Independent Insurance Adjusters.

**N****NATLSCO (National Loss  
Control Service Corp.)**

Kemper Center, Route 22, Long  
Grove, Ill. 60049-0075;  
312-540-2400

**Year founded:** 1968.

**Parent company:** Kemper Group.

**Services provided:** 87% claims administration, 13% other services.

**Region served:** Nationwide.

**Specialty:** 66% workers compensation, 19% general liability, 9% automobile, 6% property damage.

**Self-insured clients/claims:** Administration: 155 clients.

**Client mix:** Administration: 154 corporations, one public/government

Continued on next page

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## Spotlight report

Continued from previous page  
entity.

**Staff:** 205 total staff members.

**Charges:** Administration: percent of incurred claims, percent of payroll, percent of annual premium/deposits, per claim.

**Branch offices:** Administrative offices in Akron, Ohio; Fairfax, Va.; and 9½ offices of parent company. Sales offices in North Quincy, Mass.; New Haven, Conn.; Summit, N.J.; New York and Syracuse, N.Y.; Philadelphia; Richmond, Va.; Charlotte, N.C.; Atlanta; Orlando, Fla.; Jackson, Miss.; Mansfield, Ohio; Chicago; St. Louis; Houston; Denver; Phoenix, Ariz.; Los Angeles; San Francisco; Seattle; Edina, Minn.

**Principal officers:** R.W. Satterfield, president; F.G. Minch, G.J. Kraficis, A.D. Odom and D.F. Benevich, vps.

### NCSI (National Con-Serv Inc.)

451 Hungerford Drive, Rockville, Md. 20850; 301-251-1880

**Year founded:** 1972.

**Services provided:** 65% claims administration, 35% other services.

**Region served:** Nationwide.

**Specialty:** 98.8% workers compensation, 1.2% automobile, less than 1% general liability.

**Self-insured clients/claims:** Administration: 11 clients, \$7 million

claims paid.

**Client mix:** Administration: two corporations, nine public/government entities.

**Staff:** 125 total staff members, 15 of whom serve self-insured clients only.

**Charges:** Administration: fixed fee, per claim.

**Principal officers:** Larry Bucklew, president; George Mann, group vp; Peter G. Baldwin, assistant vp.

**Membership:** SIIA, Maryland Self-Insurers & Employers Compensation Assn., Washington Claims Assn.

### National Claims Service Inc.

P.O. Box 6614, Richmond, Va. 23230; 804-747-0136

**Year founded:** 1959.

**Parent company:** Markel Corp.

**Services provided:** 18% claims administration, 80% adjusting, 2% auditing.

**Region served:** Nationwide.

**Specialty:** 47% automobile, 25% property damage, 20% general liability, 5% workers compensation, 3% inland marine.

**Self-insured clients/claims:** Administration: 180 clients, \$20.7 million claims paid. Adjusting: 130 clients; types of claims include automobile, property damage, general liability, workers compensation,

inland marine. Auditing: nine projects conducted.

**Staff:** 208 total staff members, 21 of whom serve self-insured clients only.

**Charges:** Administration: time and expense, \$55-\$75 per hour. Adjusting: time and expense, \$32.50-\$37.50 per hour. Auditing: per diem, \$500-\$750 per day per auditor plus expenses.

**1987 gross revenues:** \$11.5 million total.

**Branch offices:** Administrative office in St. Louis. Sales offices in Atlanta; Charlotte, N.C.; Indianapolis.

**Subsidiaries:** Gordon Boyd & Co. Inc., North American Livestock Adjusters, North American Claims Management Co.

**Principal officers:** Edmund G. Langhorne, president; William E. Brand Jr. and John G. Rittenburg, vps; Richard M. Calvert, president; Gordon Boyd & Co. Inc.; J. Southall Stone, associate vp-North American Claims Management Co.

**Membership:** National Assn. of Independent Insurance Adjustors.

### Northern General Services Inc.

153 U.S. Route 1, Scarborough, Maine 04074-1720; 207-883-4393

**Year founded:** 1987.

**Services provided:** 70% claims

administration, 30% other services.

**Region served:** Maine, New Hampshire, Vermont.

**Specialty:** 100% workers compensation.

**Self-insured clients/claims:** Administration: 11 clients, \$9.4 million claims paid.

**Client mix:** Administration: three corporations, six public/government entities, two association plans.

**Staff:** 23 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: annual fee.

**1987 gross revenues:** \$600,000 total, \$420,000 from claim services.

**Principal officers:** Raphael E. St. Pierre, president; O. William Robertson, vp-personnel; John M. Plunkett, vp-underwriting/loss control.

## R

### F.A. Richard & Associates Inc.

4641 Fairfield, Metairie, La. 70006; 504-888-8672

**Year founded:** 1978.

**Services provided:** 50% claims administration, 45% adjusting, 5% other services.

**Region served:** Nationwide.

**Specialty:** 75% workers compensation, 15% general liability, 5% automobile, 5% ocean marine.

**Self-insured clients/claims:** Administration: 19 clients, more than \$12 million claims paid. Adjusting: approximately 1,100 clients; types of claims include general liability, ocean marine, automobile, professional liability.

**Client mix:** Administration: six corporations, 13 public/government entities.

**Staff:** 88 total staff members, 40 of whom serve self-insured clients only.

**Charges:** Administration: fixed cost per file, annual fee. Adjusting: time and expense, \$35 per hour.

**1987 gross revenues:** \$3.7 million total.

**Branch offices:** Administrative offices in Baton Rouge, Houma, Lake Charles, Lafayette, Alexandria, Shreveport and Monroe, La.; Atlanta; Dallas; Houston; Garden Grove, Calif.

**Subsidiaries:** Loss Control Systems Inc., Blackburn Marine Inc.

**Principal officers:** Francis A. Richard, president/chief executive officer; Lolly J. Leger, executive vp; Daniel J. Clark, vp.

### Royal Insurance ServiceCorp.

150 William St., New York, N.Y. 10038; 212-553-3377

**Year founded:** 1979.

**Parent company:** Royal Group.

**Services provided:** 83% claims administration, auditing and adjusting; 17% other services.

**Region served:** Nationwide and international.

**Specialty:** 55% general liability, 30% workers compensation, 7% professional liability, 5% automobile, 3% property damage.

**Self-insured clients/claims:** Administration: 72 clients, \$60 million claims paid. Adjusting: six clients; types of claims include general liability, workers compensation, automobile liability, professional liability, property damage. Auditing: 20 projects conducted.

**Client mix:** Administration: 67 corporations, five public/government entities.

**Staff:** 1,400 total staff members (including field claim and loss control personnel), 15 of whom serve self-insured clients only.

**Charges:** Administration: time and expense, \$55-\$70 per hour. Adjusting: percent of paid claims, percent of incurred claims, 8%-15%. Auditing: time and expense, \$66-\$80 per hour.

**1987 gross revenues:** \$3.8 million total, \$3.2 million from claim services.

**Branch offices:** Administrative and sales offices in Chicago; Charlotte, N.C. Additional sales office in Los Angeles.

**Principal officers:** A. Evans, president; J. Amico, vp; A. Perchetz, secretary/treasurer; J. Notaro, secretary; R. Liersaph, director.

**Membership:** SIIA.

## S

### The Schaffer Cos.

809 Gleneagles Court, Baltimore, Md. 21204; 301-296-3033

**Year founded:** 1971.

**Services provided:** 50% claims administration, 30% adjusting, 10% auditing, 10% other services.

**Region served:** East and West coasts.

**Specialty:** 60% workers compensation, 40% automobile.

**Self-insured clients/claims:** Administration: 17 clients, \$5 million claims paid. Adjusting: 10 clients; types of claims include automobile, workers compensation. Auditing: six projects conducted.

**Client mix:** Administration: three corporations, two public/government entities, two multiemployer plans, 10 association plans.

**Staff:** 45 total staff members, 18 of whom serve self-insured clients only.

**Charges:** Administration: time and expense, \$35-\$75 per hour. Adjusting: time and expense, \$30-\$40 per hour. Auditing: time and expense, \$50-\$100 per hour.

**1987 gross revenues:** \$2 million total.

**Branch offices:** Administrative and sales offices in Philadelphia; Washington, D.C.; Richmond, Va.; Newport Beach, Calif.

**Subsidiaries:** Edward S. Schaffer Inc., Claims Management Systems Inc., Claims Data Systems Inc., Multi-Professional Risk Consultants, Medical Management Consultants.

**Principal officers:** Edward S. Schaffer Jr., president; Michael L. Schaffer and John Colwell, vps; Edward P. Martin and Steve Randles, assistant vps.

### Self Insured Risk Services

24370 Northwestern Highway, Southfield, Mich. 48075; 313-354-9580

**Year founded:** 1980.

**Parent company:** Meadowbrook Insurance Group.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 35% workers compensation, 35% general liability, 10% automobile, 10% property damage, 10% professional liability.

**Self-insured clients/claims:** Administration: 18 clients, \$9.3 million claims paid.

**Client mix:** Administration: eight corporations, one public/government entity, one multiemployer plan, 10 association plans.

**Staff:** 24 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: by the hour.

**1987 gross revenues:** \$1.6 million total.

**Branch offices:** Administrative office in Grand Rapids, Mich.

**Subsidiaries:** Self Insured Risk Services-Loss Control Division.

**Principal officers:** Merton J. Segal, president; Tom Tucker, claims vp; Lindsay Hayes, loss control vp; Robert Engle, vp.

### Self Insurers Service Inc.

55 E. Monroe St., Suite 1630, Chicago, Ill. 60603; 312-782-8320

**Year founded:** 1956.

**Parent company:** Aon Corp.

**Services provided:** 67% claims administration, 10% adjusting, 3% auditing, 20% other services.

**Region served:** Nationwide.

**Specialty:** 70% workers compensation, 12.5% general liability, 12.5% automobile, 3.75% professional liability, 1.25% bonds.

**Self-insured clients/claims:** Administration: 239 clients. Adjusting: 239 clients; types of claims include workers compensation, automobile, general liability, professional liability. Auditing: five projects conducted.

**Client mix:** Administration and adjusting: 202 corporations, 37 public/government entities.

**Staff:** 180 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: flat fee, per claim. Adjusting: flat fee, per claim, by the hour. Auditing: flat fee, by the hour.

**Branch offices:** Administrative and sales offices in Des Plaines, Ill.;

Continued on facing page

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# RISKMAP™

2-1M

*Continued from facing page*  
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**Subsidiaries:** SIS Administrator Services Inc., SIS Services of New York Inc.

**Principal officers:** Roger Simpson, president; Dan Huggins, senior vp-sales/marketing; William P. Vit, senior vp-claims; Steven H. Pahl, vp-marketing; Robert Loos, vp-finance.  
**Membership:** SIIA.

**Self-Insurers Service Bureau Inc.**

P.O. Box 12928, 3800 N. Portland, Suite 201, Oklahoma City, Okla. 73157-2928; 405-942-0501

**Year founded:** 1987.  
**Services provided:** 80% claims administration, 5% adjusting, 5% auditing, 10% other services.

**Region served:** Oklahoma, Kansas, Louisiana, New Mexico.

**Specialty:** 100% workers compensation.

**Self-insured clients/claims:** Administration: 11 clients, \$2 million claims paid. Auditing: four projects conducted.

**Client mix:** Administration: five corporations, one public/government entity, five association plans.

**Staff:** 16 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: percent of premium, 6%-9%. Adjusting: by the hour, \$40-\$50.

**1987 gross revenues:** \$364,096 total, \$319,406 from claim services.

**Branch offices:** Administrative and sales offices in Albuquerque, N.M.; New Orleans.

**Principal officers:** W. Gerald Fiser, president; James Marr, vp.

**Southern Risk Services Inc.**

P.O. Box 10265, 2211 Seventh Ave. S., Birmingham, Ala. 35202; 205-252-9870

**Year founded:** 1966.

**Parent company:** McGriff, Seibels & Williams Inc.

**Services provided:** 90% claims administration, 1% auditing, 9% other services.

**Region served:** Southeastern United States.

**Specialty:** 75% workers compensation, 20% general liability, 5% automobile.

**Self-insured clients/claims:** Administration: 43 clients, \$13 million claims paid. Auditing: eight projects conducted.

**Client mix:** Administration: 29 corporations, 11 public/government entities, three association plans.

**Staff:** 39 total staff members, 32 of whom serve self-insured clients only.

**Charges:** Administration: flat annual fee. Auditing: per diem, \$300 per day.

**1987 gross revenues:** \$1.4 million total, \$1.3 million from claim services.

**Branch offices:** Sales offices in Florence and Mobile, Ala.; Pensacola and Orlando, Fla.

**Principal officers:** L.B. Feemster, president; Bill Muir, Mike Pritchett and Howard Haskell, vps.

**Membership:** SIIA.

total.

**Branch offices:** Administrative offices in New York; Atlanta; Chicago; Tampa, Fla.; Houston; Los Angeles; San Francisco; Seattle.

**Principal officers:** Ian M. Winchester, president; John E. O'Connell, Richard G. Gregoire, F. Drake Ratcliff and Robert K. Tisdall, executive vps.



**UNIRISC Inc.**

1430 K St. N.W., Washington, D.C. 20005; 800-424-9500

**Year founded:** 1972.

**Parent company:** Frank B. Hall & Co. Inc.

**Services provided:** 35% claims administration, 65% other services.

**Region served:** Nationwide.

**Specialty:** 70% inland marine, 30% ocean marine.

**Self-insured clients/claims:** Administration: 20 clients, \$2.5 million claims paid.

**Client mix:** Administration: 18 corporations, two association plans.

**Staff:** 65 total staff members, 12 of whom serve self-insured clients only.

**Charges:** Administration: per claim, \$100-\$250.

**1987 gross revenues:** \$4.2 million total.

**Branch offices:** Administrative and sales offices in Paramus, N.J.; Orlando, Fla.; Dallas; Santa Ana, Calif.; Lombard, Ill.

**Principal officers:** G.L. Fullem, president; E.D. Fletcher, executive vp; J.A. Gillespie, vp-finance; W.C. Nelsen, vp-client services; J.E. Bailey Jr., vp-property/casualty.

**Membership:** Claims Prevention & Procedure Council.

**Underwriters Adjusting Co.**

2 Corporate Place S., Piscataway, N.J. 08854; 201-981-8200

**Year founded:** 1918.

**Parent company:** The Continental Corp.

**Services provided:** 50% claims administration, 45% adjusting, 5% auditing.

**Region served:** Nationwide.

**Specialty:** 25% workers compensation, 20% general liability, 20% automobile, 12% property damage, 8% professional liability, 5% bonds, 5% rehabilitation, 4% inland marine, 1% ocean marine.

**Self-insured clients/claims:** Administration: 550 clients, \$190 million claims paid. Auditing: 500 clients; types of claims include workers compensation, general liability, automobile liability.

**Staff:** 3,300 total staff members.

**Charges:** Administration: flat fee per claim, time and expense. Adjusting: flat fee, time and expense. Auditing: time and expense, by the hour.

**1987 gross revenues:** \$180 million total.

**Branch offices:** Administrative and sales offices in Livingston, N.J.; Chicago; Sacramento, Calif.; Dallas.

**Subsidiaries:** UAC Rehabilitation International Inc., United States P&I Agency Inc.

**Principal officers:** A. Tocklin and J. Roth, executive vps; R. Mastroberti, senior vp; Ibe Elsamak, vp-treasurer; G. Czerwonka Jr., vp.



**Carl Warren & Co.**

320 Arden Ave., Suite 110, Glendale, Calif. 91203; 213-245-0800

**Year founded:** 1944.

**Services provided:** 50% claims administration, 50% adjusting.

**Region served:** Nationwide.

**Specialty:** 60% general liability, 40% automobile.

**Self-insured clients/claims:** Administration: 350 clients.

**Client mix:** Administration: 100 corporations, 250 public/government entities.

**Staff:** 150 total staff members, 75 of whom serve self-insured clients only.

**Charges:** Administration and adjusting: time and expense.

**1987 gross revenues:** \$12 million total.

**Principal officers:** Howard Hitchcock, chairman; Eric Forsberg, co-chairman; John Walker, secretary/treasurer; Roy George, president; Michael Dekema, executive vp.

**The Westcott Corp.**

P.O. Box 1543, Wausau, Wis. 54402-1543; 715-842-0412; 800-826-0012

**Year founded:** 1976.

**Services provided:** 20% auditing, 80% other services.

**Region served:** Nationwide.

**Specialty:** 60% ocean marine, 40% workers compensation.

**Self-insured clients/claims:** Auditing: 10 projects conducted.

**Client mix:** Auditing: 10 multiemployer plans.

**Staff:** 13 total staff members, five of whom serve self-insured clients only.

**Charges:** Auditing: by the hour plus expenses.

**Principal officers:** Richard D. Westcott, president.

**Scott Wetzel Services Inc.**

500 Pacific Ave., P.O. Box 418, Bremerton, Wash. 98310; 206-479-0200

**Year founded:** 1941.

**Services provided:** 86.2% claims administration, 3.3% adjusting, 1% auditing, 9.5% other services.

**Region served:** Nationwide.

**Specialty:** 77% workers compensation, 18% general liability, 4% automobile, 1% professional liability.

**Self-insured clients/claims:** Administration: 466 clients, \$311.1 million claims paid. Auditing: three projects conducted.

**Client mix:** Administration: 437 corporations, 24 public/government entities, five association plans.

**Staff:** 365 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per claim, percent of losses, 6%-13%. Adjusting: time and expense, \$35-\$60 per hour plus expenses. Auditing: time and expense, \$50-\$100 per hour plus expenses.

**Branch offices:** 22 offices in the United States.

**Principal officers:** John R. Harold, president; Robert B. Spratt, executive vp; Terry Neal, executive vp-finance; Ken Rosser, senior vp; Vic Teti, vp-data services.

**Membership:** SIIA.



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**Toplis & Harding Inc.**

274 Summer St., Boston, Mass. 02110; 617-426-8112

**Year founded:** 1930.

**Services provided:** 5% claims administration, 90% adjusting, 4% auditing, 1% other services.

**Region served:** Nationwide.

**Specialty:** 50% professional liability, 40% general liability, 10% automobile.

**Self-insured clients/claims:** Administration: 16 clients. Auditing: 10 projects conducted.

**Client mix:** Administration: 15 corporations, one public/government entity.

**Staff:** 300 total staff members, six of whom serve self-insured clients only.

**Charges:** Administration: time and expense, \$50-\$150 per hour. Adjusting and auditing: time and expense, \$65-\$100 per hour.

**1987 gross revenues:** \$15 million



# Benefit, property/casualty claims firms

## A

### Adjustco Inc.\*

2200 Powell St., Emeryville, Calif. 94608; 415-547-3110  
**Year founded:** 1973.  
**Services provided:** 60% claims administration, 30% adjusting, 10% other services.

**Region served:** Nationwide.  
**Specialty:** 60% workers compensation, 15% general liability, 10% health insurance, 5% automobile, 5% disability, 4% property damage, 1% professional liability.

**Self-insured clients/claims:** Administration: 336 clients, \$450 million claims paid. Adjusting: 105 clients; types of claims include property, automobile, general liability, workers compensation. Auditing: 98 projects conducted.

**Client mix:** Administration: 185 corporations, 151 public/government entities. Adjusting: 87 corporations, 18 public/government entities. Auditing: 53 corporations, 45 public/government entities.

**Staff:** 800 total staff members, 675 of whom serve self-insured clients only.

**Charges:** Administration: flat fee, per claim, time and expense. Adjusting: time and expense, per claim. Auditing: time and expense.

**Branch offices:** Administrative and sales offices throughout the United States.

**Subsidiaries:** Pacific Administrative Services, Cost Containment Management.

**Principal officers:** Leonard J. Russo, president/chief executive officer; Jack Holton, executive vp/chief operating officer; Paul Braun, vp-operations; David B. Crosby, vp-sales.

**Membership:** SIIA, Public Agency Risk Managers Assn., California Self-Insurers Assn.

\*Includes Leonard J. Russo Insurance Services Inc.

### American Claims Evaluation Inc.

375 N. Broadway, Jericho, N.Y. 11753; 516-938-0400  
**Year founded:** 1981.

**Services provided:** 100% auditing.

**Region served:** Nationwide.  
**Specialty:** 90% health insurance, 10% workers compensation.

**Self-insured clients/claims:** Auditing: more than 200 projects conducted.

**Charges:** Auditing: percent of net savings.

**Branch offices:** Administrative and sales offices in Oak Brook, Ill.; Woodland Hills, Calif. Additional sales offices in Dallas; Atlanta.

**Principal officers:** Gary Gelman, president; Robert E. Lindberg, executive vp; June Novak, vp.

### Associated Claims Management Inc.

375 N. Wiget Lane, P.O. Box 9350, Walnut Creek, Calif. 94598; 415-930-9883

**Year founded:** 1982.

**Services provided:** 85% claims administration, 5% adjusting, 5% auditing, 5% other services.

**Region served:** California, Arizona and Nevada.

**Specialty:** 65% workers compensation, 24% general liability, 5% automobile, 5% property damage, 1% disability.

**Self-insured clients/claims:** Administration: 61 clients, \$80.9 million claims paid. Adjusting: 27 clients; types of claims include workers compensation, general liability, automobile, property damage. Auditing: nine projects conducted.

**Client mix:** Administration: 59 corporations, two public/government entities.

**Staff:** 157 total staff members, 145 of whom serve self-insured clients only.

**Charges:** Administration: annual fee. Adjusting: time and expense. Auditing: flat fee, time and expense.

**1987 gross revenues:** \$7.5 million total, \$7 million from claim services.

**Branch offices:** Administrative and sales offices in Brea and Sunnyvale, Calif.; Phoenix.

**Subsidiaries:** Advance Loss Services.

**Principal officers:** Thomas R.

Leonard, president/chief executive officer; Roberta P. Penarelli, senior vp; C. David White, president-Southern division; Charles L. Axtell, president-Northern division, David F. Nolan, president-Santa Clara division.

**Membership:** California Administrative Services Organization, Diablo Valley Industrial Claims Assn., Arizona Workers Compensation Claims Assn.

## B

### Brown & Brown Inc.

220 S. Ridgewood Ave., Daytona Beach, Fla. 32015; 904-252-9601

**Year founded:** 1939.

**Services provided:** 25% claims administration, 75% other services.

**Region served:** Nationwide.

**Specialty:** 52% workers compensation, 46% health insurance, 2% disability.

**Self-insured clients/claims:** Administration: 19 clients, \$38 million claims paid.

**Client mix:** Administration: 14 corporations, one public/government entity, three multiemployer plans, one Taft-Hartley plan.

**Staff:** 454 total staff members, 60 of whom serve self-insured clients only.

**Charges:** Administration: per employee, per claim.

**1987 gross revenues:** \$23 million total, \$5.5 million from claim services.

**Branch offices:** Administrative office in Orlando, Fla. Sales offices in Tampa, Orlando, Miami, West Palm Beach, Fort Myers, Jacksonville, DeLand, Kissimmee, Eustis and Brooksville, Fla.

**Principal officers:** J. Hyatt Brown, president; Kenneth Hill, executive vp; E.G. Brewer, Robert Thomas III and Van Massey, senior vps; Jim Henderson, vp.

**Membership:** National Assn. of Employee Benefit Administrators.

## C

### Cannon-Cochran Management Services Inc.

2 Towne Center, Danville, Ill. 61832; 217-446-1089

**Year founded:** 1860.

**Services provided:** 60% claims administration, 4% adjusting, 1% auditing, 35% other services.

**Region served:** Nationwide.

**Specialty:** 46% workers compensation, 43% health insurance, 3% flex compensation, 1.6% general liability, 1.6% automobile, 1.6% property damage, 1.6% professional liability, 1.6% other.

**Self-insured clients/claims:** Administration: 309 clients, \$24 million claims paid. Auditing: five projects conducted.

**Client mix:** Administration: 200 corporations, 100 public/government entities, one union-sponsored plan, eight association plans. Health plans: 15,000 employees covered, 22,000 dependents covered.

**Staff:** 86 total staff members, 55 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month. Adjusting: by the hour. Auditing: contract basis.

**Branch offices:** Administrative offices in Champaign and Oak Brook, Ill.; Carmel, Ind.; St. Louis.

**Principal officers:** Gary Schirmer, president; Sam P. Cannon, executive vp; Robert Cowsill, Stan Murry and Richard Wickert, vps.

**Membership:** SIIA.

### Computer Sciences Corp.-Health & Administrative Services Division

2000 Evergreen St., Sacramento, Calif. 95815; 916-920-5124

**Year founded:** 1959.

**Services provided:** 80% claims administration, 20% auditing.

**Region served:** Nationwide.

**Specialty:** 80% health insurance, 20% administration of national flood insurance and black lung programs for the U.S. government.

**Self-insured clients/claims:** Administration: 21 clients, \$11.5 billion total claims paid, approximately \$1.5 million claims paid for corporate self-insured clients.

**Client mix:** Administration: 13 corporations, eight public/government entities. Health plans: 11.6 million employees covered.

**Staff:** 15,000 total staff members, 2,000 of whom serve self-insured clients only.

**Charges:** Administration: per employee.

**Branch offices:** Administrative offices in Albany, N.Y.; Lanham, Md.; Anchorage, Alaska; Denver.

**Subsidiaries:** CSC Comtec (claims services).

**Principal officers:** Karl Hagenau, president-Health & Administrative Services Division; Garth Treude, vp; David C. Wynstra, director-business development; Reynolds Wagnon, director-commercial insurance services.

**Membership:** SIIA, American Medical Care Review Assn.

### Coopers & Lybrand-Actuarial, Benefits & Compensation Group

1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-2000

**Year founded:** 1961.

**Services provided:** 1.7% auditing, 98.3% other services.

**Region served:** Nationwide.  
**Self-insured clients/claims:** Auditing: 45 projects conducted.

**Client mix:** Auditing: 29 corporations, 16 public/government entities.

**Staff:** 775 total staff members.

**Charges:** Auditing: by the project, by the hour.

**1987 gross revenues:** \$53 million total, \$900,000 from claim services.

**Branch offices:** Administrative offices in Boston, Philadelphia, Atlanta, Los Angeles, San Francisco, Chicago, Dallas.

**Principal officers:** James Hall III, Donald Penn, Theodore Nussbaum, Lee Van Slyke, Harry Spring and John Bertke, partners.

## Creative Risk

### Management Corp.

34820 Harper, Mount Clemens, Mich. 48043; 313-792-6355

**Year founded:** 1971.

**Parent company:** Lincoln National Corp.

**Services provided:** 63% claims administration, 1.5% adjusting, 0.5% auditing, 35% other services.

**Region served:** Nationwide.

**Specialty:** 42% workers compensation, 20% general liability, 20% health insurance, 10% automobile, 3% property damage, 3% inland marine, 2% disability.

**Self-insured clients/claims:** Administration: 1,650 individual clients, \$34.9 million claims paid. Auditing: six projects conducted.

**Client mix:** Administration: 106 corporations, seven public/government entities, 12 association plans. Auditing: three corporations, two public/government entities, one association plan.

**Staff:** 80 total staff members, 76 of whom serve self-insured clients only.

**Charges:** Administration: percent of premium, flat fee. Adjusting: time and expense. Auditing: time and expense, flat fee.

**Branch offices:** Administrative offices in Grand Rapids and Midland, Mich.

**Principal officers:** J.W. Duff, president; T.D. Mather and W.T. Platt, senior vps; L.S. Vernier, vp; F.V. Warren, vp-claims.

**Membership:** SIIA.

## F

### Florida Employers Insurance Service Corp.

1751 Mound St., Sarasota, Fla. 33577; 813-955-2811

**Year founded:** 1979.

**Parent company:** The Florida Employers Insurance Co.

**Services provided:** 50% claims administration and auditing, 50% other services.

**Region served:** Florida.  
**Specialty:** 95% workers compensation, 5% health insurance.

**Self-insured clients/claims:** Administration: nine clients, \$60 million claims paid. Auditing: two projects conducted.

**Client mix:** Administration: six corporations, one public/government entity, two multiemployer plans. Auditing: one corporation, one multiemployer plan.

**Staff:** 265 total staff members.

**Charges:** Administration: cost plus fee, percent of premium. Auditing: by the hour, \$60-\$85.

**1987 gross revenues:** \$13.5 million total, \$7.5 million from claim services.

**Branch offices:** Administrative offices in Fort Lauderdale, Tampa and Orlando, Fla.

**Principal officers:** Ray Neff, chief executive officer; Bob McManus, John Debreuil, Bud Swindell and Jim Bos, senior vps.

**Membership:** SIIA, Florida Assn. of Self Insurers.

## G

### GAB Business Services Inc.

Linden Plaza, 9 Campus Drive, Parsippany, N.J. 07054; 201-993-3400

**Year founded:** 1885.

**Parent company:** SGS North America Inc.

**Services provided:** 92% claims administration, 7% adjusting, 1% auditing.

**Region served:** Nationwide.

**Specialty:** 51% workers compensation; 38% general liability; 4% health insurance; 7% automobile, property damage, professional liability, marine, rehabilitation and safety and loss.

**Self-insured clients/claims:** Administration: 1,412 clients, \$600 million claims paid. Adjusting: 139 clients; types of claims include workers

Continued on facing page

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**N**

*Continued from facing page*  
 compensation, general liability, automobile, property damage, professional liability, marine, employee benefits, rehabilitation, safety and loss. Auditing: 11 projects conducted.

**Client mix:** Administration: 1,168 corporations, 89 public/government entities, 155 association plans. Adjusting: 135 corporations, four public/government entities. Auditing: six corporations, five public/government entities.

**Staff:** 3,763 total staff members.  
**Charges:** Administration: percent of incurred claims, per claim, percent of premium, time and expense, flat fee. Adjusting: percent of incurred claims, per claim, percent of premium, time and expense, flat fee. Auditing: bid per specification, time and expense.

**1987 gross revenues:** \$200 million total.

**Branch offices:** 600 administrative offices in the United States. Sales offices in New York; Philadelphia; Washington, D.C.; Wichita, Kan.; Chicago; Kansas City, Mo.; Little Rock, Ark.; San Francisco; Los Angeles; Seattle; Dallas; Houston; Denver; Atlanta; Orlando, Fla.; Jackson, Miss.; London, England.

**Subsidiaries:** ITS Inc., INS Investigations Bureau Inc.

**Principal officers:** G. Cantley, chairman; J.P. Holloway, vice chairman; R.A. Simon, president; J.L. Rizzo, executive vp; R.A. Auckerman, senior vp.

**Gallagher Bassett Services Inc.**

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

**Year founded:** 1962.  
**Parent company:** Arthur J. Gallagher & Co.

**Services provided:** 84% claims administration, 1% auditing, 15% other services.

**Region served:** Nationwide.

**Specialty:** 34% workers compensation, 30% health insurance, 19% general liability, 8% property damage, 6% automobile, 2% disability, 1% professional liability.

**Self-insured clients/claims:** Administration: 688 clients, \$459.2 million claims paid. Auditing: 12 projects conducted.

**Client mix:** Administration: 344 corporations, 282 public/government entities, 50 association plans. Auditing: six corporations, six public/government entities.

**Staff:** 649 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per claim, per employee, time and expense, annual fee. Auditing: time and expense, by the project.

**1987 gross revenues:** \$40.3 million total.

**Branch offices:** 72 administrative offices and 21 sales offices in the United States.

**Subsidiaries:** Pacific-Atlantic Administrators Inc. (claims services).

**Principal officers:** Robert E. Gallagher, chief executive officer; John P. Gallagher, executive vp; J. Patrick Gallagher, vp; John G. Campbell, president-Gallagher Bassett Services Inc.; James W. Durkin, vp-employee benefits.

**Membership:** SPBA, SIIA, National Council of Self-Insurers.

**H**

**Handel Group Co.-Division of H.D.L. Associates Inc.**

P.O. Box 709, 53 Academy St., Poughkeepsie, N.Y. 12602; 914-454-4041

**Year founded:** 1957.

**Services provided:** 40% claims administration, 5% adjusting, 2% auditing, 53% other services.

**Region served:** New York, New Jersey, New England region.

**Specialty:** 81% health insurance, 13% pensions, 5% life, 1% professional liability.

**Self-insured clients/claims:** Administration: 40 clients, \$15 million claims paid. Auditing: 10 clients; types of claims include health insurance. Auditing: five projects conducted.

**Client mix:** Clients include cor-

porations, public/government entities, multiemployer plans, Taft-Hartley plans and union-sponsored plans. Health plans: 20,000 employees covered, 35,000 dependents covered.

**Staff:** 25 total staff members, 18 of whom serve self-insured clients only.

**Charges:** Administration and adjusting: per employee. Auditing: on retainer per project.

**1987 gross revenues:** \$1.2 million total, \$540,000 from claim services.

**Branch offices:** Administrative office in Newburgh, N.Y.

**Affiliates:** Health Controls and Eastern Administration divisions of H.D.L. Associates Inc.

**Principal officers:** Bernard Handel, president; Shirley M. Handel, secretary; Gilbert A. Krom, director.

**Membership:** SPBA.

**Hewitt, Coleman & Associates Inc.**

P.O. Box 3665, Greenville, S.C. 29608; 803-242-4350

**Year founded:** 1923.

**Services provided:** 65% claims administration, 35% other services.

**Region served:** Nationwide.

**Specialty:** 69% workers compensation, 15% health insurance, 10% general liability, 5% flex compensation, 1% automobile.

**Self-insured clients/claims:** Administration: 101 clients, \$51 million claims paid.

**Client mix:** Administration: 59 corporations, 27 public/government entities, 15 association plans.

**Staff:** 125 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: percent of modified premium, 4.5%-7%.

**1987 gross revenues:** \$5 million total.

**Branch offices:** Administrative offices in Atlanta; Raleigh, N.C.; Orlando, Fla.; Jackson, Miss.; Birmingham, Ala.; Albuquerque, N.M.; Denver. Sales office in New York.

**Principal officers:** Charles R. Warne, chairman/chief executive officer; Willard L. Quinn Jr., senior vp-operations; Stephen D. Milner, senior vp-finance/administration; E.J. Kaminski, senior vp-marketing.

**Membership:** SIIA, National Assn. of Safety & Claims Organizations.

**L**

**Lawrence Healthcare Administrative Services Inc.**

3000 Troy-Schenectady Road, Schenectady, N.Y. 12309; 518-783-1801

**Year founded:** 1983.

**Services provided:** 85% claims administration, 15% other services.

**Region served:** New York and Indiana.

**Specialty:** 83% health insurance, 10% disability, 5% life, 2% workers compensation.

**Self-insured clients/claims:** Administration: 94 clients, \$15 million claims paid.

**Client mix:** Administration: 23 corporations, 69 multiemployer plans, two association plans. Health plans: approximately 22,000 employees covered, approximately 50,600 dependents covered.

**Staff:** 45 total staff members, 43 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$1-\$8.

**Branch offices:** Administrative office in Buffalo, N.Y. Sales offices in Indianapolis.

**Principal officers:** Harry Bucciferro, president; Gerald Pedinotti, vp/general manager.

**M**

**MRM/Multi-Risk Management Inc.**

223 W. Jackson, Chicago, Ill. 60606; 312-670-2100

**Year founded:** 1976.

**Services provided:** 60% claims administration, 30% adjusting, 10% auditing.

**Region served:** Nationwide.

**Specialty:** 40% professional liability, 30% workers compensation, 26% health insurance, 2% general liability, 1% flex compensation, 1% disability.

**Self-insured clients/claims:** Administration: 130 clients. Adjusting: six clients; types of claims include professional liability. Auditing: 12 projects conducted.

**Client mix:** Administration: 124 corporations, six public/government entities.

**Staff:** 32 total staff members, 31 of whom serve self-insured clients only.

**Charges:** Administration, adjusting and auditing: flat fee.

**1987 gross revenues:** \$1.4 million total.

**Principal officers:** Michael Burack, president; Bob Moysey, vp; Amy Cohen, secretary/treasurer; Lisa Sarsany, assistant vp.

**McDonough Caperton Insurance Group**

1 Hillcrest Drive, Charleston, W.Va. 25326; 304-346-0611

**Year founded:** 1933.

**Services provided:** 38% claims administration, 2% adjusting, 2% auditing, 58% other services.

**Region served:** Nationwide.

**Specialty:** 86% health insurance, 6% workers compensation, 2% flex compensation, 2% disability, 1% automobile, 1% property damage, 1% professional liability, 1% pensions.

**Self-insured clients/claims:** Administration: 240 clients, \$345 million claims paid. Adjusting: 27 clients; types of claims include workers compensation, automobile, professional liability, health insurance. Auditing: 105 projects conducted.

**Client mix:** Administration: 202 corporations, 15 public/government entities, seven multiemployer plans, four Taft-Hartley plans, two union-sponsored plans, 10 association plans. Adjusting: 30 corporations, one public/government entity, three multiemployer plans. Auditing: 25 corporations, two multiemployer plans, one association plan. Health plans: 210,000 employees covered, 273,000 dependents covered.

**Staff:** 500 total staff members, 260 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, 80 cents-\$18.50.

**1987 gross revenues:** \$26 million total.

**Branch offices:** Administrative offices in Big Stone Gap, Va.; Miami; Atlanta. Sales offices in Cleveland; Pittsburgh; Lexington, Ky.; Roanoke, Va.; Atlanta; Miami; Charlotte, N.C.; Wheeling, Fairmont, Parkersburg, Huntington and Beckley, W. Va.

**Subsidiaries:** McDonough Caperton Employee Benefits.

**Principal officers:** Gaston Caperton, chairman; Marty Becker, president-McDonough Caperton Insurance Group; Andy Paterno, president-McDonough Caperton Benefits Group.

**Membership:** SPBA, SIIA, International Foundation of Employee Benefit Plans.

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## Spotlight report

Continued from previous page  
 ministration: 306 clients. Adjusting: five clients; types of claims include health insurance, long term disability, workers compensation. Auditing: four projects conducted.

**Client mix:** Administration: 300 corporations, three multiemployer plans, one Taft-Hartley plan, two association plans. Health plans: 40,000 employees covered, 85,000 dependents covered.

**Staff:** 44 total staff members.

**Charges:** Administration: per employee per month, \$5-\$20. Adjusting: by the project, per claim. Auditing: by the project.

**1987 gross revenues:** \$2.2 million total.

**Branch offices:** Administrative and sales office in Stanton, Calif.

**Principal officers:** Roger M. Slotkin, president; Ellen Volpe, senior vp; Darlene Ahmann, vp; Jeanette Borg, assistant vp; Manuel Blanco, controller.

**Membership:** SPBA, SIIA.

## P

**Palange & Associates Inc.**

160 State St., Suite 500, Boston, Mass. 02109; 617-542-5700

**Year founded:** 1980.

**Services provided:** 25% claims administration, 75% auditing.

**Region served:** Nationwide.

**Specialty:** 60% workers compensation, 20% health insurance, 10% general liability, 10% automobile.

**Client mix:** Administration: four corporations, two association plans. Auditing: 11 corporations, two public/government entities, two association plans.

**Staff:** 15 total staff members.

**Charges:** Administration and auditing: time and expense.

**Principal officers:** Stephen R. Palange, president; Norman C. Tardif, executive vp; David W. Ives, vp; Joseph J. Yablonski, assistant vp; Michele N. Alexanian, secretary/treasurer.

**Membership:** SIIA.

**Penn General Service Corp.**

P.O. Box 5007, 24700 Northwestern Hwy., Suite 500, Southfield, Mich. 48075; 313-353-5800

**Year founded:** 1972.

**Parent company:** Republic Hogg Robinson Inc.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 75% health insurance, flex compensation, disability and life; 25% workers compensation.

**Self-insured clients/claims:** Administration: 263 clients.

**Client mix:** Administration: 252 corporations, two public/government entities, nine association plans. Health plans: 75,000 employees covered, approximately 187,500 dependents covered.

**Staff:** 150 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, percent of premium.

**Branch offices:** Administrative and sales offices in Springfield, Mass.; Miami; Austin and Lubbock, Texas; Los Angeles; Atlanta; Cadillac, Mich. Additional sales office in Dallas.

**Subsidiaries:** Penn General Insurance Services of California, Penn General Services of Florida, Penn General Services of Georgia, Penn General Services of New England, Penn General Services of Michigan, Penn General Southwest Inc.

**Principal officers:** Charles E. Keller, president; Donald A. Benyas, executive vp; William J. Nietschmann, senior vp; Richard P. Shea, senior vp-eastern region; Richard Wos, senior vp-midwest region.

**Membership:** SPBA, SIIA.

**Professional Risk Management Inc.**

300 Wick Building, P.O. Box 1049, Youngstown, Ohio 44501; 216-746-4664

**Year founded:** 1981.

**Services provided:** 97% claims administration, 3% auditing.

**Region served:** Nationwide.

**Specialty:** 80% health insurance, 15% workers compensation, 3% disability, 2% life.

**Self-insured clients/claims:** Administration: 137 clients, \$13.7 million claims paid for 11 months of 1987. Auditing: 30 projects conducted.

**Client mix:** Administration: 104 corporations, 30 public/government entities, two multiemployer plans, one Taft-Hartley plan. Health plans: 8,349 employees covered, 15,102 dependents covered.

**Staff:** 23 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: per employee, \$4-\$6. Auditing: by the hour, \$50-\$100.

**1987 gross revenues:** \$750,000 total.

**Branch offices:** Administrative and sales office in Canton, Ohio.

**Subsidiaries:** Professional Risk Management of Akron-Canton.

**Principal officers:** James B. White, president; J. David Bratton, vp; Andrea Hernan, vp-planning/development; Robert E. Hogg Sr., treasurer.

**Membership:** SPBA, SIIA, National Assn. of Employee Benefit Administrators.

## R

**Rasmussen Agency Inc.**

60 Evergreen Place, Orange, N.J. 07018; 201-675-3940

**Year founded:** 1975.

**Services provided:** 88% claims administration, 2% auditing, 10% other services.

**Region served:** New Jersey, Pennsylvania, Maryland, Virginia, North Carolina.

**Specialty:** 75% workers compensation, 11% general liability, 11% automobile, 3% health insurance.

**Self-insured clients/claims:** Administration: 257 clients, \$51.4 million claims paid. Auditing: seven projects conducted.

**Client mix:** Administration: 257 corporations.

**Staff:** 143 total staff members, 130 of whom serve self-insured clients only.

**Branch offices:** Administrative and sales offices in Mays Landing, N.J.; Broomall, Pa.; Richmond, Va.; Raleigh, N.C.

**Subsidiaries:** Rasmussen Administrators.

**Principal officers:** Richard H. Rasmussen, president; Robert F. Hughes, senior vp/treasurer; C. David Martin, senior vp/secretary; Lawrence E. Small, senior vp; Anthony J. Constantino, senior vp-claims.

**Membership:** SPBA, SIIA, Professional Insurance Agents of America, National Assn. of Safety & Claims Organizations.

**B.G. Redmon & Associates Inc.**

P.O. Box 7248, Phoenix, Ariz. 85011; 602-264-6900

**Year founded:** 1971.

**Services provided:** 50% claims administration, 5% adjusting, 5% au-

ditng, 40% other services.

**Region served:** Western United States.

**Specialty:** 50% workers compensation, 20% general liability, 20% automobile, 5% health insurance, 5% disability.

**Self-insured clients/claims:** Administration: two clients, \$1 million claims paid. Adjusting: one client; types of claims include workers compensation, general liability, automobile. Auditing: one project conducted.

**Client mix:** Administration: two corporations.

**Staff:** Four total staff members, three of whom serve self-insured clients only.

**Charges:** Administration: flat fee. Adjusting: by the hour, \$32. Auditing: by the hour, \$50.

**1987 gross revenues:** \$350,000 total, \$150,000 from claim services.

**Branch offices:** Administrative office in Mesa, Ariz.

**Principal officers:** B.G. Redmon, president; Norman A. Taylor, vp.

**Membership:** Arizona Insurance Claims Assn.

**Russell Insurance Services Inc.**

1380 156th N.E., Suite C-2, Bellevue, Wash. 98007; 206-644-1658

**Year founded:** 1986.

**Services provided:** 50% auditing, 50% other services.

**Region served:** Nationwide.

**Specialty:** 75% workers compensation, 15% health insurance, 5% general liability, 5% automobile.

**Self-insured clients/claims:** Auditing: 11 projects conducted.

**Client mix:** Auditing: 11 corporations.

**Staff:** Two total staff members, one of whom serves self-insured clients only.

**Charges:** Auditing: by the hour, \$75; flat fee; on retainer.

**Principal officers:** A. Dan Russell, president; Agnes Russell, vp.

## S

**Smith Administrators**

P.O. Box 6123, Salt Lake City, Utah 84106; 801-272-8811

**Year founded:** 1976.

**Services provided:** 100% claims administration.

**Region served:** Nationwide.

**Specialty:** 78% health insurance, 10% life, 5% flex compensation, 5% disability, 2% workers compensation.

**Self-insured clients/claims:** Administration: 400 clients, \$60 million claims paid.

**Client mix:** Administration: 365 corporations, 20 public/government entities, 10 union-sponsored plans, five association plans. Health plans: 45,000 employees covered, 70,000 dependents covered.

**Staff:** 140 total staff members, 120 of whom serve self-insured clients only.

**Charges:** Administration: percent of billed premiums, 7%-12%.

**1987 gross revenues:** \$6 million total.

**Branch offices:** Sales offices in Denver; Albuquerque, N.M.

**Principal officers:** Richard L. Smith, chief executive officer; Wesley C. Argyle, attorney; Tony Thompson, controller; LaVon Elliott, claims manager; Bob Gerber, data processing manager.

**Membership:** SPBA.

## U

**Underwriters Safety & Claims Inc.**

P.O. Box 23790, Louisville, Ky. 40223; 502-244-1343

**Year founded:** 1941.

**Services provided:** 40% claims administration, 60% other services.

**Region served:** Middle south and Midwest United States.

**Specialty:** 55% workers compensation, 40% health insurance, 5% disability.

**Self-insured clients/claims:** Administration: 110 clients, \$30 million claims paid.

**Client mix:** Administration: 107 corporations, two public/government entities, one multiemployer plan.

**Staff:** 117 total staff members, 68 of whom serve self-insured clients only.

**Charges:** Administration: flat fee per claim plus runoff charges.

**1987 gross revenues:** \$2.3 million total.

**Branch offices:** Administrative offices in Chicago; Pittsburgh, Pa.; Knoxville and Memphis, Tenn.; Norton, Va.; Marion, Ill.; Paintsville, Ky. Sales office in Nashville, Tenn.

**Subsidiaries:** Underwriters Safety & Claims Inc. of Tennessee.

**Principal officers:** Bruce L. Ferguson, president; Robert Reeves, president-Underwriters Safety & Claims of Tennessee; Bruce W. Ferguson, senior vp; Gary Gilmour, vp-claims; Gary Mongilutz, vp-underwriting; Jack Stewart, vp-health benefits.

**Membership:** SIIA, National Assn. of Safety & Claims Organizations.

## V

**Vista Administrators Inc.**

444 W. Galena Blvd., P.O. Box 648, Aurora, Ill. 60507; 312-844-2151

**Year founded:** 1981.

**Services provided:** 77% claims administration, 23% other services.

**Region served:** Metropolitan Chicago and surrounding counties.

**Specialty:** 98% health insurance, 2% workers compensation.

**Self-insured clients/claims:** Administration: eight clients.

**Client mix:** Administration: four corporations, three public/government entities, one union-sponsored plan. Health plans: 1,932 employees covered, 828 dependents covered.

**Staff:** Four total staff members, three of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$1-\$2.

**Principal officers:** Nicholas P. Viola, president/chief executive officer; Marilee Viola, secretary/treasurer.

**Membership:** Self Insurance Institute of Illinois, Chicago Claims Assn., International Foundation of Employee Benefit Plans.

## W

**Wausau Insurance Cos.- Risk Management Services Division**

2000 Westwood Drive, Wausau, Wis. 54401; 715-845-5211

**Year founded:** 1911.

**Parent company:** Nationwide Group.

**Services provided:** 80% claims administration, 15% adjusting, 5% auditing.

**Region served:** Nationwide.

**Specialty:** 69% health insurance, 14% workers compensation, 12% professional liability, 3% general liability, 2% automobile.

**Self-insured clients/claims:** Administration: 139 clients, \$160 million claims paid. Auditing: six clients; types of claims include general liability. Auditing: three projects conducted.

**Client mix:** Administration: 126 corporations, 10 public/government entities, one multiemployer plan, two association plans. Auditing: five corporations, one public/government entity. Auditing: one corporation, two public/government entities. Health plans: 800,000 employees co-

Continued on facing page



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# Challenges to tort reform predicted

By DEBORAH SHALOWITZ

WASHINGTON—Although 23 states enacted some form of tort reform last year and 35 passed tort reforms in 1986, tort reform advocates must remain active to stave off counterattacks waged by opponents of the laws, experts advise.

Challenges to previously enacted tort reforms may be mounted in 17 states this year, according to Diane Swenson, legislative director of the Washington-based American Tort Reform Assn., speaking at the group's national conference last week.

For example, she pointed out that Connecticut last year passed a law liberalizing the doctrine of joint and several liability for economic damages in personal injury cases. That law weakened sweeping tort reforms that had been enacted the previous year (*BI*, June 8, 1987).

"We saw a real battle in Connecticut last year" and "we got scared a little," admitted Ms. Swenson.

"The education we started back in 1985... must begin anew every single session with the newly elected (state) legislators," said Constance Heckman, executive director of the American Legislative Exchange Council in Washington.

Ms. Heckman pointed out that the turnover rate in state legislatures is very high. On average, 25% of all state legislators leave their positions every two years, she said.

Furthermore, the proportion of trial lawyers in state legislatures is rising, she added.

To be effective, tort reform advocates should enlist the support of state legislators and continue to work in broad-based coalitions.

"You're not going to pass a tort reform bill in any state unless you can get a leader—or leaders—involved in it," said Vern Riffe, the speaker of the Ohio House of Representatives.

Alabama Gov. Guy Hunt, who spearheaded a successful drive for tort reform in his state last year, said that both advocates and opponents of tort reform should be involved in discussions of the issue.

Ms. Heckman also recommended that tort reform advocates try to influence the election of a state's judiciary, where "good doctrine (can become) distorted." She emphasized that tort reform advocates "must start paying attention to these elections."

Ms. Swenson noted that the Texas Civil Justice League, a tort reform coalition, publishes a newsletter entitled "Court Watch" that reviews judicial decisions and awards. The Alabama coalition is planning to publish a similar newsletter.

Of the 31 states planning to address tort reform this year, ATRA said that modification of joint and several liability will be the key initiative in 13 states: Alaska, Florida, Hawaii, Illinois, Minnesota, New Hampshire, Mississippi, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Vermont and Wisconsin.

Thirteen states will consider eliminating the collateral source rule: California, Idaho, Illinois, Kansas, Kentucky, Minnesota, Mississippi, Pennsylvania, South Carolina, Tennessee, Vermont, Wisconsin and Wyoming.

Twelve states will consider placing limits on punitive damages: Alaska, Arizona, Florida, Illinois, Indiana, Kentucky, Mississippi, Pennsylvania, South Carolina, Tennessee, Vermont and Wisconsin.

One of the main goals of tort reform is to instill "predictability and speed" in the civil justice sys-

tem, said James Coyne, ATRA's president.

However, plaintiffs' attorney John P. Coale countered during a debate with Mr. Coyne that "the reason things take so long" to adjudicate in the civil justice system "is it's in the interest of the insurance industry and the defense attorneys."

Mr. Coale, with the Washington firm of Coale, Kananack & Murgatroyd, explained that the insurance industry drags out litigation to maximize the return on loss reserves and that defense attorneys drag out litigation because they are paid by the hour.

Mr. Coyne, while admitting that "lawyers are part of the problem," countered that tort reform can help "prevent the case from getting to court in the first place."

Furthermore, tort reforms are needed "to limit those things that are exaggerated," such as damage awards for pain and suffering, Mr. Coyne said.

Mr. Coale responded that judges and appeals courts serve as "a system of checks and balances" to hold damage awards in line. "The situation is just not as it's described," he maintained.

Two specific types of tort reform—medical malpractice reform and product liability reform—were also addressed at the conference.

Dr. Otis Bowen, secretary of the U.S. Department of Health and Human Services, said that medical malpractice could very well become the leading issue of the tort reform movement.

Dr. Bowen noted that he has sent model legislation to the governors of all 50 states to deal with the medical malpractice problem (*BI*, Jan. 4).

Eric W. Schmidt, counselor to the undersecretary of HHS, said after Dr. Bowen's speech that approximately 18 states have acknowledged receipt of the model legislation and a few states have

invited Dr. Bowen to discuss the proposal.

Addressing how federal product liability reform legislation and state tort reforms would interact, David Klaus, counsel to the House Energy and Commerce Committee, said the two types of reform could be "very complimentary."

Marjorie E. Powell, an attorney with Covington & Burling in Washington, said that a federal product liability statute could establish the "outer limits on liability."

Beyond that, states could address the problems of specific industries or enact more far-reach-

ing reform legislation that would be politically unfeasible at the federal level, Mr. Klaus and Ms. Powell agreed.

Mr. Klaus has been involved in drafting H.R. 1115, a compromise federal product liability reform bill that would establish a strict liability standard for manufacturers.

The bill was approved by the House Commerce, Consumer Protection and Competitiveness Subcommittee last year (*BI*, Dec. 14, 1987), and the House Energy and Commerce Committee could begin marking up H.R. 1115 as early as the first week of February. ■

Continued from facing page  
vered, 1.7 million dependents covered.

**Staff:** 6,000 total staff members, 125 of whom serve self-insured clients only.

**Charges:** Administration: per claim, percent of incurred or paid losses, percent of payroll, percent of premium. Adjusting and auditing: time and expense, \$27-\$58 per hour.

**1987 gross revenues:** \$9 million from claim services.

**Branch offices:** 27 administrative offices and 150 sales offices in the United States.

**Subsidiaries:** Countrywide Services Corp.

**Principal officers:** Paul A. Donald, chairman of the board; Lee J. Weinberger, president/chief executive officer; Carl J. Santillo, executive vp-operations; Thomas Kryshak, executive vp-finance; Bill D. Wy-more, executive vp-insurance services.

## The Woodsmall Cos.

Five Crown Center, Kansas City, Mo. 64108; 816-421-7788

**Year founded:** 1974.

**Services provided:** 27% claims administration, 73% other services.

**Region served:** Nationwide.

**Specialty:** 97% health insurance, 2% workers compensation, 0.5% general liability, 0.25% automobile, 0.25% property damage.

**Self-insured clients/claims:** Administration: 188 clients, \$51.6 million claims paid.

**Client mix:** Administration: 39 corporations, 148 public/government entities, one association plan. Health plans: 20,000 employees covered, 30,000 dependents covered.

**Staff:** 98 total staff members, 48 of whom serve self-insured clients only.

**Charges:** Administration: per employee per month, \$5-\$8, additional methods.

**1987 gross revenues:** \$5.5 million total, \$1.5 million from claim services.

**Branch offices:** Administrative and sales office in Des Moines, Iowa.

**Subsidiaries:** Woodsmall Benefit Services Inc., Woodsmall Public Risk Services Inc., Woodsmall Risk Services, Woodsmall Collateral Services, Energy Assurance Inc.

**Principal officers:** Warren O. Woodsmall, chairman; Peter L. Woodsmall, president; Thomas E. Klug, J. Michael Brewer and Joseph V. Gerlack, senior vps.

**Membership:** SPBA, National Assn. of Employee Benefit Administrators.

## Y

## Yeager & Co. Inc.

31440 Northwestern Hwy., Suite 125, Farmington Hills, Mich. 48018; 313-626-9900

**Year founded:** 1968.

**Parent company:** Consolidated Healthcare Inc.

**Services provided:** 95% claims administration, 5% other services.

**Region served:** Midwest, mid-Atlantic and south central United States.

**Specialty:** 80% workers compensation, 10% health insurance, 8% general liability, 1% disability, 1% life.

**Self-insured clients/claims:** Administration: 2,173 clients, \$36.1 million claims paid.

**Client mix:** Administration: 1,686 corporations, 475 public/government entities, 12 multiemployer plans.

**Staff:** 140 total staff members, all of whom serve self-insured clients only.

**Charges:** Administration: percent of premium.

**Branch offices:** Administrative offices in Grand Rapids and Saginaw, Mich.; Richmond and Fairfax, Va.; Nashville, Tenn.

**Principal officers:** Darrell Jarvis, president/chief operations officer; Michael Murawski, executive vp; Bob Patterson, senior vp; Bernard Friedman, vp-marketing; Paul Carlson, vp. ■

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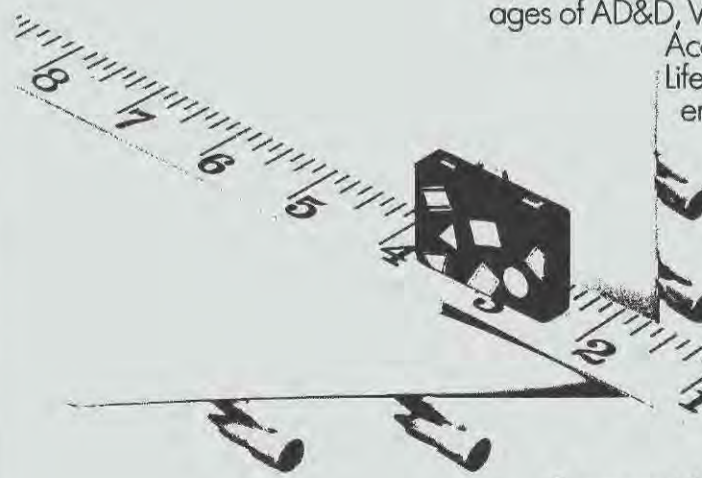
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# Securities firm appeals default judgment

By KARI BERMAN

SAN DIEGO—Donaldson, Lufkin & Jenrette Securities Corp. may not have insurance to cover millions of dollars in damages it potentially owes after a judge declared the firm in default for not producing a witness in a civil suit.

The New York-based investment banking firm now is appealing the judge's ruling to the 9th Circuit Court of Appeals in San Francisco, a spokeswoman said.

DLJ, a subsidiary of The Equitable Life Assurance Society of the United States, does not have errors and omissions coverage, according to the spokeswoman, who would not comment further on the company's insurance program.

"The company is confident that the appeal, which is already under way, will reverse the default verdict and therefore it is premature to discuss information regarding damages," the spokeswoman said.

Securities underwriters sometimes buy "Securities and Exchange Commission liability" insurance, which covers only one securities offering at a time and expires after 39 months, according to an insurance brokerage source who requested anonymity. However, this coverage is expensive and is even more difficult to obtain than E&O coverage, he said.

The DLJ spokeswoman would not say whether the firm had purchased SEC liability coverage.

Even if the default judgment stands, any damages levied against DLJ may be reduced as a result of a \$41 million settlement reached earlier between Nucorp's Energy Inc.'s directors and officers and the stockholders.

U.S. District Judge J. Lawrence Irving declared DLJ in default after the firm's head counsel, Steven F. Goldstone of the New York law firm Davis, Polk & Wardwell, allegedly failed to comply with an order to produce a witness in se-

curities litigation, said Henry L. King, chairman of Davis, Polk.

DLJ is among several companies being sued in U.S. District Court for the Southern District of California in San Diego by shareholders of Nucorp, a bankrupt oilfield equipment supplier. DLJ underwrote three debenture offerings for Nucorp in 1981.

The shareholders charge that DLJ and various other defendants concealed vital information regarding Nucorp's financial status at the time of the offerings.

Other defendants named in the class-action lawsuit include Nucorp's auditor, Arthur Andersen & Co.; Continental Illinois National Bank & Trust Co., a Nucorp lender; and convenience store chain Circle K Corp. of Phoenix, Ariz., a principal Nucorp shareholder.

Although the lawsuit does not specify the exact amount sought in damages, the total value of the three debenture offerings was more than \$150 million, a large portion of which DLJ may now be liable for following the default judgment, lawyers involved in the case say.

DLJ was the lead underwriter on a \$50 million Nucorp convertible debenture offering in April 1981, and a \$60 million debenture offering in September of the same year. DLJ also participated with other underwriters on a \$41 million private placement of Nucorp stock in November 1981.

The shareholders' suit was filed in 1982, shortly after the announcement of Nucorp's bankruptcy filing on July 27, 1982. The trial opened last October.

DLJ—which represents a class of securities underwriters involved in the Nucorp offerings—and the other defendants are accused of fraud and negligence in concealing Nucorp's financial problems from investors, the complaint says.

The suit charges that DLJ—as lead underwriter on two of the Nucorp debenture offerings and as a

participant on a third offering—should have known that the company's financial statements were inaccurate and misleading.

The plaintiffs further claim that DLJ, having access to Nucorp's confidential financial information regarding its future plans and possibilities, knowingly aided in concealing that the information in Nucorp's financial statements was false.

The complaint also charges that Nucorp's accounting firm, Arthur Andersen, should have found and reported the flaws.

Continental Illinois, a major lender to Nucorp, also was aware of Nucorp's financial problems and participated in withholding the information from the public, according to the complaint.

Circle K, the plaintiffs contend, also knew about the allegedly inaccurate and overly optimistic financial statements, due to its 20% interest in Nucorp, but because of that interest opted not to disclose the information.

Because the trial is still in progress, counsel for Arthur Andersen, Continental Illinois and Circle K refrained from comment.

However, DLJ's defense ended abruptly with the issuance of a default judgment because its defense attorney, Mr. Goldstone, violated a court order to produce a witness, said Steven E. Lebow, a DLJ vp who was the witness in question and was present at the Nucorp underwriting proceedings.

However, according to Davis, Polk's Mr. King, Mr. Goldstone requested a stay of the order to produce Mr. Lebow so that Mr. Goldstone could seek immediate review by an appellate court.

"It was made very clear that if the court refused to grant the stay, Mr. Goldstone would comply with the order and produce Mr. Lebow," Mr. King explained.

Mr. Goldstone's application for a stay was denied and, according to

Mr. King, "at 8:45 a.m. on Dec. 10 Judge Irving asked Mr. Goldstone where the witness was. But because the jury was not due to be brought into the courtroom until 10 a.m., Mr. Goldstone replied that although Mr. Lebow was not present at that moment, he would appear before the jury arrived."

However, because Judge Irving felt that Mr. Lebow should have been present at 8:45 a.m. along with the counsel, he recessed the court and issued a default verdict against DLJ later in the afternoon, according to court records.

DLJ is appealing on the grounds that Judge Irving did not have the power to order the witness to appear and that even if he did, the sanctions imposed against Mr. Goldstone are disproportionate in relation to the severity of the violation.

"The court records clearly show that Mr. Goldstone had no intention of defying the order and would have complied with it if given the fair opportunity to do so," Mr. King said.

DLJ has no plans to take legal action against Davis, Polk, the DLJ

spokeswoman said.

Separately, the \$41 million settlement between Nucorp's directors and officers and the shareholders may reduce any judgment DLJ is ordered to pay.

Also contributing to this settlement was New York-based Shearson Lehman Brothers, which provided investment banking services to Nucorp, was a large Nucorp shareholder and made a market in the company's stock.

In addition, Frederick Frank, a Shearson managing director, was a Nucorp board member.

Shearson's decision to settle was prompted largely by Mr. Frank's involvement on the Nucorp board, said a lawyer familiar with the case who asked not to be named.

The settlement will be covered by both Shearson's and Nucorp's directors and officers insurance, lawyers in the case say.

A lawyer closely involved in the case confirmed that Nucorp's D&O policy covered its contribution to the settlement, though he would not name the insurers involved. A Shearson Lehman spokesman refused to comment.

## Super Bowl covered

Continued from page 1

protect the city from any claims related to events there, according to Mr. Johnson.

Other stadium users—the San Diego Chargers football team, the Padres baseball team, the Sockers soccer team and the San Diego State University Aztecs football team—all purchase their own liability insurance that names the city as an additional insured.

The city has budgeted \$7 million for liability claims and litigation costs in 1988. Last year, the city paid roughly \$6 million for 5,000 liability claims, Mr. Johnson said.

Additional liability coverage related to Super Bowl XXII has been purchased by Monrovia, Calif.-based Mike Brown Grandstands Inc., which is replacing some of the stadium seats with 21,000 temporary seats to accommodate the 78,000 fans expected to attend the game, said John Costa, project manager with the city of San Diego's Engineering Department.

And, like the NFL, the company is required to list the city as an additional insured.

Mike Brown's coverage consists of \$1 million in primary coverage written by National Union Fire Insurance Co. of Pittsburgh, Pa., and a \$4 million excess layer written by Lexington Insurance Co. Both insurers are units of American International Group Inc.

The coverage was placed by Avery-Hammer Insurance Associates Inc. in Fresno, Calif.

Should movement of the earth that originates underground—as opposed to under the feet of stampeding linemen—cause the 21-year-old Jack Murphy Stadium to shake, rattle or roll, the earthquake portion of the city's property coverage—which also covers the county and the San Diego Transit Corp.—will come into play.

The \$1 billion commercial property insurance program, written by Lloyd's of London underwriters and about two dozen domestic insurers, includes \$55 million in coverage for the stadium alone.

It is an extensively layered and "very complicated property program," said Robb Tarr, vp of Robert F. Driver Co. Inc.'s Newport Beach, Calif. office. Driver brokered the city's property coverage.

Mr. Tarr called Jack Murphy Stadium "a good risk," adding that "it's got a very good rate on it."

The property insurance rate on the stadium was not available, but Mr. Johnson said the city paid a

premium of about \$800,000 to cover all city property.

More risk management play-calling is expected this year to tackle the extra dose of revelry expected at the San Diego game.

"This Super Bowl is a little different from many of the others in as much as there are going to be a lot of pre-parties," Mr. Johnson said.

A "hospitality village" of about 25 tents was constructed in a seven-acre space in the stadium parking lot. This week, the tents are being used by San Diego community organizations for fundraising events. Sunday, the tents will be turned over to corporations sponsoring private parties.

Martin Breslauer, San Diego's assistant property director, said \$1 million in liability coverage purchased by Keith Prowse & Co. in Atlanta, the firm erecting the tents, lists the city and the NFL as additional insureds. He was unable to provide the name of Prowse's insurer, and an official at Keith Prowse did not return phone calls.

While not naming the companies that would use the tents for the pre-game festivities, Mr. Breslauer said they include "major auto manufacturers and insurance companies. They're the 'Who's Who' of corporate America."

The risk management lineup at Super Bowl XXII also includes two claims adjusters who will be on call to rush toward any accident.

The adjusters, employed by the city, "will be responding to losses in order to get the pertinent data involving losses," said Mr. Johnson. "This is a unique program, in as much as we have a qualified, staff-type of adjuster at every event that takes place at the stadium so that we can ensure that we get prompt investigation."

Naturally, for an event the size of the Super Bowl, security services will be "beefed up," and additional first-aid personnel will be at the game, Mr. Johnson noted.

In an effort to keep rowdy behavior to a minimum, stadium officials will stiff-arm beer sales sometime before the end of the game, Mr. Johnson pointed out. And to prevent slips and falls, extra cleanup crews will be on hand to mop up after any accidental sloshing by the sloshed.

"All of these people will be in radio contact so they can respond immediately to various supervisors that are stationed around the stadium," Mr. Johnson said.

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# Cambridge Re creditors support plan

By ROGER SCOTTON

HAMILTON, Bermuda—Liquidators of Cambridge Reinsurance Ltd. are reconciling creditors' claims estimates with their own figures after a deluge of last-minute queries.

Under an ambitious plan yet to win final approval from the Bermuda Supreme Court (*BI*, July 6, 1987), Cambridge Re creditors last year were sent "provision of information forms" that show an estimate of each creditor's claim and details of the information on which the estimate is based.

Liquidators David Lines and Gerry Weiss, who hope their plan will shorten the liquidation period by about 15 years, gave Cambridge Re's 2,000 to 3,000 creditors until Dec. 31 to object to the accuracy of the figures. Failure to do so, creditors were told, would bind them to accept the information as "complete and accurate in every respect, both for the purposes of any estimation of the value of the company's contingent liabilities and other liabilities of an uncertain nature."

A spokesman for the liquidators said that about 500 creditors had filed queries by the year-end deadline, with 25% filing during the last few days of the year.

Some creditors are questioning the accuracy of the liquidators' information, the spokesman said. Others, including United Fire & Casualty Co. of Cedar Rapids, Iowa, which the spokesman described as one of Cambridge Re's biggest single creditors, confirmed the information.

But he stressed that none of the 500 responding creditors had opposed the concept of using an actuarial estimate to calculate future claims faced by Cambridge Re, a subsidiary

**'We are now seeking a respondent to oppose the plan, but if these efforts fail, we will simply have to go back into the Supreme Court and report that we have been unable to find one,' says Mr. Lines.**

of Halifax, Nova Scotia-based National Sea Products.

Some creditors are questioning the liquidators' provisional "valuation factor," a figure the liquidators are proposing to use to settle claims for contingent or otherwise unascertained losses as of Jan. 1, 1987. The factor, determined from an actuarial analysis of each class of business underwritten by Cambridge Re, will be multiplied by each creditor's reported premium to arrive at a valuation of claims per contract per underwriting year.

The reconciliation work is likely to be completed within the next four to five weeks, said the spokesman for the liquidators. The liquidators will seek a court hearing in March or early April at which court-approved representatives of creditors and debtors will debate the plan.

The hearing is being sought because the liquidators were advised to demonstrate that they are dealing fairly and legally with all interested parties who could be affected by their unprecedented approach to the liquidation.

Although the liquidators believe a hearing at which some-

one challenges the liquidation plan is the best way to establish its credibility, they concede they have not been able to find a creditor willing to go to court.

"We are now seeking a respondent to oppose the plan, but if these efforts fail, we will simply have to go back into the Supreme Court and report that we have been unable to find one," said Mr. Lines, a partner in the Bermuda office of Coopers & Lybrand.

Observers say the plan is unlikely to founder on the grounds that nobody disagrees with it.

Yet, a court hearing is regarded as an important step in winning final court approval for the liquidators' proposals, which are based on provisions in Bermuda's Bankruptcy Act of 1876 and the Companies Act of 1981.

The liquidators also are preparing to conduct their third actuarial valuation of the Cambridge Re insolvency in time for presentation at the hearing.

Their last valuation, which calculated Cambridge Re's financial position as of July 31, 1987, indicated that unsecured creditors were owed about \$80 million, approximately \$31.2 million more than was first estimated in May 1985, shortly after Cambridge Re was placed in liquidation.

Assets were restated in the July 31 valuation at \$16.3 million, about half the original assessment of \$31.5 million after taking offsets into account.

Thus, the 1987 valuation almost doubled Cambridge Re's estimated deficit to \$63.6 million from \$32.4 million.

If the Cambridge Re plan does win final court approval, the liquidators expect to make an interim payment to creditors by year-end, possibly as early as Sept. 30.

## Diamond Shamrock

Continued from page 2

to a trust fund to pay claims by veterans who contended they were injured by exposure to Agent Orange. Diamond Shamrock agreed to pay 12% of the settlement amount, or about \$21.6 million.

In its latest complaint, Diamond Shamrock contends that Aetna has interpreted the policies in a way that would indemnify Diamond Shamrock for "substantially less than half" of its obligation under the Agent Orange settlement.

Aetna's interpretation of the coverage would result in all of Diamond Shamrock's insurers paying a total of \$8.52 million of the chemical company's share of the Agent Orange settlement, the Diamond Shamrock suit says.

The judge has not yet ruled on how much Aetna and the other insurers should pay toward the settlement.

However, Judge Stanton in his Dec. 11 pretrial ruling dealt with several issues, including motions by:

- Numerous London market excess insurers and American Re-Insurance Co.—an Aetna unit and one of Diamond's excess insurers—for a ruling that the chemical company could not prove that bodily injuries and property damage resulted from its operations.

- The London insurers, joined by Aetna and several other U.S. insurers, for a ruling that government-imposed cleanup costs do not constitute damages under the various liability policies.

Ruling from the bench, Judge Stanton concluded that Diamond Shamrock has suffered both bodily injury and property damage liability under the terms of the policies.

Noting the difficulties in establishing a causal link between exposure to Agent Orange and bodily injuries, Judge Stanton said: "I think it is beside the point and it is legally irrelevant whether any of the veterans in Vietnam were actually injured by Agent Orange."

"There may not have been (injuries). Let's hope there were not. But there was a real case. It did trigger prospective liability on the part of Diamond Shamrock and that, in turn, triggered insurance coverage from Aetna and the other carriers. . . . (We) must regard injury as having been incurred," the judge said.

On the issue of property damage liability, he said that "someone who has caused dioxin to be in existence in soil is in fact made to fix it and clean it up by the regulatory authorities, and that costs money.

That's meaningful damage."

Citing previous New Jersey case law, Judge Stanton also ruled that the costs of such government-mandated cleanups "are damages so far as the comprehensive general liability policies are concerned."

"Diamond Shamrock is being made to clean up (the Newark plant site) and its environs by other people who feel themselves aggrieved by what Diamond Shamrock has in some senses permitted to occur," the judge said.

"In short, what is going on here is very much more closely related to traditional third-party damage concepts than to traditional first-party insurance coverage. It's not a perfect fit so far as damages and third-party coverage concepts are concerned, but it's much closer to that than traditional first-party coverage," he said.

Judge Stanton also denied summary judgment motions by both Diamond Shamrock and London market insurers on the issue of whether the Newark claims represent an accident or occurrence under the policies. The insurers had argued that the claims do not constitute an occurrence, since the pollution was not unexpected or unintended by Diamond Shamrock.

Judge Stanton, however, said there was not enough information in the court record so far to grant summary judgment to either side on the point.

In its latest complaint, Diamond also sought rescission of a 1981 agreement with Aetna under which the chemical manufacturer has paid 50% of defense costs related to Agent Orange product liability claims.

Diamond Shamrock contended that Aetna breached its duty of good faith by interpreting the policies one way on the issue of defense cost coverage while interpreting them another way on indemnity questions.

Aetna had initially sought to have dioxin-related defense costs attributed to policy years after 1974, when higher deductibles apply, while later sought to use only pre-1974 policies to cover Diamond Shamrock's portion of the Agent Orange settlement. Still later, Aetna sought to attribute dioxin losses to policy years from 1965 to 1983, Diamond Shamrock's amended complaint says.

However, Judge Stanton granted Aetna's motion for summary judgment, dismissing this count of the complaint in an Oct. 18 ruling.

Aetna currently is defending

bodily injury and property damage claims against Diamond Shamrock arising from the New Jersey dioxin plant under a reservation of rights, claiming that "serious questions concerning possible insurance coverage" exist.

In addition, Aetna contends that defense cost coverage for these claims is afforded only under post-1980 policies, which included higher deductibles that would require Diamond Shamrock to assume a larger portion of defense costs.

Diamond Shamrock contends that it should be covered under policies from the 1960s and 1970s, under which it would not have to contribute to defense costs.

These and other coverage questions are to be decided at trial. ■

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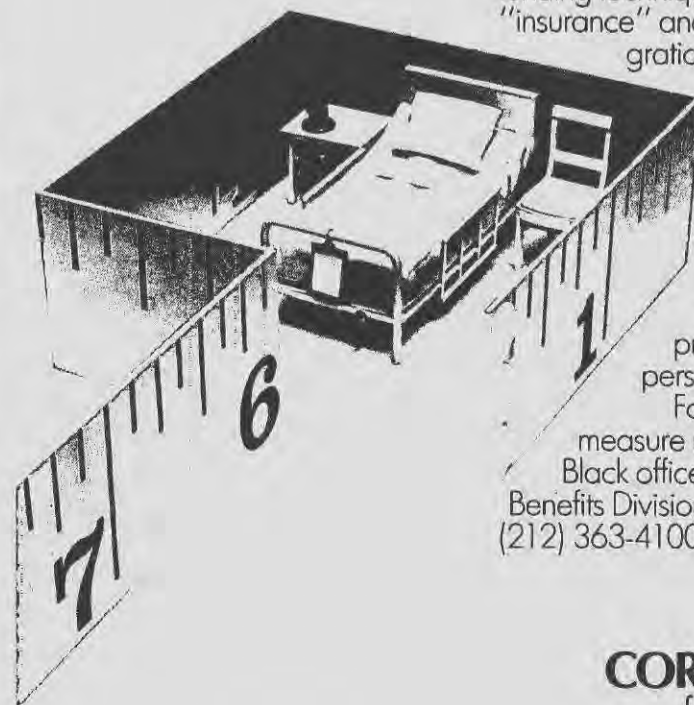
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## Outhwaite runoff policies

Continued from page 1

"time-and-distance" policies under which "amounts are collectible at different dates based on our projections of likely cash requirements," the report says.

However, the faster-than-expected payment of asbestos claims due to the rapid settlement of coverage disputes between asbestos producers and insurers that belong to the Asbestos Claims Facility established by the Wellington Agreement is leaving Outhwaite with a cash-flow problem, sources say.

Syndicate 661 currently is either disputing or making preliminary inquiries about claims from nine Lloyd's syndicates and two insurance companies for asbestos-related losses on runoff reinsurance policies the Outhwaite syndicate underwrote in 1982 (*BI*, Sept. 14, 1987; May 4, 1987; Feb. 16, 1987).

Mr. Outhwaite is refusing to pay the claims until he receives more information about the underlying policies that covered asbestos and environmental impairment liability risks. However, some observers accuse Mr. Outhwaite of using stalling tactics to delay paying the claims because they are being filed much more quickly than he expected.

Now, the problem of slow-paying or non-paying reinsurers is emerging as a new source of claims against the Outhwaite runoff policies.

Edward Bloxham, finance director for the Outhwaite agency, confirmed that some of the runoff policies allow policyholders to claim interim payments from syndicate 661 in case of slow payments from reinsurers. "If there is every reason to believe (the policyholders') reinsurers will pay but they are responding slowly, (the policyholder) can recover from syndicate 661 in the meantime," he said. The policyholder then would reimburse syndicate 661 when it recovers its reinsurance, he explained.

Mr. Bloxham would not specify how many of the policies were written on such a basis.

However, there has been "no massive failure of any syndicate's reinsurance protection that has affected us yet," he said. "The fact that we have resisted payments pending further information" does not involve any syndicates' failure to collect from their reinsurers.

And, Mr. Bloxham denied that syndicate 661 would be liable under the runoff policies for the failure of ceding companies' reinsurers to pay claims. But, he admitted that some policyholders may interpret their policies to provide coverage for uncollectable reinsurance.

He also pointed out that at least one Lloyd's syndicate, which has "a substantial reinsurance runoff policy" with syndicate 661, has agreed that syndicate 661 would not be liable if claims were not paid by reinsurers.

Jim Ayliffe, non-marine claims director at Merrett Underwriting Agency Management Ltd., and Keith Rayment,

non-marine director responsible for claims for Sturge Holdings P.L.C., both agreed that difficulties Lloyd's syndicates and London companies are facing in collecting reinsurance from European, U.S. and Japanese reinsurers could compound Outhwaite's problems.

The "non-payment of reinsurance claims may eventually impact cash flow in London, which may affect Outhwaite's runoff policies," another London broker asserted.

Mr. Bloxham admitted that the slow recovery of asbestos reinsurance claims from European and other overseas reinsurers "will eventually cause concern" for the Outhwaite agency "if it persists."

Meanwhile, 102 Lloyd's members agencies that look after affairs of the 1982 names of syndicate 661 and marine syndicate 317 earlier this month asked London law firm Freshfields and accounting firm Coopers & Lybrand to investigate "matters surrounding the writing of the runoff policies."

The agencies also have signed a standstill agreement with Outhwaite to allow the syndicate's members ample time to take legal action.

And, late last month, Robert Hiscox, underwriter for Lloyd's syndicate 33, filed suit against Mr. Outhwaite seeking a declaration that Mr. Outhwaite is liable for losses under a runoff policy placed with syndicate 661 in 1982.

A steering committee of senior representatives of six Lloyd's members' agencies formed by the 102 agencies will "conduct a thorough fact-finding exercise to examine details surrounding the writing of the runoff policies," said Peter Rawlins, managing director of Sturge's Lloyd's underwriting agency and a member of the steering committee.

At least 40 Lloyd's syndicates and London insurance companies placed such runoff policies with Outhwaite, which wrote 100% of many of the policies, Mr. Rawlins said.

"The volume of business is very substantial. Since the policies were written, a lot of cedants may have long-tail risks in accounts which are deteriorating very rapidly. In recent months, Outhwaite has intimated that a number of these contracts were placed without adequate information and that he intends to dispute them on that basis," he added.

"As further action of this kind is anticipated and against this background of continued and considerable uncertainty and possible litigation, we felt it was important to assess the situation for names. The 1982 account is not likely to be closed in the near future, and time marches on," Mr. Rawlins said.

All parties involved, including Outhwaite's members' agencies, have entered into a formal standstill agreement with the Outhwaite underwriting agency under which the parties agree not to file litigation against Outhwaite before Dec. 31, 1988, without prior notice but retain their right to file litigation for a period afterward, Mr. Rawlins said. The agreement is retroactive to Sept. 30, 1987.

Under English law, there is a six-year statute of limitations for one party to a contract to file suit against another party

to a contract.

Without a standstill agreement, the names would have been forced to litigate last fall or risk losing their right to sue because the contracts were signed between September and December 1981.

"We thought it appropriate to offer (names) a standstill agreement to give names greater flexibility," Mr. Bloxham said.

The working party will "also be looking at the future for the syndicate as it is clearly involved in a long-tail runoff situation," Mr. Rawlins said.

Two syndicates already have started legal action against Mr. Outhwaite.

Earlier this month, Mr. Hiscox, a director of Lloyd's managing agency Roberts & Hiscox Ltd., filed suit against Mr. Outhwaite on behalf of himself and members of non-marine syndicate 33.

The lawsuit seeks a declaration that an aggregate excess-of-loss reinsurance contract written by Mr. Outhwaite on March 30, 1982 is valid.

Under terms of the contract, Mr. Outhwaite "agreed to reinsure all liability howsoever and wheresoever arising which (syndicate 33) might incur in respect of 1974 and all prior years of account settled on or after Jan. 1, 1982, in excess of an ultimate net loss... of \$7.5 million in the aggregate," the lawsuit says.

Mr. Outhwaite "has purported to avoid the contract for material misrepresentation and non-disclosure of material facts at the time the contract was placed," according to the lawsuit.

"We have been given no particulars of the alleged misrepresentation or non-disclosure but have only been told that the claims which have arisen on the years 1974 and previous have substantially increased and that there was nothing to indicate that this would happen in the figures we presented at the placement of the contract," Mr. Hiscox said.

"The market as a whole has been taken completely by surprise by the scale of the influx of asbestosis and pollution claims on the old closed years and it is ridiculous to suggest that all those underwriters who bought reinsurance from Mr. Outhwaite were aware that this would happen and only he was unaware," he added.

"It seems that Mr. Outhwaite has made a classic underwriting error of judgment for which he wishes to blame others," Mr. Hiscox asserted.

Mr. Bloxham said the Outhwaite agency "raised a number of fundamental questions in relation to (syndicate 33's) contract" that Roberts & Hiscox have "declined to respond to."

Also, in January 1987, marine syndicate 764/763, underwritten by Norman P. Compton and managed by Philip N. Christie & Co. Ltd., filed a lawsuit against the Outhwaite agency in London's High Court attempting to recover \$627,094 in claims against a runoff policy with \$5 million in limits.

# Reinsurers pushed to pay asbestos claims

By CAROLYN ALDRED

LONDON—London market underwriters may be forced to take legal action this year against reinsurers worldwide that are balking at paying asbestos claims because the underwriters alone cannot shoulder asbestos-related losses much longer, several London market observers say.

European, U.S. and Japanese reinsurers in particular still have not paid claims submitted by the London market up to four years ago. As a result, London underwriters are facing a cash-flow problem that soon could become a crisis, the observers say.

The warning follows a letter sent by Lloyd's underwriter Robin A.G. Jackson to London market insurers accusing reinsurers of "using negative delaying tactics" in paying claims.

"1988 is going to be the year in which the reinsurers will have to say yes or no" to claims, said Keith Rayment, non-marine director responsible for claims at Sturge Holdings P.L.C., the largest Lloyd's managing agency.

"The London market has always tended to avoid litigation or arbitration in the false belief that we could explain to reinsurers that the claims were genuine... However, each syndicate and London company now has to make its own evaluation during 1988 and decide what is appropriate," Mr. Rayment said.

One London insurance company already has put its reinsurer on notice to "pay up in 14 days or we litigate," said one London reinsurance broker who would not name the companies involved.

Other market sources agreed that more London market underwriters will take their reinsurers and retrocessionaires to court or arbitration this year if the rate of reinsurance payments does not improve.

1988 is going to be "the crunch year," agreed Jim Ayliffe, non-marine claims director for Lloyd's underwriting agency Merrett Holdings P.L.C., and Mr. Jackson, Merrett's non-marine underwriter, in an interview this month.

**'London cannot shoulder the level of claims a great deal longer. Already, the reaction of auditors to some London cedants' end-of-year accounts is becoming critical,' says Jim Ayliffe, non-marine claims director for Lloyd's underwriting agency Merrett Holdings.**

"London cannot shoulder the level of claims a great deal longer. Already, the reaction of auditors to some London cedants' end-of-year accounts is becoming critical," Mr. Ayliffe said.

"If the upfront insurers had behaved in the way reinsurers are behaving we would have received massive punitive damages. There is going to be litigation or arbitration starting all over the place, as people's patience is running out," Mr. Jackson said.

"More people will resort to litigation soon, especially with pollution claims looming over the horizon," agreed David Turner, director of the non-marine division of Lloyd's reinsurance broker E.W. Payne (U.K.) Ltd.

In a letter written on Toplis & Harding (Market Services) Ltd. letterhead and dated Dec. 30, 1987, Mr. Jackson, writing as chairman of the Asbestos Working Party, addresses "the problems being experienced in the (London) market in collecting outward reinsurance."

The Asbestos Working Party, which consists of a cross-section of Lloyd's and London company market marine and non-marine insurers, was set up in 1981 to address the problems of the insurers' asbestos liability.

Mr. Jackson says in his letter the U.S., German, Swedish, Japanese and Eastern-bloc reinsurers that are delaying paying claims "now pretend they do not like the way the U.S. judicial system works. They should have thought of that before they wrote the business and not now."

The letter has angered European reinsurers, which claim it only will make re-

lationships between London cedants and their reinsurers and retrocessionaires worse.

"The claims are unjustified, and the letter, which was widely distributed in the London market and only just falls short of calling professional reinsurers names, can only cause a deterioration" in relationships, said Otmar Schmidlin, senior vp of Swiss Reinsurance Co. in Zurich, Switzerland.

Mr. Schmidlin disputes accusations that some reinsurers are using "delaying tactics" in the payment of claims.

"The whole issue is very complex and involves differences in contract interpretation as well as a lack of documentation in many cases," he said.

"How can the reinsurance community be expected to pay claims that aren't even documented?" asked Mr. Schmidlin, adding that the disagreements could be better resolved by litigation or arbitration "unless claimants take a different approach to submitting documentation."

Many reinsurers dispute the extent to which they should be liable for claims paid under the Asbestos Claims Facility, created with the signing of the Wellington Agreement in June 1985 (*BI*, Nov. 16, 1987).

However, the problem the London market is facing in recovering reinsurance payments for asbestos-related losses is not confined to claims disposed of by the facility, sources say.

"The problems with collecting reinsurance predate the Wellington facility formation. Although many reinsurers question certain sections of the agreement, the main problem is that (the reinsurers) do not have a sophisticated understanding of the U.S. judiciary

system," said Mr. Ayliffe, Merrett's claims director.

"One of the problems is that the Europeans have not been in the mainstream of accepting reinsurance of U.S. business, unlike Lloyd's and the London market," Mr. Jackson agreed during the interview. "They are second-tier reinsurers and are not as knowledgeable of what has been happening in the U.S. legal system. They have small shares of lots of business and have found themselves stuck with lots of asbestos claims. Initially, they genuinely did not understand why."

The claims are the "results of the aberrations of the U.S. legal system," Mr. Jackson said. Reinsurers are "right to be shocked, but once they learn the facts of life, they should accept them," he added.

One of the initial problems reinsurers had with asbestos-related claims was the lack of information passed from cedants to retrocessionaires, according to Ulrich Jaeger, claims manager of Cologne Reinsurance Co. in Cologne, West Germany.

However, since the introduction of the Asbestos Claims Advice Form by the London market in 1986, the flow of information and documentation has improved substantially, especially in the past few months, he said.

The advice form was prepared by London reinsurance brokers Winchester Bowring Ltd., Alexander Howden Reinsurance Brokers Ltd. and E.W. Payne to allow ceding companies to present claims to reinsurers and retrocessionaires in a standardized and uniform way. The form is now used by most London market reinsurance brokers and cedants, sources say.

"The form was compiled in response to reinsurers claiming they were not being given enough information. It caters for all the information required by the reinsurers and has been approved by the reinsurers," said Jerry Dowlen, manager of Winchester's claims department.

Now the main problem remains coming to an agreement over the definition of contract wordings, Mr. Jaeger said.

"The level of documentation has now

Continued on next page

Continued from previous page  
 reached a stage where we can deal with contract wordings and the definition of contracts can be examined in detail," Mr. Jaeger said.

A conference is being organized in London March 14-15 by Kluwer Publishing Ltd. that will address the issue of contract wordings in detail.

The conference "will examine and discuss the implications for reinsurers of asbestos-related personal injury claims, with particular emphasis on the reinsurers' contractual obligations," says a conference brochure.

Attendees will be reinsurance professionals such as "company legal advisers, risk managers, brokers, intermediaries, solicitors, financial directors, underwriters and loss adjusters," it says.

Scheduled speakers include Mr. Schmidlin; Mr. Jaeger; Edward F. Holden, senior vp of North American Reinsurance Corp. of New York; and Jack Koepke, deputy director of Gerling-Konzern Reinsurance A.G. of Cologne.

In addition, lawyers from the London law firm of Holman, Fenwick & Willan and the Washington firm of Preston, Thorgrimson, Ellis & Holman are scheduled to speak.

But, London market brokers and insurers are upset that no London market representatives have been invited to speak at the conference.

"It's very important to make clear that the seminar is not representative of the London market," said Michael Stephens, managing director of Alexander Howden Reinsurance Brokers Ltd.

"The seminar has inflamed the London market. It claims to put across the viewpoint of London, continental and U.S. insurers on obligations of reinsurers toward asbestos claims, and we are appalled there is no single representative from the London market," said Merrett's Mr. Ayliffe.

However, the conference, at which London-based lawyers are scheduled to speak, is essentially "a legal conference considering wordings of clauses and contractual obligations," explained John Butler, legal officer of London-based Mercantile & General Reinsurance Co. P.L.C. and chairman of the conference.

"We are looking at the issue from the reinsurers' point of view and in a legal sense. Every speaker is a lawyer," he said.

The conference will specifically examine the aggregate extension clause in reinsurance contracts, Mr. Jaeger said.

### Former J&H chief dies at age 76

NEW YORK—Dorrance Sexton, 76, former chairman and director of Johnson & Higgins in New York, died Dec. 26 of cancer.

"One of the hallmarks of his great leadership was his foresight to build a worldwide network of offices and exclusive correspondents long before others grasped the globalization of American business," said Robert V. Hatcher Jr., chairman and chief executive officer of J&H.

Under Mr. Sexton's leadership, the brokerage opened branch offices in South America, Central America and in the Pacific basin.

Following his graduation from Princeton University in 1933, Mr. Sexton joined J&H as a member of the marine department. He served as an officer in the naval reserve during World War II, and after the war, Mr. Sexton returned to the New York office of J&H as an account executive in the marine department.

He became a director of the company in 1949, president in 1960, chief executive officer in 1962 and chairman in 1968.

Mr. Sexton retired from J&H in September 1972.

Ceding companies and their reinsurers are now disputing the original intent of the clause.

The London market's understanding of the clause was published in a document entitled "Asbestos—The London Response," which was presented to the reinsurance community at the European Product Liability Congress in Berlin in April 1986.

Under the aggregate extension clause, all claims a ceding insurer has paid to one policyholder under one aggregate policy can be added together and treated as one loss. Claims paid to another policyholder are treated separately as another loss. The ceding company retains a separate deductible for each policyholder for each original policy year, the document says.

Aggregate extension clauses were first introduced into excess-of-loss policies by reinsurers in the late 1940s and early 1950s in response to insurers writing product

**The conference will examine 'the issue from the reinsurers' point of view,' Mr. Butler says.**

liability insurance on an annual aggregate basis, the document says.

"The annual aggregate limit was originally introduced to restrict the insurer's exposure to multiple products claims under one policy," according to the document.

With the advent of annual aggregate limits came the first aggregate extension clause on reinsurance agreements, the document notes.

However, wordings of aggregate extension clauses varied from contract to contract between reinsurers and ceding companies and have changed considerably over

the past 40 years, underwriters say.

European reinsurers are "tending to look at the aggregate extension clause with a different interpretation to London. They are picking each and every wording to piece," said Merrett's Mr. Ayliffe, who concedes that "1950 wordings were not written to the same standards as wordings today."

However, London was the first reinsurance market to use the aggregate extension clause and "consequently is better able to speak about its original concept and intent," he said.

According to the London market's official response document, "from our research on aggregate extension clauses and discussions with people who worked in the London market at the time, it is apparent that both the early and later aggregate extension clauses were intended to apply to all aggregate risks falling within any original business protected by the

reinsurance contract."

It is the London market's view "that where the reinsurance agreement contains an aggregate extension clause, reinsurers are contractually bound to follow the reinsured's fortunes and should accept aggregate reinsurance presentation of original aggregate asbestos claims paid under original policies on any one insured, on any one-year basis," the document concludes.

Many reinsurers still are analyzing the clause to determine how asbestos claims are covered by the clause, sources say.

However, reinsurers have provided no coherent or sensible arguments against paying claims using the clause, one broker said.

There is still a question on the origin and original intent of the aggregate extension clause and the debate remains open, said Mr. Jaeger of the Cologne Re., adding that the London conference will provide further analysis.

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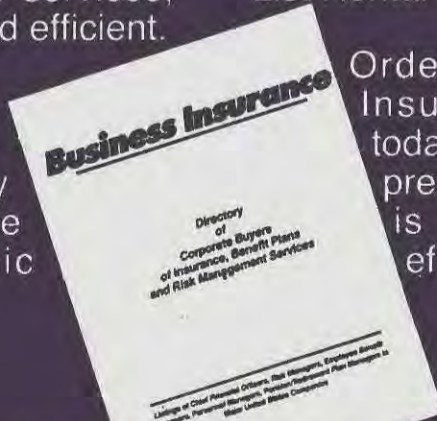
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Vice-Presidents, General Managers and Other Administrative Personnel ..... 3,210

**Financial:**  
Chief Financial Officers and Vice-presidents of Finance ..... 2,787  
Secretaries, Treasurers, controllers and other Financial Personnel 5,600  
**Risk/Employee Benefits:**  
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations ..... 9,701  
Sub-total ..... 23,868  
Associations ..... 500  
Government, Unions and Educational Institutions ..... 914  
**Commercial Consumers**  
Sub-total ..... 25,282  
Insurance Agents and Brokers 10,858  
Insurance Companies ..... 7,140  
Financial Institutions ..... 989  
Actuaries, Attorneys, Adjusters, Appraisers and Consultants ..... 4,617  
Others Allied to the Field ..... 1,792  
TOTAL ..... 49,689  
\* Source Business/Occupational breakdown of qualified circulation, May 25, 1987 issue, as submitted to BPA for June 1987 BPA Publisher's Statement.

# Subcommittee to review retiree benefits

By DEBORAH SHALOWITZ

WASHINGTON—The House Oversight Subcommittee will consider retiree health care benefits and pension plan issues this year.

House Ways and Means Committee Chairman Dan Rostenkowski, D-Ill., requested the Oversight Subcommittee review the issues. Observers say that Rep. Rostenkowski's request is an indication of the interest Congress has in retiree health care and pension issues.

Rep. Rostenkowski asked the subcommittee to consider the funding and availability of retiree health benefits. And, as part of its examination of pension issues, Rep. Rostenkowski asked the subcommittee to continue monitoring the administration and enforcement of the Employee Retirement Income Security Act and the Pension Benefit Guaranty Corp.

The subcommittee also should evaluate the Internal Revenue Service's determination letter and examination functions, review the tax rules governing the investment of pension plan assets and compare U.S. and foreign pension plan systems, focusing on differences in coverage, benefit levels and financing mechanisms, Rep. Rostenkowski said.

## OSHA fines Kohler \$1.39 million

The Occupational Safety and Health Administration has proposed \$1.39 million in penalties against Kohler Co. for alleged willful underreporting of employee injuries at the company's Kohler, Wis., manufacturing plant.

The proposed penalties stem from 466 alleged willful instances of failure to record occupational injuries during 1986 and 1987, according to OSHA.

"In virtually all the cases the company considered the injuries first-aid cases for record-keeping purposes although many were serious enough to warrant time off from work or restricted duty," said an OSHA statement.

Federal regulations do not require recording of first-aid cases. Many employers complain, however, that the line between an injury that requires only first-aid and an injury that must be recorded is arbitrary and confusing (BI, Sept. 14, 1987).

"We will not overlook downgrading of reportable injuries categorized as first-aid," said Assistant Labor Secretary and OSHA chief John A. Pendergrass.

Kohler is contesting every one of the alleged violations. There is "no substance" to OSHA's allegations, said Ken

## Washington

Conger, Kohler's vp of human resources.

Kohler, which employs 5,000 workers, manufactures plumbing fixtures and small engines.

## Product liability legislation

Federal product liability legislation will pass the House Energy and Commerce Committee within a month, predicts Tom O'Day, associate vp in the Washington office of the Alliance of American Insurers.

However, even if the proposal then passes the full House, it will face an extremely difficult battle in the Senate, Mr. O'Day said.

Chances of a federal product liability bill being signed into law this year are "slim, but don't rule it out," Mr. O'Day said.

A compromise federal product liability reform bill establishing a strict liability standard for manufacturers was approved by the House Commerce, Consumer Protection and Competitiveness Subcommittee last year (BI, Dec. 14, 1987).

David Farmer, the Alliance's vp-federal affairs, predicted that Congress this year will continue to discuss—but will not repeal or amend—the McCarran-Ferguson Act, the 1945 law that gives insurers limited immunity from federal antitrust law and grants states primary regulation of the insurance industry.

## Court jurisdiction bill proposed

U.S. courts could assert jurisdiction over a foreign manufacturer in cases when the manufacturer knew or should have known that its product would be imported for sale in the United States under legislation introduced last month by Sens. Howell Heflin, D-Ala., and Charles Grassley, R-Iowa.

Under current law, an American consumer injured by a product manufactured overseas may encounter difficulties in asserting personal jurisdiction over that manufacturer in U.S. courts because of limitations in state statutes or the minimal contacts the foreign producer may have had with a particular state, noted Sen. Heflin.

The legislation, S. 1996, also would allow a U.S. company to move to federal court any suit brought by a foreign na-

tional whose alleged injury arose out of the manufacture, purchase, sale or use abroad of the company's product.

In cases brought by a foreign national alleging injury abroad by U.S. products, the bill would require federal courts to apply the liability and compensation laws of the jurisdiction in which the injury allegedly occurred.

This will prevent the "very serious problem of forum-shopping by foreign plaintiffs in suits against American business," said Sen. Heflin.

Similar legislation, H.R. 3662, was introduced in the House by Rep. Dan Glickman last year (BI, Nov. 30, 1987).

## New grain dust standard developed

Grain handling facilities may not let more than 1/8-inch of dust accumulate near potential ignition sources under a new Labor Department standard effective March 30.

Alternately, grain handling facility operators may wet the grain dust or add oil to the grain stream if that provides "equivalent protection" to the 1/8-inch level, according to the Occupational Safety and Health Administration, which developed the standard.

OSHA said the dust and ignition control standard could save up to 18 lives and prevent 394 injuries each year among the more than 155,000 workers at the nation's 23,770 grain handling facilities.

The standard covers all grain handling facilities, including elevators, dust pelletizing plants, and feed, rice, flour, corn and soybean milling operations.

Compliance with the standard could cost between \$5.9 million and \$33.4 million annually, after subtracting property losses that would be avoided, according to OSHA.

The standard prohibits using compressed air for cleaning operations in grain elevators except when machinery is turned off and all other sources of potential ignition are removed or controlled.

The standard also requires employers to follow a variety of other procedures designed to protect workers from fires and explosions, including:

- Developing written emergency plans for facilities with 11 or more employees and verbal emergency instructions for sites with fewer than 11 employees.
- Providing emergency escapes from tunnels and bin decks.
- Training employees to deal with the potential hazards in their facility.

# Some cargo rates lowered in Persian Gulf

By CAROLYN ALDRED

LONDON—London marine underwriters are lowering cargo insurance rates for all but oil and gas cargos in the Persian Gulf following pressure from insurers in the United Arab Emirates.

London's Joint Cargo War Risks Rating Committee this month reduced insurance rates for cargo other than oil, liquefied natural gas and liquefied petroleum gas to 0.45% of the cargo's value from 0.75% for vessels sailing along the western side of the Persian Gulf. The committee issues minimum rates for cargo shipments on behalf of Lloyd's syndicates and insurance company members of the Institute of London Underwriters.

Geoff De'Ath, deputy secretary of the ILU, said the reductions followed discussions with the United Arab Emirates Insurance Assn. Earlier this year the UAEIA, which represents insurers of the Persian Gulf nations, had threatened to move business away from London if war risk rates for these cargos were not reduced, said Mr. De'Ath.

## PWS Holdings profits fall

Lloyd's of London broker PWS Holdings P.L.C. is taking steps to strengthen the management of its North American & Casualty division, Chairman Ron Peet said this month after announcing a decline in profits.

Pretax profits for the year ended Sept. 30, 1987, fell 15.3% to 7.2 million pounds (\$11.8 million at Sept. 30, 1987 exchange rate) from 8.5 million pounds (\$12.3 million at Sept. 30, 1986 exchange rate) on revenues of 17.7 million pounds (\$29 million), down from 17.84 million pounds (\$25.8 million) in 1986.

"The most important single problem was the strength of (the British pound) sterling against other major currencies, especially the U.S. dollar, which reduced our pretax profit by over 1 million pounds," said Mr. Peet. However, even making allowances for these problems, the group's North American & Casualty division's performance has been "unsatisfactory and steps are being taken to strengthen the management by replacing some senior members of the management team," said Mr. Peet.

The division's former chairman and man-

aging director, Kevin Dower, left the company and was replaced by Richard Beard, said PWS Finance Director Brian Nottage. Mr. Beard, formerly with Lloyd's broker Lowndes Lambert Group Ltd., will act as managing director and a new chairman will be appointed soon, he noted.

## Opren settlement offer

More than 1,000 British claimants have accepted the terms offered by Eli Lilly & Co. to settle lawsuits involving injuries allegedly caused by Opren, a drug marketed in the United Kingdom in the early 1980s.

A lawyer representing Lilly told a High Court in London earlier this month that more than 1,000 claimants so far have accepted the offer, about 47 have refused and 200 have not yet responded.

Indianapolis-based Lilly announced its settlement plan for a group of more than 1,200 alleged victims of the anti-arthritis drug late last year (BI, Dec. 14, 1987).

Financial details of the global settlement are confidential. However, one source told *Business Insurance* the total amount offered is about 2.25 million pounds (\$4 million at current exchange rate), plus payment of plaintiffs' legal costs (BI, Dec. 21, 1987).

In a hearing this month, a High Court justice set a Feb. 5 deadline for the 200 claimants who had not yet responded to the offer.

## Syndicate 553 losses

Several members of a Lloyd's of London syndicate that was forced to stop writing business following disastrous losses on North American risks have formed a committee to investigate the extent of the losses.

In total, 1,452 members of syndicate 553 during the 1984 underwriting year face losses of at least 31.9 million pounds (\$47.3 million at year-end 1986 exchange rates), according to a recent accountant's report (BI, Dec. 7, 1987). The syndicate, which is managed by C.J.W. (Underwriting Agencies) Ltd. and whose underwriter was Cyril War-

rilow, stopped writing business last year and is now being run-off.

The Warrilow Names Committee was formed and is chaired by Thomas Benyon, a former chairman of the Assn. of Lloyd's Members.

"There are large sums of losses involved. So far we've had meetings with several interested parties, including the syndicate managers, which have been very useful," Mr. Benyon said.

## Minet buys LRT unit

Minet Insurance Brokers (Holdings) Ltd. last week acquired the risk management services division of London Regional Transport Ltd. for 825,000 pounds (\$1.5 million at current exchange rate).

The division, which provides insurance and risk management services for London's underground rail system and bus network, was put up for sale last year, according to Robert E. Stedman, chief executive of MIB.

Minet hopes the division eventually will offer risk management consulting services to transport systems throughout the United Kingdom, said Mr. Stedman.

The risk management team has been "working tremendously hard" since the fire last November's at Kings Cross Underground station in which 30 people died, Mr. Stedman noted (BI, Nov. 23, 1986).

## Barristers mutual formed

A professional liability mutual insurers is being established for the 5,500 practicing barristers in England and Wales by protection and indemnity club manager Thomas R. Miller & Son.

Thomas Miller, which established the Solicitors Indemnity Mutual Insurance Assn. in September 1986, plans to start the barristers' mutual insurance company on April 1, said Peter Donnellan, general manager of Thomas Miller Professional Indemnity.

In England and Wales, there is a dual legal profession consisting of barristers and solici-

tors. Barristers are counsel admitted to plead cases before the countries' high courts. In comparison, solicitors are attorneys that represent clients in the lower courts and prepare cases for barristers to try.

Membership in the new mutual, which will provide insurance limits of up to 2 million pounds (\$3.6 million at current exchange rate) per claim, will be compulsory for all barristers practicing in England and Wales, according to the Bar Council's code of conduct. The mutual, called the Bar Mutual Indemnity Fund Ltd., will be managed by the Bar Mutual Management Co., a unit of Thomas R. Miller.

"One of the reasons the Bar Council decided to set up a mutual was because of the lack of availability of (professional liability) cover in the insurance market," said Mr. Donnellan.

## Fraud trial begins

Three men are being tried in London's Central Criminal Court—the Old Bailey—over their involvement in selling extended warranty insurance policies administered by the now-defunct Multi-Guarantee Ltd.

Ronald Meddes, former chairman of the now-liquidated Multi-Guarantee, Timothy Roberts and Stuart Campbell-Ritchie have been charged with conspiracy to dishonestly obtain premiums for extended warranty insurance policies (BI, March 16, 1987).

The defendants allegedly falsely represented that the policies had been lawfully placed with Lloyd's underwriters.

The trial is expected to last about two months, said a police spokesman.

## St. Paul buys St. Katherine

St. Paul (UK) Ltd., the U.K. underwriting subsidiary of the St. Paul Cos. Inc., has a new management team following the acquisition of London-based insurance company St. Katherine Insurance Co. P.L.C.

Douglas Leatherdale is chairman while Vartkis Boghos has been appointed managing director and chief executive. The other directors are James White, Leslie Lanson, Neville Moore, Christopher Bone, George Ayres and Hamish McLaren.

# AIDS complicates blood banks' coverage

By DONNA DIBLASE

Many of the nation's blood banks are developing alternative risk financing measures to cover their risk of disseminating AIDS-infected blood in the wake of a constricting commercial liability insurance market for such coverage.

Some blood banks' general liability insurance rates have increased several hundred percent, while others have had to accept exclusions in their policies for any claims related to the deadly acquired immune deficiency syndrome.

As a result, some blood banks and blood bank associations have either self-insured these risks, hoping that comprehensive donor screening methods will limit their risk, or have found other risk-financing alternatives such as forming risk retention groups.

In addition, some hospitals have stopped collecting blood because of the lack of AIDS-related liability insurance, according to one broker.

Because AIDS-related risks are as new to insurers and brokers as they are to the blood bank industry, many major brokers say they have not handled sufficient AIDS-related risks to comment on the availability of commercial liability insurance.

However, some brokers say they have seen a definite tightening of the market for AIDS-related liability coverage and that it is due to insurers' uncertainty about the impact of AIDS on their industry.

"There has been very little market for blood banks for the last two or maybe even three years. They can put together general liability programs, but the policies exclude specific products or AIDS-related occurrences," explained Michael O'Brien, a vp with Johnson & Higgins of California in Los Angeles.

"Some insurers have instituted this exclusion for hospitals, too," he pointed out. "Some hospitals have decided to get out of the blood and blood products collection business and have shifted it back to the blood banks."

In addition, the London reinsurance market and some domestic reinsurers have included exclusions for AIDS-related claims in their contracts with ceding insurers, according to William Deemer, national director of Alexander & Alexander Inc.'s health care division in St. Louis.

"My own personal opinion is that the insurance industry is not really ready to handle this problem," Mr. O'Brien said.

"Part of the problem is that you're really in a products situation, and there are coverage triggers. Here's a risk that was not anticipated, and this is just a smattering of what the potential is," Mr. O'Brien predicted.

"The availability and affordability of liability insurance for blood banks will depend on their geographic location and the quality assurance protocols they have in place," Mr. Deemer said.

Statutes in all states except Vermont and New Jersey exempt blood banks from product liability lawsuits, but blood banks still can be sued for negligence, according to Gilbert Clark, executive director of the American Assn. of Blood Banks based in Arlington, Va.

For the insurance industry, "the big problem with AIDS is that there are no actuarial numbers to determine the implications for

property/casualty insurers," Mr. Deemer pointed out.

"AIDS will have an impact on hospital professional liability, workers compensation for health care workers, environmental impairment liability and directors and officers liability," he said, explaining that EIL risks could increase for the health care industry if infectious waste is not handled and disposed of safely.

The biggest risk for blood banks—and the one about which the general public is most concerned—is contracting AIDS through blood transfusions.

That risk is further complicated by the length of the incubation period between exposure to the human immunodeficiency virus—which causes AIDS—and the appearance of symptoms.

As a result, blood banks and their insurers are now just seeing claims stemming from the dissemination of blood and blood products, like plasma and clotting agents for hemophiliacs, that were collected between 1978 and the spring of 1985 but not tested for HIV.

Because of the delay between when the virus first appeared and the testing of blood for HIV began, some 1,000 persons nationwide who received transfusions during this period have developed AIDS.

For example, about 69 of these 1,000 people claim they developed AIDS after receiving blood from the Irwin Memorial Blood Bank in Oakland, Calif.

And recently, Irwin Memorial, the University of California San Francisco Medical Center and Kaiser Permanente Health Plans notified about 50,000 people who had received blood between 1978 and 1985 that they should be tested for exposure to AIDS.

Irwin Memorial supplies blood to these hospitals, as well as to more than 40 other hospitals in eight Northern California counties.

The mailing—which is being sent to about 17,000 former patients of the San Francisco Medical Center and about 30,000 current and former members of the Northern California Kaiser Permanente health maintenance organization—will expand on recent recommendations by the federal Centers for Disease Control in Atlanta that anyone who received blood during the period before donor screening began be tested for exposure to HIV.

Several lawsuits have been filed against Irwin Memorial by infected individuals or their relatives, according to Dr. Herbert Perkins, executive director of the blood bank.

However, "No new lawsuits have been filed since the mailing of the letters" in the fall, he said.

Dr. Perkins expects that any damages resulting from the suits would be covered by the blood bank's liability insurance, which is written by Medical Insurance Exchange Co. in Oakland, Calif. He would not comment on limits.

MIEC is one of the few markets for blood banks liability coverage, but it writes only in California. It also writes professional liability for physicians in California.

"In terms of insurance, there's limited coverage available, and it's very expensive," Dr. Perkins said.

MIEC offers three primary insurance programs and no excess coverage, according to Barbara Barnett, an assistant underwriting manager for the physician-owned insurer.

One program provides limits of \$500,000

per occurrence with a \$1.5 million aggregate limit.

Under another program, blood banks can obtain limits of \$1 million per occurrence and a \$3 million aggregate.

MIEC also will write limits of \$2 million per occurrence and \$4 million aggregate, she said.

Typical rates for the \$1 million/\$3 million coverage are about 27 cents per blood donation for the first year of the five-year stepped plan. In the fifth year, the premium would be about 73 cents per donation. The policy is written on a claims-made basis.

Rates vary according to experience and location and there is no exclusion for AIDS-related claims in MIEC policies, Ms. Barnett said.

St. Paul Fire & Marine Insurance Co. in St. Paul, Minn., is another liability market for blood banks. While the insurer does not exclude AIDS-related claims from coverage, it has limited the number of blood banks it insures, said a spokesman for the insurer.

St. Paul instituted a moratorium on new business in this and other lines of medical liability coverages effective Jan. 1, 1986. However, the 65 blood banks nationwide it insures can renew their policies, he said. Those blood banks collect about 2 million units of blood a year.

Cincinnati-based Great American Insurance Co. is another market, although the company would not return phone calls.

Other blood banks self-insure their liability coverage and have been forced to operate without excess coverage for AIDS-related claims.

For example, the American Red Cross in Washington, which operates 56 blood banks nationwide and supplies 50% of the nation's blood supply, totally self-insures for AIDS-related liability claims. Before July 1, 1986, it had excess coverage above a self-insured retention of \$1 million per occurrence for AIDS-related liability, according to Greg Daniels, director of risk management for the organization.

"The Red Cross does retain fairly high liability for all of our programs. We have a \$1 million self-insured retention for our automobile liability, general liability and workers compensation and then buy excess and umbrella coverages as we see fit," he explained.

"But, there are certain exposures that are very high, especially long-tail and latent exposures like AIDS. For most of our programs, we've really not encountered exclusions except for AIDS-related claims in the excess markets. For any AIDS-related occurrences subsequent to July 1, 1986, we have no excess coverage," he said.

However, the Red Cross does not expect to see many occurrences of AIDS contracted through its blood and blood products since July 1986, because it began a formal blood donor screening process in March 1983, he said.

And, in March 1985, the Red Cross began using a comprehensive blood screening process that consists of a series of blood tests to detect the presence of antibodies to the AIDS-causing virus, HIV.

"We think we have really reduced our exposure. We had the tests well in place by July of 1986 when the carve-out in coverage occurred," Mr. Daniels said.

"Before the exclusion, we covered these claims on a per-occurrence basis" under the Red Cross' general liability insurance.

A&A's Mr. Deemer said he expected that many blood banks "probably will end up in a risk retention group or some type of association plan."

However, "forming a risk retention group takes a lot of capital. A lot of blood banks don't have a surplus of money, because many are charity or non-profit organizations," said Mr. O'Brien of J&H.

But, the American Assn. of Blood Banks now is in the process of forming a risk retention group to offer primary professional liability and general liability insurance to its 2,400 members.

The risk retention group, which may begin offering coverage by March, will be domiciled in Illinois, where the AABB is incorporated, according to Mr. Clark.

"We do have a company that has offered insurance to us but at a very high price. So, this is not a real serious option for us. Really, there is no commercial insurance coverage available to us," Mr. Clark explained.

Upon renewal last fall, the AABB was hit with a 362% rate increase in its general and professional liability association program, which was written by Great American (BI, Sept. 28, 1987). Rates increased from 65 cents per donation to \$3 per donation, and the insurer switched the coverage from an occurrence to a claims-made policy.

Depending on the cost of reinsurance for the risk retention group, the premium to be charged by the group is estimated at \$1.10 per donation in the first year. In addition, policyholders probably also would be responsible for an initial contribution of 75 cents per donation to capitalize the group at \$2 million, as required under Illinois' captive law.

While all of the specifics of the coverage offered by the risk retention group have not been finalized, the group will write policies on a claims-made basis with coverage retroactive to Sept. 1, 1985. Each blood bank will be able to secure limits of \$1 million per occurrence and \$3 million aggregate.

The AABB has found a reinsurer for the risk retention group, but Mr. Clark declined to name the reinsurer or provide details of the coverage.

The AABB has not selected an underwriting manager, but Washington-based Victor O. Schinnerer & Co. Inc.—which performed a feasibility study on the project—is a candidate. "We would like to make sure we receive competitive bids, though," Mr. Clark said.

Some of the AABB's members, frustrated with the rate increase by Great American, have left the association program and either self-insured or purchased coverage from MIEC, he said.

The departure of members from the AABB's association plan "has thrown a monkey wrench into our plans because we have to raise a certain amount of dollars to capitalize the risk retention group in Illinois" and thus need the cooperation of as many members as possible, Mr. Clark said. However, he does not think the defections will prevent the formation of the group.

The American Red Cross will not participate in the AABB's risk retention group because "we already have our own risk retention group in a sense," said Mr. Daniels of the Red Cross.

"We've already consolidated the coverage for our blood banks instead of linking up with another association or risk retention group," he said.

## Libby named president at Shand, Morahan

Robert H. Libby has been named president and chief operating officer of Shand, Morahan & Co. Inc., an underwriting manager based in Evanston, Ill.

The promotion of Mr. Libby, who was previously executive vp at Shand, Morahan, follows the retirement of E.L. (Mac) Calhoun, who had been president and director.

In addition, three other senior Shand, Morahan executives have also retired: Grant R. Hubbard, senior vp; Victor L. Sauer, senior vp; and Bert M. Thompson, senior vp and general counsel.

Mr. Calhoun joined Shand, Morahan in 1974. His responsibilities included underwriting, business development, marketing, new product development and overview of ALTIS, Shand's alternative insurance services consulting unit.

An investor group—composed of Fairfax Financial Holdings Ltd., Markel Corp. and senior Shand, Morahan executives—recently completed the purchase of the underwriting manager from Alexander & Alexander Services Inc. (BI, Sept. 28). Joseph J. Prochaska Jr. remains chairman and chief

### Comings & goings: industry

executive officer.

**In other surplus lines changes:**

**Richard C. Fuchs** and **Robert S. Martin** named vps of Swett & Crawford Group in Los Angeles. Mr. Fuchs is the founder and president of SFO Inc. in Kansas City, Mo., which was acquired by Swett in October. Mr. Martin is founder and president of the Robert S. Martin Corp. in Detroit, which was acquired by Swett in September.

**Seth D. Freudberg**, president of Philadelphia-based United National Group, will assume the additional duties of chief executive officer. Also, **Patricia M. Rodman** elected vp-underwriting at United National Group and **Anthony J. Cancelliere** elected vp-systems. Previously, Ms. Rodman and Mr. Cancelliere held the positions of department managers. United National Group is the parent of United National In-

urance Co. and Diamond State Insurance Co.

**George Busnach** and **David Robinson** elected vps of the H.T. Bailey Insurance Agency of Arlington, Mass., a surplus lines brokerage.

### Insurers

**Edward J. Muhl**, former Maryland insurance commissioner and president of the National Assn. of Insurance Commissioners, has been named vp of Royal Insurance in Charlotte, N.C. Mr. Muhl will handle special projects.

**Frank H. D'Alessandro** promoted to vp-accident and health from assistant vp at The Home Insurance Co. in New York.

**Gerald L. Good** elected executive vp-operations at Blue Cross/Blue Shield of Virginia in Richmond. Most recently, Mr. Good was senior vp of Consolidated Healthcare Inc., a BC/BS subsidiary that provides management, marketing and data processing services to BC/BS of Virginia.

## AIDS discrimination suit

Continued from page 1

estimates that of the 1.5 million Americans infected with the AIDS virus, 100,000 to 200,000 will develop ARC. About 35% of those with ARC eventually will develop AIDS.

Mr. Farris was advised by both doctors that despite the diagnosis of ARC, his general health was good and that he had no infections that developed as a result of lowered immunity caused by the virus, the suit says. The doctors said he is able to continue performing his job and poses no danger to fellow workers.

According to court papers, he informed his immediate supervisor of his diagnosis and of the physicians' approval that he could continue working. Mr. Farris also provided his supervisor with an educational booklet about AIDS published by AIDS Project Los Angeles.

On Sept. 25, Mr. Farris was placed on unpaid leave of absence by the supervisor, who claimed that he needed time to review the booklet, the suit says, noting that Mr. Farris subsequently made repeated requests to return to work, which were unanswered.

On Oct. 13, Mr. Farris met with the resort's director of personnel and presented a letter from a physician that said Mr. Farris had been diagnosed with ARC, but was in good health and was able to work, the lawsuit says.

A few days later, the personnel director informed Mr. Farris that he would not be permitted to return to his job as a room service waiter, citing the potential of lost business if the condition were discovered by customers, the suit says. The personnel director then read from a written company manual a policy that permits the personnel director to fire an employee with AIDS, the suit alleges.

However, the personnel director then told Mr. Farris that Marriott would permit him to return to work in some other capacity in which he would not handle food, the suit says. He was then asked to select from other available jobs, all of which paid a lower salary, according to the suit.

On Oct. 28, Mr. Farris again requested that he be reinstated in his job as a room service waiter and was denied, court papers say. However, he did inform the personnel director that he would accept three other jobs and was told he would be contacted regarding the availability of the jobs.

However, Mr. Farris' repeated requests to take another job went unanswered, the suit says.

He then filed a complaint against Marriott with the California Department of Fair Employment and Housing, an authority that investigates and settles employment discrimination complaints, said Ms. Jordon.

The complaint alleged that Marriott discriminated against Mr. Farris because he was a physically handicapped person afflicted with ARC. AIDS and ARC are both considered handicaps under California law and discrimination is prohibited under Section 12926 of the California Government Code.

However, the authority determined that it would not issue a written complaint against Marriott.

"The commission attempts to resolve the complaint. If they can't, they give the person the right to sue on their own. In this case, they offered to give (Mr. Farris) another job with equivalent pay, but would not award

him back pay and damages," Ms. Jordon said, adding that this decision was not acceptable to Mr. Farris.

In the meantime, Mr. Farris' group health insurance had been terminated when he was placed on unpaid leave, according to Ms. Jordon.

He then elected to continue his health care coverage under provisions in COBRA and paid one month's premium under the company's self-insured plan, which is administered by Newark, N.J.-based Prudential Insurance Co. of America, Ms. Jordon said.

However, he soon was notified by Prudential that his COBRA benefits would not be processed until he was taken off Marriott's payroll, she said.

Marriott will not remove Mr. Farris from its payroll until he submits a letter of resignation, Ms. Jordon charged. "They don't want to take him off the payroll because then it will look as though they fired him," she alleged.

On the advice of Ms. Jordon, Mr. Farris found another job to support himself. However, his new job does not provide health insurance benefits and he has been unable to find an individual health insurance policy because of his pre-existing condition of ARC, she said.

Several benefit consultants who asked not be named agreed that based on Ms. Jordon's allegations, Marriott may be in violation of COBRA.

First, the consultants point out that the company technically reduced Mr. Farris' hours when it placed him on unpaid leave. A reduction in a work schedule to 20 or fewer hours per week is a qualifying event under COBRA, consultants say, adding that the company should then have given Mr. Farris the required 60 days in which to elect continued coverage.

In addition, even though Mr. Farris took another job while his case is pending, Marriott is still required to offer continued coverage as long as he is not covered under another employer's group health insurance plan, consultants maintain (BI, Sept. 21, 1987).

One labor law expert pointed out that employment discrimination suits arising from AIDS are increasing and that they often are decided in favor of the employee.

"It's when an employer has taken a hard, knee-jerk reaction to these situations that lawsuits have been forced. And, most of the cases that have gotten to litigation have been lost by employers," noted Johnna Torson, a partner in the labor and employment law practice with the New York firm of Parker Chapin Flattau & Klimpl.

But, most employers are concerned with implementing a humane policy for dealing with AIDS in the workplace before a case actually arises, according to Frank Cronin, an attorney in the Los Angeles law firm of Jackson, Lewis, Schnitzler & Krupman. Mr. Cronin represents management in wrongful termination suits.

Employment discrimination based on AIDS "is a very uncharted area. AIDS is a handicap under California law and an employer is obligated to reasonably accommodate a handicapped employee. You can't discriminate by firing them. However, it gets trickier when you're dealing with an employee who could communicate a disease to customers or other employees," he said.

But, he added, "from a management viewpoint, I'm pleasantly surprised that I don't get calls asking 'how can we fire this employee or deny benefits?'" ■

## Update

### Kemper auto mutual reviewed

Continued from page 2

continue in other lines of business (BI, Dec. 7, 1987).

"We feel we can meet the important concerns raised by Insurance Commissioner Singer," said Gerald L. Maatman, president of Kemper's property/casualty companies.

Kemper offered the Arbella plan after its losses in the Massachusetts personal auto market, where Kemper is the third-largest insurer, rose to \$37.1 million in 1987, or roughly half of Kemper's private auto losses nationwide.

### Zurich buys into Centre Re

HAMILTON, Bermuda—Zurich Insurance Co. in Switzerland took about 40% of the \$250 million private placement of stock and notes completed by Centre Reinsurance Holdings Ltd.

Centre Re and its three reinsurance subsidiaries are now accepting submissions, the company announced last week.

Kemper Group units and Morgan Portfolio Corp., a unit of J.P. Morgan & Co., each subscribed for 20.8% of the offering, though the mix of common stock and notes differed for each. Each company originally planned to purchase 9.9% (BI, Jan. 11). Additional investors include Hannover Ruckversicherungs A.G. of West Germany; Bacardi Capital Ltd. of Bermuda; and Kamehameha Schools/B.P. Bishop Estate, a Hawaiian charitable trust.

Centre Re's reinsurance units, based in Bermuda, Barbados and New York, will provide financial reinsurance products.

### Chinese plane insured

CHONGQING, China—The China National Airways (C.A.A.C.) plane that crashed five miles from Chongqing in China's Sichuan Province last week killing all 108 people aboard is insured domestically by the People's Insurance Co. of China.

All insurance coverage for state airline C.A.A.C. aircrafts used for domestic flights is fully retained by the PICC, although the 113 planes in the airline's international fleet are reinsured by London and other world markets, a PICC spokesman said.

Planes on domestic routes such as the Russian-built Ilyushin IL 18 turboprop that crashed on a flight from Beijing to Chongqing have coverage with "much lower liability limits" than planes used on international flights, said the spokesman based in London. He would not specify the limits.

C.A.A.C. planes used on international routes have maximum liability insurance limits of \$400 million and maximum hull insurance limits of \$120 million, sources say.

### Briefly noted

An Indian court in Bhopal will hear on Feb. 1 **Union Carbide Corp.**'s appeal of a lower court order to pay \$270 million in interim relief to victims of the December 1984 Bhopal poison gas leak. . . Employers are responsible for making minimum funding contributions to pension plans during **bankruptcy proceedings**, says a U.S. District Court in Massachusetts in a case involving Columbia Packing Co. of Boston. . . **Farmers Group Inc.** has rejected a \$4.2 billion takeover bid by B.A.T. Industries P.L.C. of London (BI, Jan. 18). . . A New York State Supreme Court justice had dismissed a suit that sought to kill a median 60% increase in **group health insurance premiums for state employees**. A group of school districts plans to appeal (BI, Dec. 21, 1987).

## New pension rules

Continued from page 2

The new rule will be especially burdensome to a young, growing company that has few current liabilities but will face growing liabilities as its plan participants age and earn benefits.

"Under the new law, such a company will be limited to smaller pension contributions now, but these will increase in later years as the workforce matures. It will be more difficult to build up a significant cushion in the plan that could protect employees against future financial difficulties," said the Mercer analysis.

"For a young to a medium-aged workforce, (a funding limit) of 150% of current liability is nowhere near enough to provide for benefits based on projected salary increases," said Wyatt's Mr. Raskin.

Consultants say the reason for the new funding rule was simple: Congress wanted more revenue to reduce the federal budget deficit.

"Clearly, this was budget deficit-driven," Mr. Raskin asserted.

Reducing tax-deductible pension contributions will increase corporate income and thus taxes.

And some worry that the new 150% full funding limit could be the beginning of further cutbacks in tax-deductible pension contributions.

"What if the 150% becomes 140% or 130% when Congress looks for ways of coming up with revenue to reduce the deficit?" asked Mark Ugoretz, executive director of the ERISA Industry Committee, a Washington-based benefits lobbying organization representing large employers.

However, the new law does give the Treas-

ury Department authority to modify the funding rules by regulation if the department finds it necessary.

In addition, as experts dig into the act they are finding new problems for employers. Those include:

- Employers whose plans are fully funded may be subject to an additional funding charge and thus have to pay more than the \$16 base PBGC premium. That charge is \$6 per \$1,000 of underfunding.

"This could be a surprise for some employers," said Theresa Stuchiner, a partner at Kwasha Lipton in Fort Lee, N.J.

Employers had understood that under the new variable-rate PBGC premium structure they would pay a \$16 premium, the lowest charged if their plans were fully or overfunded, while underfunded plans would pay a premium of up to \$50.

But an employer with a fully funded pension plan could pay more than \$16 if it used a more liberal interest rate assumption in determining the value of unfunded vested benefits than the rate that the new law says employers now must use to calculate funding.

Under the law, the interest rate used to determine the value of unfunded vested benefits, and thus determine the 1988 PBGC premium, will be 80% of the annual yield on 30-year Treasury securities for the month preceding the plan year.

For December 1987, the rate was 8.89%. As a result, calendar year plans must value unfunded vested benefits at an interest rate of 7.11%, which is a lower rate than many plans use for funding purposes.

- Employers whose pension plans now lack an amendment allowing employers to

recover excess plan assets immediately rather than having to wait years before recovering a reversion in the event of a termination must add such a provision before Dec. 22, 1988.

If a company adds a reversion provision after Dec. 22, the amendment will not go into effect for five years.

Despite some of these onerous provisions, experts agree the new law patches holes in the badly frayed pension insurance safety net.

By substantially boosting the termination insurance premiums the PBGC charges employers with defined benefit pension plans to as much as \$50, the agency will receive hundreds of millions of dollars in additional revenue. That will generate enough money to pay benefits promised to participants of terminated, underfunded pension plans the agency has been forced to take over.

In addition, the new law will force companies to speed up contributions to underfunded plans and will close loopholes in federal law that have made it relatively easy for some employers to dump underfunded pension plans onto the PBGC.

Among other things, the new law requires faster amortization of old and new pension liabilities, makes it more difficult for an employer to receive a waiver from the Internal Revenue Service to delay minimum contributions to a pension plan, requires faster and more frequent minimum contributions to a plan and makes it tougher for a company to use a bankruptcy filing as a strategy to evade paying for pension benefits (BI, Dec. 28, 1987).

By improving plan funding and closing loopholes, the PBGC now will be less vulner-

able to multi-hundred million-dollar pension claims.

"The law goes a long way to ending past problems with the pension insurance system," said James Geld, a principal with Mercer-Meidinger Hansen in New York.

"A number of very fundamental reforms have been achieved. That is very good news for employers," said PBGC Executive Director Kathleen P. Utgoff.

The PBGC will begin mailing premium payment forms and instructions to employers this week.

Also, the PBGC last week said it had extended the deadline for paying the new variable rate premium.

Plans with more than 500 participants will pay \$16 of their premium by the last day of the second month of the prior plan year. The remaining portion of their premium, if any, will be due 8½ months after the close of the prior plan year.

Plans with fewer than 500 participants will be required to pay their full premium 8½ months after the close of the prior plan year.

"We want to do whatever we can where legally possible to reduce the administrative burden of the variable rate premium on small employers," said Ms. Utgoff.

In addition, the PBGC issued a notice last week requiring employers to fund non-vested benefits before they can terminate a defined benefit pension plan.

While plans had been required to fully vest all participants upon termination, previously if the plan lacked funds to pay those that had not yet vested before termination, employees not vested before termination received no money for their newly vested benefit. ■

# Schrempf calls Argonaut ouster a mystery

By KATHRYN J. MCINTYRE

LOS ANGELES—David W. Schrempf says he doesn't know why he was ousted earlier this month as president of Argonaut Group Inc. after leading a three-year turnaround in the property/casualty insurer's results.

The board did not tell Mr. Schrempf why it had replaced him with former Teledyne Inc. Vp and Treasurer Charles E. Rinsch, Mr. Schrempf said last week.

A spokeswoman for Argonaut said no one at Argonaut would comment on Mr. Rinsch's election as president.

Although Teledyne spun off Argonaut in October 1986, there is still some common control of the two companies. The four outside members of Argonaut's five-person board also are on Teledyne's board. And, the largest shareholder in both Argonaut and Teledyne is Henry E. Singleton, chairman of Teledyne, who holds 13.3% of Argonaut stock.

"If you are going to be fired, it might as well not be for your record," Mr. Schrempf said in a telephone interview last week. "I'm pretty proud" of the turnaround in Argonaut's results since April 1985, Mr. Schrempf said, referring to when he joined Teledyne's property/casualty operations.

**'If you are going to be fired, it might as well not be for your record,' David W. Schrempf says. 'I'm pretty proud' of the turnaround in Argonaut's results since April 1985.**

Argonaut reported about \$60 million in profits for 1987, or about \$5.50 a share, after an accounting change. Without the accounting change, earnings would have been about \$7.50 to \$7.75 a share, Mr. Schrempf said.

In 1984, the year before he joined, Argonaut lost about \$67.6 million or \$6 a share. In 1985, losses totaled \$58 million, or \$5.50 a share. In 1986, profits totaled \$18 million, or \$1.51 a share.

"The equity is about double," Mr. Schrempf added, estimating Argonaut's equity at \$300 million.

When asked if the board's decision could have been related

to the aborted management buyout of Argonaut, Mr. Schrempf said all actions related to the plan had received board approval. And, he added, the plan was scrapped because of the stock market crash and not anything related to Argonaut.

No major changes in the direction of Argonaut or its management are contemplated with the election of Mr. Rinsch, the Argonaut spokeswoman said.

Mr. Schrempf doesn't know how long he will continue as a "consultant" to Argonaut, which he dubbed a "pleasant euphemism." He continues as an Argonaut board member, but was relieved of his committee memberships last week.

Mr. Schrempf said he would like to find a "CEO position with a minimum of politics, where I can make a great contribution. I would just as soon stay in the insurance business, but I'm suited to run a conglomerate."

Before joining Argonaut, Mr. Schrempf was president of CIGNA Worldwide Inc., a position he had held since 1981.

Previously, Mr. Schrempf held executive positions with manufacturers, including Johnson & Johnson Products Inc., American Standard Inc. and Tappan Co.

"Maybe I'll raise some money and make a tender offer for Teledyne," Mr. Schrempf said with a chuckle.

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# FASB throws gasoline on fire started by tax act

By MYRON M. PICOULT  
Special to Business Insurance

ACCOUNTING AND nomenclature in the property/casualty insurance business are at best difficult—if not impossible—to comprehend. Add to this some new proposals from the Financial Accounting Standards Board on accounting for income taxes, and you have chaos.

Put another way, the Tax Reform Act of 1986 redefined taxable income for the industry. The FASB proposals exacerbate the punitive impact of the tax reforms as they do not allow insurance companies to cover up the cash-flow drain with generally accepted accounting principle gimmicks.

It is quite possible that investors—totally confounded by "old" and "new" accounting procedures and the tax law and believing that the underwriting cycle is about to "tank"—may declare "a plague on both your houses" and run from the stocks. This would probably provide an incredible opportunity for foreigners to gobble up well-run domestic property/casualty companies.

We have noted in previous columns that we consider the tax law to be a major exogenous change for the property/casualty insurance industry. It will have a material impact on earnings, cash flow and, hence, statutory surplus growth. The industry no longer will be able to operate as a classic tax shelter.

Revenues have been boosted by the inclusion of a portion of the year-end 1986 unearned premium reserve, 20% of the change in the current unearned premium reserve and by proration of both tax-exempt interest and dividend income. In addition, expenses have been reduced, basically through the discounting of loss reserves. The result is a higher level of taxable income. In fact, many insurers will find that an underwriting loss



Mr. Picoult

will be transformed into an underwriting profit for tax purposes.

Hence, the industry is faced with the worst of both worlds. Statutory surplus is eroded by the statutory underwriting loss and cash flow is squeezed by a real tax payment. While it may be hard to believe, some insurers may actually find that their tax payments will exceed their statutory income.

The FASB proposals do appear to discriminate against the property/casualty industry. The rule mandates a change in the accounting for income taxes from the current income statement-based deferred method to a balance sheet-based liability method. Insurers will have to adopt the new rules for their 1989 financials, although early adoption is permitted.

In layman's terms, the FASB rule says that although insurance companies must discount their loss reserves for tax purposes and pay taxes thereon, they may not be able to take full credit for that prepaid tax in their GAAP financials. In general, this will cause insurers to post higher GAAP tax rates and lower GAAP earnings.

While all of this may seem to be no more than a lot of mumbo jumbo, it is critical to recognize that the FASB proposals neither change the real intrinsic net worth of a company nor impair its cash flow. After all is said and done, the fact is that the GAAP financials, following the FASB changes, will bear no resemblance to the real world.

We have heard speculation that some insurers, eager to show good GAAP numbers, will opt to discount their loss reserves for GAAP purposes. While we empathize with the industry because of the disparity caused by the FASB changes, we have trouble accepting the proposal to discount loss reserves for GAAP financials. How do you discount that which is deficient? Experience clearly shows that the industry as a whole has historically been underreserved. Upon closer observation, perhaps statutory financials should become the norm for shareholder reporting, too.

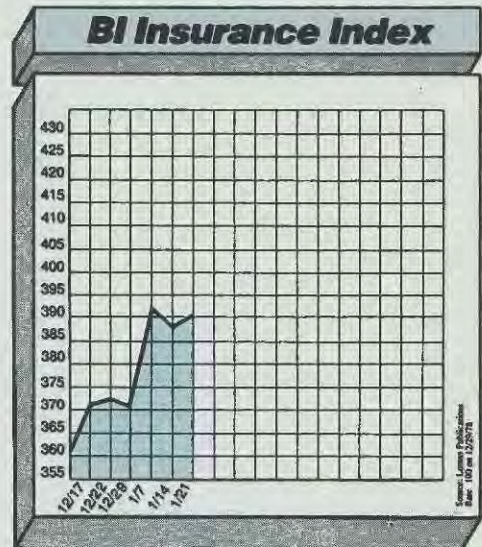
We have heard the arguments that the real problem with discounting for GAAP purposes is that insurers will begin to price their products based on GAAP numbers rather than statutory data. Any company that is foolish enough to engage in such an act deserves to become insolvent. In any event, one would have to question the level of pricing discipline that has existed in recent years on

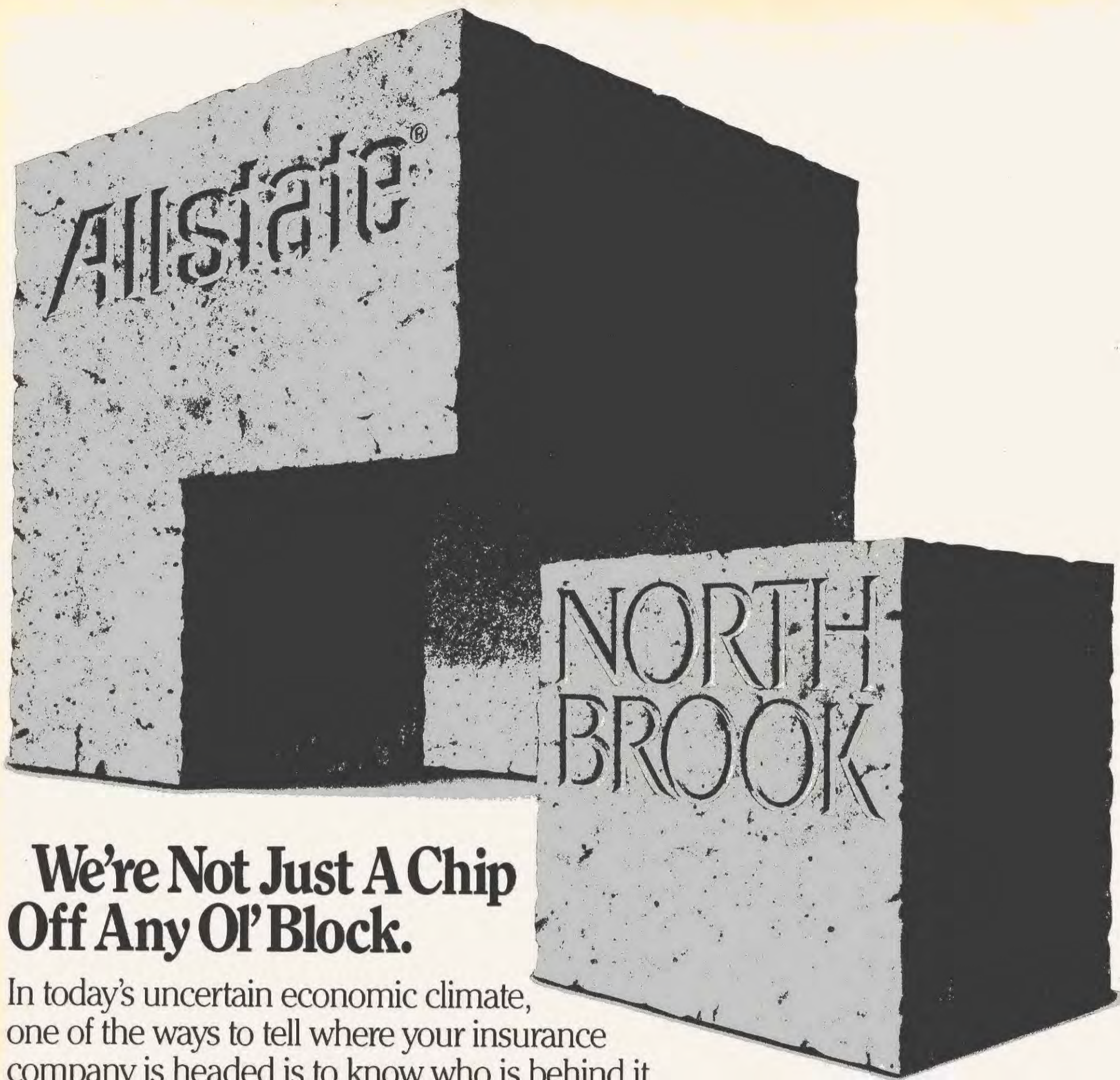
Myron M. Picoult is senior vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

a statutory basis.

Logic says that the impact of the tax law will foster a more disciplined pricing environment than most industry observers currently accept. It seems very clear that the law will result in capital shortages within the industry. Indeed, the regulatory community should scrutinize their charges more closely and make more noise about their feeling on discounting for GAAP purposes. Perhaps serious thought should be given to eliminating the insolvency funds as they relate to commercial insurance. Let the rule of caveat emptor prevail. Let those who encourage and use irrational pricing bear the appropriate consequences.

It is painfully obvious that the new tax law will be much more onerous and cause more dislocation than most industry players and observers wish to publicly acknowledge. Both the industry and the regulatory bodies have to corral the stragglers. The consequences are both a higher level of insolvencies than the guaranty funds may be able to handle and the onslaught of federal insurance industry regulation.





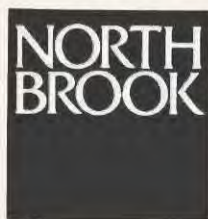
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