

JANUARY 27, 1986

business insurance

update

Fed gives banks go-ahead to form Bermuda mutual

WASHINGTON—A group of the nation's leading financial institutions last week received the go-ahead from the Federal Reserve Board to form a Bermuda-based mutual insurer to provide additional capacity for bank risks.

The Fed determined Jan. 22 that the banks do not have to seek its approval to establish the insurer, so long as at least 20 banks participate in the

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Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$60 a year

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RIMS drops its opposition to claims-made

By ROBERT A. FINLAYSON

NEW YORK—The Risk & Insurance Management Society is withdrawing its opposition to the Insurance Services Office's revised claims-made commercial general liability policy form.

But, RIMS' policy reversal statement released last week does not endorse the claims-made form. Instead, it calls for more revisions to the form and blasts a pending proposal to include some defense costs within CGL policy limits beginning July 1.

"In recognition of the reduced coverage afforded by claims-made, RIMS believes that ISO's attempts to obtain any percentage of defense costs within limits in the near future are totally unjustified and an affront to policyholders and the regulatory community," the RIMS statement said.

RIMS ended on Jan. 22 its eight-month effort to convince state insurance regulators to reject ISO's claims-made form, after reviewing the Jan. 14 revisions ISO made to the controversial form and the acceptance of them by several state regulators (BI, Jan. 20).

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Companies, directors grope for answer to D&O dilemma

By STEVE TARAVELLA

With outside directors fleeing their board positions because their companies cannot maintain directors and officers liability insurance, an association of corporate directors is trying to develop a special insurance program for its members.

In addition, the directors association also may seek federal legislation to cap an outside director's liability, or state legislation to force attorneys who bring frivolous lawsuits against outside directors to pay defense costs.

Companies losing their outside directors also are trying to find solutions to their problem.

At least one company has responded to director resignations by setting up an advisory committee composed of the very directors who resigned. The individuals receive no compensation and cast no votes, but are available to offer counsel to the company.

Other companies are using stock options to lure outside directors to uninsured board positions.

Eventually, companies may have to pay outside directors much higher fees to compensate them for the risk of serving without D&O insurance, one outside director suggests.

"Something has to be done or you're not going to have people serving as outside directors," says John Nash, president of the National Assn. of Corporate Directors in Washington. "If you go back to all-inside boards, who's going to serve the shareholders?"

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New excess liability facility issues binders

By DOUGLAS McLEOD

NEW YORK—Tortuga Casualty Co., a new excess liability insurance facility developed by The Reiss Organization, is now issuing policy binders after signing up 15 corporate investors.

Cayman-based Tortuga will provide excess liability limits of \$25 million excess of at least \$50 million for its investors, ceding a portion of each risk to investors' captives.

The binders commit Tortuga for coverage starting typically Jan. 1, but the newly formed insurer won't actually start issuing policies until its private placement is completed Feb. 13.

By that time, Tortuga expects to have 25 shareholders, each contributing \$150,000 in capital, according to William Torpey, vp with Reiss' American Risk Management Inc. in Fort Lee, N.J.

How two new excess insurance facilities compare

Tortuga Casualty Co.	15	\$25 million excess of \$50 million	Cayman	Transnational Ltd. (Reiss Organization)	CGL	Claims-made	\$150,000 per sponsor	5-year deposit premium; assessable	Members' captives; commercial reinsurance
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Tortuga—which will be managed by Transnational Ltd., a Cayman-based Reiss unit—may eventually have 30 to 40 shareholders or more, Mr. Torpey predicted. Tortuga's activation will closely follow that

of A.C.E. Insurance Co. Ltd., a Cayman-incorporated excess casualty facility developed by Marsh & McLennan Cos. Inc. intended to provide limits of \$100 million excess of \$100 million (BI, Dec. 23, 1985).

However, Tortuga's structure differs from A.C.E.'s in several respects. One of the most significant of these differences is that the capacity of A.C.E. depends on A.C.E.'s own capital and surplus, while the more thinly capitalized Tortuga was designed to take advantage of the unused capacity of existing captive insurance companies owned by Tortuga sponsors.

Risk managers whose companies have joined Tortuga are—not surprisingly—happy to have found the additional capacity.

"We are quite pleased to have it because of the shortage in the conventional marketplace," said Richard Heydinger, risk management director for Hallmark Cards Inc., a sponsor of both Tortuga and A.C.E.

Mr. Heydinger, working on a Jan. 1 renewal, says he hopes to find \$75 million in excess coverage in the commercial market-

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Inside: PBGC chief advocates new options . . . Page 2

update

Banks can form insurer

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plan and none of them own 5% or more of the company.

This opens the doors for the banks to move ahead with plans to form a mutual insurer, called Bankers' Insurance Co. Ltd. (BI, July 22, 1985; Dec. 2, 1985).

Although the Fed often exempts banks from seeking prior approval for various ventures, this is believed to be the first time it has waived prior approval before forming an insurer.

BICL may be able to issue its first policies in late February, said Edith S. Lichota, chairwoman of the banks' study committee and senior vp-risk management at Irving Trust Co. in New York. The banks are now completing reinsurance arrangements, putting finishing touches on BICL's charter and bylaws and determining exactly which banks will participate, she said.

Between 35 and 40 banks are expected to join, generating about \$100 million in capital and providing capacity of up to \$25 million for primary and/or excess directors and officers liability and bankers blanket bond coverages.

Creditors sue Mission

LOS ANGELES—A group of Mission Insurance Group Inc. creditors, which recently sued to force MIG into bankruptcy, now seek to bar it from making payments to other parties, citing MIG's \$3.9 million default on interest payments owed to them.

The creditors—three pension funds and one investment firm—sued Jan. 17 in U.S. Bankruptcy Court in Los Angeles to stop MIG from transferring funds to its equity holders, affiliates or other creditors. The court is scheduled Wednesday to consider issuing a preliminary injunction against MIG.

The creditors contend MIG is engaging in "inequitable distribution" of its assets by transferring money to the other parties.

MIG has defaulted on two interest payments to the creditors, their complaint says: a \$950,000 payment on Dec. 1 and a \$3 million payment on Jan. 15. The former relates to 9% sinking fund debentures due 2002 and the latter relates to 11¼% notes due 1993, the suit says.

Collectively, the plaintiffs hold about 36% of MIG's \$71 million senior public debt, estimates the plaintiffs' New York attorney, James P. Heffernan at Anderson, Russell, Kill & Olick.

MIG has until Tuesday to answer the bankruptcy petition the creditors filed Jan. 7 (BI, Jan. 13).

Insurer asks for supervision

OMAHA, Neb.—Protective National Insurance Co. of Omaha has voluntarily placed itself under the supervision of the Nebraska Insurance Department because of its inability to recover from some of its reinsurers.

Nebraska Insurance Director Michael J. Dugan scheduled a March 14 hearing to determine whether Protective, which had been rated Contingent A-plus by A.M. Best Co., will be able to resume independent operations. Until then, the insurer can write no new business without Mr. Dugan's written approval.

Protective, which wrote \$6.4 million in net premiums in the first nine months of 1985, is a member of St. Regis Group, which has been controlled by Champion International Corp. in New York since 1984.

Mr. Dugan said Protective's financial problems stem from an inability to recover from about 100 reinsurers—including 15 insolvent companies—for losses on a book of business written through a managing general agency agreement with Global Surplus Insurance Services Inc., a discontinued Los Angeles unit of Frank B. Hall & Co.

In 1984, Global began running off its property/casualty business and severed the agreement with Protective (BI, Nov. 5, 1984). Claims from the business are now being administered by another Hall subsidiary, Sherwood Insurance Services in San Francisco.

The Global business, primarily commercial liability coverages, had generated about 30% of Protective's pre-1984 premiums, said Mr. Dugan. Global reinsured all but 5% of the business, he said.

According to Mr. Dugan, Protective charges that Global did not honor its responsibilities as an MGA, which included notifying reinsurers of claims. In turn, he said, some of the reinsurers say they have not paid claims because they were not informed.

Mr. Dugan said he did not have figures on how much reinsurance Protective seeks to recover, but he pointed out that the insolvent reinsurers are not responsible for a large portion.

Thomas O'Brien, Hall's vp, secretary and general counsel, would not comment on Protective's allegation. However, Hall notes in its 1984 annual report it borrowed about \$11.5 million from Protective to pay claims, which Hall said it expects to repay with funds recovered from reinsurers. Hall added it guaranteed the repayment.

Mr. Dugan said he did not know the insurer's current policyholder surplus, but he said it was low enough "to bring it to the point where they are now under supervision." Protective's surplus was \$19.5 million as of Sept. 30, the department says.

In a related development, Best has lowered Protective's rating to Omitted because of the supervisory order. Best also has changed the

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Vol. 20, No. 4—Business Insurance (ISSN 0007-6864) is published weekly at 740 Rush St., Chicago,

Ill. 60611. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich., 48207; 313-446-1611. Copyright 1986 by Crain Communications Inc.

Most owners of horses killed in fire do not have full cover

By MICHAEL BRADFORD

ELMONT, N.Y.—Owners of most of the horses that perished in a fire at Belmont Park race track had no individual mortality coverage for the animals, and a "disaster policy" covering all the horses will likely replace only a portion of their value.

Only six or seven of the 45 thoroughbreds that died in the Jan. 19 fire were insured under individual animal mortality policies purchased by their owners, said Joan Barkley, assistant vp of Wright Adjusting & Appraisal Inc. in Monticello, N.Y.

Wright is investigating the accident on behalf of Rhulen Agency Inc., a Monticello-based brokerage that placed animal mortality coverage for at least one of the horse owners.

Ms. Barkley said that horse was insured for \$16,000 by an unidentified insurer. She noted that Rhulen may have also placed coverage for one other horse that died in the blaze.

Trainer John P. Campo, who owned six of the horses that died in the fire, said he had not purchased individual mortality insurance for his horses. Mr. Campo, who trained 30 other horses that perished when fire swept through a wooden barn, could not estimate the value of the horses he owned.

All of the horses not covered by individual policies were covered under a specified perils policy with per-occurrence limits of \$500,000 written for members of

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Photo: AP/Wide World

A Sunday morning fire at Belmont Park Race Track in Elmont, N.Y., killed 45 thoroughbreds.

Commitment to U.S. strong: Lloyd's officer

By STACY SHAPIRO

NEW YORK—Allegations by consumer advocate Ralph Nader that Lloyd's of London is "holding U.S. insurance companies to ransom by boycotting their business" are totally untrue, says Murray Lawrence, Lloyd's senior deputy chairman.

"Such a suggestion would be laughable, if it were not so sad in showing that any person making it could be so blissfully ignorant of the truth," Mr. Lawrence says.

Mr. Lawrence made his remarks at a recent Insurance Services Office conference in New York in response to charges by Mr. Nader that Lloyd's is price-gouging U.S. commercial insurance buyers and attempting to undermine the rights of U.S. accident victims (BI, Jan. 20).

"Lloyd's is deeply committed by decades of business and personal ties to the United States," Mr. Lawrence said. "This background is hardly one that would lead Lloyd's underwriters to attempt to boycott their old clients at this criti-

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Reagan eyes breakup of PBGC's monopoly

By JERRY GEISEL

WASHINGTON—The Reagan administration may eventually allow commercial insurers to compete with the Pension Benefit Guaranty Corp. to guarantee an employer's pension obligations, administration officials say.

But, before the PBGC gives up its exclusive right to provide the mandatory insurance, the administration wants legislation to shore up the financial base of the PBGC. The PBGC now suffers from a \$1.3 billion deficit to cover future payments to participants in 1,100 failed defined benefit pension plans.

Legislation to raise the PBGC insurance premium to \$8.50 from the current \$2.60 is contained in a budget bill, H.R. 3128, now stalled in Congress (BI, Jan. 6).

The legislation also would make it more difficult and expensive for employers to terminate underfunded pension plans.

The PBGC uses its premium income to guarantee workers and retirees' basic pension benefits when companies terminate pension plans and don't have enough assets to honor their pension obligations.

However, over the long term, alternatives to the PBGC mandatory insurance program should be considered, said Kathleen Utgoff, the PBGC's executive director.

"There shouldn't be a monopoly provider of pension insurance," Ms. Utgoff said. "That isn't a very efficient system."

As an alternative, employers might purchase insurance from private insurers—instead of the PBGC—to guarantee that workers and retirees receive their vested benefits if a company later goes out of

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Ms. Utgoff

Trade groups build tort reform alliance

By JERRY GEISEL

WASHINGTON—An association of 24 trade groups is launching a battle to overhaul the civil justice system.

The newly formed American Tort Reform Assn. in Washington says it is dedicated solely to developing and promoting civil justice reform proposals at both the state and federal levels.

"Our goal is to make the civil justice more fair and balanced," says James Coyne, a former White House official and Pennsylvania Republican congressman who is ATRA's executive director.

ATRA's immediate task will be developing model bills for state adoption dealing with such issues as punitive damages, pain and suffering awards, contingency fees and joint and several liability, said Mr. Coyne, who also is the executive vp and chief executive officer of the American Consulting Engineers Council, a Washington-based trade group.

Although ATRA will retain counsel to draft specific proposals on all these issues, Mr. Coyne said punitive damages is an area of critical concern, because the awarding of punitive damages is out of control.

"Awards are made with no relationship to the damages involved," he said.

One possible check on punitive damage awards might be basing the punitive awards on the economic losses a plaintiff suffers, he suggested.

Mr. Coyne acknowledged that to persuade state legislatures to enact reform measures, it is essential to convince the public that the civil justice system is out of control.

"The public has to understand that we sue too much. There is 100 times as much litigation here as in Japan. Our job is to change public attitudes and develop enough muscle to counteract ATLA," he said, referring to the Assn. of Trial Lawyers of America.

ATRA hopes to attract additional members, at a \$50 membership fee.

In its drive to enact tort reform legislation, ATRA will:

- Provide technical support and seminars for state legislators, staffs and officials at state capitals around the country.

- Offer educational seminars for member organizations, individuals and companies to develop a grassroots understanding of, and support for, tort reform.

- Establish networks with affiliated state and local coalitions to keep business groups informed of tort reform legislation proposed and enacted around the

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Self-insurance

Self-funding takes command of group health market

By JERRY GEISEL

More employers than ever—both large and small—are self-insuring their group health care programs.

"In today's world, self-funding has attained a commanding, integral place in the funding of health care plans," remarks James H. Brennan, a vp with consultant Towers, Perrin, Forster & Crosby in New York.

"Fully insured plans will continue to decline," predicts David Lemire, a regional vp with Connecticut General Life Insurance Co., a CIGNA Corp. unit in Bloomfield, Conn.

In 1984, 56.2% of Connecticut General's group medical and dental revenues involved minimum premium plans and administrative services only plans.

Nine years earlier, in 1975, Connecticut General generated just 1.5% of its group medical and dental care revenues from these types of self-insurance plans.

A minimum premium plan is a funding arrangement that combines elements of self-funding and traditional insurance. Under administrative services only agreements, an employer pays all health care claims under the plan and buys claims ad-

ministration services from an insurer.

The proportion of large employers that self-fund their health care plans is expected to increase at least by 5 percentage points to 67% this year, according to health care experts (see chart).

Continued on next page

How large employers fund health plans
(Based on number of employers)



¹ Estimate Source: Towers, Perrin, Forster & Crosby

Property/casualty problems push firms to self-funding

By DAVE LENCKUS

Stung by a lack of available and affordable property/casualty insurance, more risk managers will turn to self-insurance programs this year and current self-insurers will retain more risk.

"There's no question" that the self-insurance market will grow in 1986 for two reasons, said Gary Ransom, a consulting actuary in the insurance consulting division of Conning & Co. of Stamford, Conn.

"No. 1, people are being forced to do it because they can't find coverage. No. 2, they want to do it because the coverage they can get is too expensive," Mr. Ransom said.

"I've seen companies... who can purchase coverage decide—right or wrong—that it's not what the price should be" and subsequently self-insure their property/casualty exposures, said Joseph E. Smetana, president of AIG Risk Management Inc. of New York, a unit of American International Group Inc.

This year's projected self-insurance growth comes on the heels of a significant increase in the retention of property/casualty risks last year, observers say.

The growth of the self-insurance market in 1985 "far exceeded" the expectations of Adjustco Inc., said Thomas V. Hallett, chairman, president and chief executive officer of Frank B. Hall & Co. Inc.'s claims management subsidiary, based in Tarrytown, N.Y.

"Any major corporation probably has some form of self-insurance," he Continued on page 14

How firms fund property/casualty risks
(Based on billions of dollars)



Source: Tillinghast, Nelson & Warren 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	1985 gross revenues ¹ (in millions of dollars)	
			Health	Non-health benefits	Workers comp.	General liability	All other		Total	From claims administration
U.S. Administrators Inc. (Privately held)	\$781	61	98.5%	1.5%	0	0	0	1,060	NA	NA
James Benefits/Fred S. James & Co. Inc. (Sedgwick Group P.L.C.)	\$780	2,900	82%	8%	9%	1%	0	1,023	NA	NA
Crawford & Co. (Publicly held)	\$618	535	0	0	60%	NA ¹	40%	NA	\$213.8	\$184
GAB Business Services Inc. (SGS North America Inc.)	\$524	1,127	4%	0	51%	38%	7%	NA	\$200+	NA
Alexsis Inc. (Alexander & Alexander Services Inc.)	\$472	1,500	1%	0	75%	10%	14%	670	\$38.6	\$36
ESIS Inc. (CIGNA Corp.)	\$460	1,000	0	0	40%	30%	30%	NA	NA	NA
Scott Wetzel Services Inc. (The Home Group Inc.)	\$373.3	417	0	0	70%	18%	12%	439	NA	NA
Gallagher Bassett Services Inc. (Arthur J. Gallagher & Co.)	\$370	551	34%	1%	37%	16%	12%	582	\$25.6	\$22.3
Employee Benefit Claims Inc./ Employee Benefit Administration Co. (Privately held)	\$350	2,300+	91%	0	9%	0	0	430	\$28	\$26
Adjustco Inc. (Frank B. Hall & Co. Inc.)	\$302.4	12,663	25%	8.5%	49%	12%	5.5%	880	\$52.1	\$45.3
American Benefit Plan Administrators Inc. (TPA of America Inc.)	\$300	200	70%	30%	0	0	0	400	\$20	\$7
Penn General Service Corp. (Republic Hogg Robinson Inc.)	\$200	1,275	50%	5%	45%	0	0	175	NA	NA

¹ Included in all other category NA—Not available

Charts, page design: Amy Palmer

Business is booming for third-party claims administrators specializing in liability and workers compensation claims handling for self-insurers, as more corporations and public entities turn to self-insurance.

Meanwhile, acquisitions and spinoffs are heating up competition among claims administrators that specialize in servicing self-insured employee benefit plans.

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

For a report on the largest benefit claims specialists, see page 36, and for a report on the largest liability claims specialists, see page 30.

A directory of administrators serving self-insurers begins on page 39.

Tax law curbs self-funding of LTD benefits

The 1984 tax law is discouraging some employers from funding their long-term disability benefits through a Voluntary Employee Beneficiary Assn.

Other employers have scrapped plans to fund post-retirement health benefits through a VEBA because of the tax law, though the law has not deterred employers from self-funding group health benefits for active employees through a VEBA.

VEBAs, also known as 501(c)9 trusts, are trusts through which employers can self-fund employee benefits, take a current year tax deduction for contributions and earn tax-free interest on reserves.

However, under DEFRA, employers that fund LTD benefits for non-union employees through VEBAs cannot offset LTD benefits with Social Security disability benefits if the employer also fully offsets pension benefits

with Social Security benefits.

Employers routinely offset or reduce LTD benefits by a disabled employee's Social Security disability benefits, so the combined amount of LTD and Social Security disability benefits do not exceed pre-disability salary.

Most employers offset employees' pension benefits with Social Security benefits, so that corporate pension and Social Security benefits together replace a pre-determined percentage of pre-retirement income.

Rather than tinker with pension and LTD integration formulas, some self-insurers have switched to fully insured LTD plans, which aren't affected by DEFRA, consultants say.

In addition, under DEFRA, investment income earned by VEBA reserves to fund post-retirement health benefits is subject to the unrelated business income tax. That tax can be as high as 46%.

Wiping out this key tax advantage has eliminated employers' interest in pre-funding post-retirement health care liabilities through VEBAs, experts say.

While few employers had been pre-funding post-retirement health benefits through VEBAs before 1984, many companies had been considering the option, he said.

However, sources say middle-level Treasury Department officials have had second thoughts about the restrictions on the post-retirement funding provision.

These officials have discussed the possibility of permitting some pre-funding of post-retirement health benefits through VEBAs, if employers agree to accept vesting standards for these benefits, the sources say.

The restrictions contained in DEFRA governing funding for health plans for active employees have not hurt the popularity of

VEBAs for health plans.

DEFRA limits the amount of reserves that can be held by a VEBA to pay employee health expenses to 35% of the benefits paid out the previous year, plus administrative costs. This limit can be exceeded if an employer obtains actuarial certification that more funds are needed.

These restrictions were triggered by congressional concern that employers were salt- ing away huge sums in tax-sheltered trusts.

Limiting the amount of health care reserves to 35% of the prior year's payout is a test most trusts can pass, said Robert Swanke, president of Swanke Inc., a third-party administrator in Bloomington, Minn.

Mr. Swanke said he has helped establish 20 VEBAs in 1985, more than in any previous year. He said his company may establish as many as 50 VEBAs for clients this year.

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Benefit self-funding

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And, some employers self-funding health plans are now bringing claims administration in house, while others are beginning to negotiate charges directly with health care providers.

Among large employers, self-funding is now increasingly the norm.

"In the 2,000 lives and up category, virtually everyone is using some form of self-funding," explained Alan Breitman, a principal in the Boston office of benefit consultant William M. Mercer-Meindinger Inc.

TPF&C found in an analysis of primarily large companies that 62% of employers self-funded their comprehensive health care plans in 1985, up from 54% in 1984 and 43% in 1982.

And, The Wyatt Co. reports that 75% of employers with between 7,501 and 10,000 employees self-funded their health care plans in 1984, up from 25% in 1980 and 43% in 1982.

"It is a rarity to bump into a company with more than 1,000 employees that isn't using some form of self-funding," said Robert J. O'Meara, a partner with benefit consultant Hewitt Associates in Lincolnshire, Ill.

But, large companies aren't the only organizations that are flocking to self-fund their health care benefits. Consultants and third-party claims administrators report that the real action in the self-funding arena in recent years has been among small employers—those with fewer than 500 employees.

"We're seeing a big self-funding push in the 50-to-150 group," said W.B. Davenport, president of Independent Benefit Plans Inc., a TPA in Beech Grove, Ind.

"Much of my new business has come from companies with fewer than 100 employees," adds Robert Swanke, president of Swanke Inc., a TPA in Bloomington, Minn.

According to Wyatt, 55% of employers with fewer than 500 employees were self-funding their medical care plans in 1984, up from 43% in 1982 and 18% in 1980.

One major reason that smaller employers are joining the ranks of the self-funded is that insurers are more willing to provide them with stop-loss coverages that protect a company from exposure to big, individual claims or total claims above a certain level (see story, page 12).

Stop-loss insurers now are willing to write coverages for employers with as few as 50 lives, said Mercer-Meindinger's Mr. Breitman. Five years ago, stop-loss coverages were tough to find for employers with fewer than 300 employees, consultants and TPAs say.

Employers of all sizes are self-

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Benefit self-funding

Continued from page 4
 funding their health care plans for the same reason: They believe they can save money.

For example, self-insured employers don't have to pay state premium taxes, which average 2% to 3%.

James Clousing, director of employee benefits at Sara Lee Corp., estimates that the Chicago-based company has saved more than \$10 million in state premium taxes since it began to self-fund its group health care program in the early 1970s.

Self-funding also improves a company's cash flow, because it is not paying premiums to an insurer up front. And, the company can earn interest on reserves set aside to pay claims.

A 1985 Supreme Court decision also gives employers another incentive to self-fund: freedom from state laws mandating minimum benefit requirements.

In a decision involving a Massachusetts law that required group health insurers to provide a minimum level of mental health coverage, the Supreme Court said states had the right to impose benefit requirements on group insurance policies. But, the court made it clear that the Employee Retirement Income Security Act pre-empts states from imposing benefit requirements on self-funded or uninsured employee benefit plans (*BI*, June 10, 1985).

Insurers' administrative costs to comply with varying state laws—a cost that is passed on to employers—can equal 10% of premium, insurers have said.

Group health insurers say it is too soon to measure how many more employers will turn away from insured plans in favor of self-funding in the wake of the Supreme Court decision.

"There hasn't been an avalanche of (self-funding) business because of the decision. It has been a factor, but I don't know if I could quantify it," said Edward Shults, assistant vp at New York-based Metropolitan Life Insurance Co. Metropolitan, along with The Travelers Insurance Co., unsuccessfully challenged the Massachusetts law.

One major New Jersey-based chemical company, which asked not to be identified, said it switched to self-funding from an insured health care plan because it said an employer—not state governments—should be responsible for designing benefit plans.

Several states wanted the company to offer the same level of substance abuse and outpatient psychiatric benefits as the other benefits offered in its health care package.

Boosting substance abuse and psychiatric benefits to the levels mandated by the states would have raised the chemical company's costs and might have forced a cut in other benefits.

"There would have been a price to pay—something would had to have been cut," the company's benefit manager said.

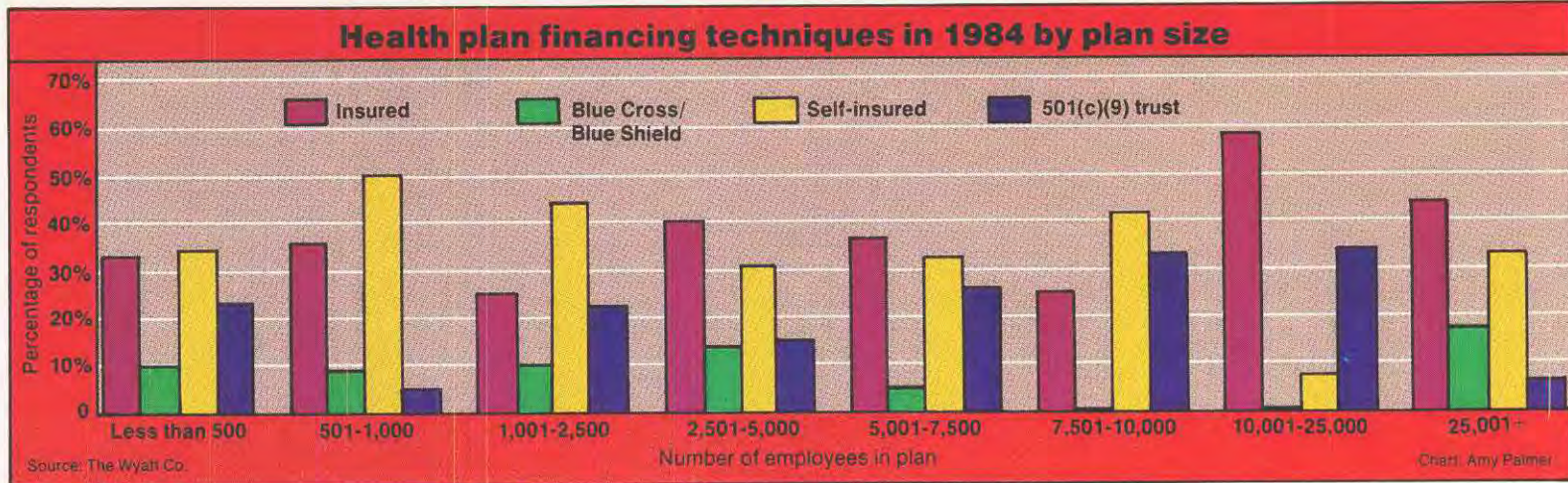
Insurers and employers this year expect to lobby Congress to overturn the Supreme Court decision so that the ERISA pre-emption would extend to all group health care plans, not just self-funded plans, said Linda Lanam, executive Washington representative for the Blue Cross & Blue Shield Assn.

But most observers doubt that a Congress preoccupied with deficit reduction and tax overhaul issues will give much attention to ERISA pre-emption.

Employers are being further enticed to self-fund their health care benefits because the cost of specific stop-loss insurance, which covers claims that exceed a certain limit, is falling.

"For the first time in the 33 years

Continued on next page



How Digital developed nobody can handle

If there's one thing that can make a computer company hot under the collar, it's watching millions of dollars worth of high technology products go up in smoke.

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It seems that Digital, in an effort to protect their computers and peripheral equipment, packs them in foam plastic cushioning. A very good idea as far as shipping is concerned. A very flammable one as far as storage and fire hazards are concerned.

So we're working with Digital's own risk management and distribution teams to put our knowledge of fire hazards to good use. We're testing fire-resistant packaging they developed, which will be called, logically enough, the-box-that-doesn't-burn. Using the latest sprinkler technology and our years of fire research, the tests are rather extensive.

But in the end, we expect Digital's solution to be quite a breakthrough. For one thing, the new boxes will have low combustibility and will be a lot less expensive to manufacture. And because the packaging materials are expected to be FDA approved, there may be other applications outside the high tech industry.

Now, if you think the only thing Digital will end up with is a very effective way to protect their products from the ravages of a catastrophic fire, think again.

Continued from previous page
that I have been in the business, I've seen lower rates for stop-loss," said Mr. Swanke.

Bill Alcott, president of Northern Group Services, a TPA in St. Clair Shores, Mich., notes that competition in the stop-loss market is increasing. He says he can now choose from 30 insurers writing stop-loss coverages.

While the incentives to self-fund health benefit plans mount, there are a few reasons for employers not to self-insure.

One may be that rate increases for fully insured health plans are moderating. Stop-loss insurers say this is convincing some employers not to start self-insuring.

But, the new rate moderation for fully insured plans is not attracting employers back to insured plans, consultants say.

"There has been no return to the conventional market," Mercer-Meidinger's Mr. Breitman said.

"Once an employer assumes risk, it rarely goes back to traditional insurance," said Hewitt's Mr. O'Meara.

"I've never spoken to an employer that said it was dissatisfied with self-funding and said it was going back," added TPF&C's Mr. Brennan.

Connecticut General's Mr. Lemaire notes that insurers are also aggressively pricing self-insurance-type products, like minimum pre-

'There has been no return to the conventional market,' says Mr. Breitman.

mium plans.

"It used to be that you might get one price quote below expectations" for minimum premium plans, said Mr. Breitman. "Now, we see four or five quotes below expectations. That was a regular occurrence in 1985."

Under a minimum premium

plan, an insurer calculates a premium for an employer, and the employer pays a percentage of that premium to cover the insurer's expenses and profit. Then, as claims are submitted to the insurer, the employer deposits the needed funds in an account for the insurer to draw upon.

If total claims are less than the premium calculated by the insurer, the employer keeps the difference. If claims exceed the premium, the employer's costs are capped at the original premium.

While a majority of employers now self-insure their health care benefits, the number of companies that also self-administer their employees' claims is small, though ob-

servers note it is growing.

For example, Borden Inc. boasts a 37-person in-house claims administration staff that last year processed about 200,000 health claims.

"I'll put our claims administration staff up against any TPA in the country," said Michael Miller, director of employee benefits for Columbus, Ohio-based Borden. He says new claims administration staffers are expected to achieve 98% accuracy within six months.

But other self-funding employers aren't quite ready to make the leap to self-administration.

For example, Sara Lee's Mr. Clousing said the company has considered self-administration, but so far has ruled out such a move.

"We are a diverse manufacturer of bakery and other products, not a claims administrator," he said. Sara Lee's health care claims are administered by Aetna Life & Casualty Co. of Hartford, Conn., and Provident Life & Casualty Insurance Co. of Chattanooga, Tenn.

An employer has to be big—usually with a minimum of about 5,000 employees—to consider self-administration, said Mr. O'Meara of Hewitt Associates.

"You have to be pretty big and you need a great deal of sophistication to compete with TPAs and claims administrators who can draw upon national experience in evaluating claims," Mr. O'Meara said.

But, some self-funded employers not only have made the plunge into self-administration, but have gone one step further and are selling claims administration services to other companies.

For example, AmeriTrust Co. purchased Employee Benefit Services in September 1984 from LTV Corp. The Cleveland-based bank holding company bought the TPA not only to administer its AmeriTrust employee health care claims but also to sell claims administration services to others.

"Banking is a business where accuracy on paper transactions is paramount," said Peter R. Osenar, executive vp at AmeriTrust. "Claims administration seemed a natural fit to our business," he added.

AmeriTrust's TPA unit, now called AmeriTrust Benefits Management in Cleveland, is aimed at employers and providers that want premier claims administration services, such as immediate utilization reviews, Mr. Osenar said.

While some self-insurers administer their own claims, other self-insured companies are beginning to negotiate discounts with health care providers to form their own preferred provider organizations, much like commercial health insurers.

For example, Hughes Aircraft Co. of El Segundo, Calif., has negotiated contracts with more than 40 hospitals in California to provide certain procedures at fixed prices.

The hospitals have agreed to charge between 10% and 20% below customary rates for procedures ranging from obstetrical deliveries to open-heart surgery, said Dick Smith, Hughes' manager of employee benefits.

These price reductions may enable Hughes to actually cut its \$100 million health care bill this year, Mr. Smith adds. In recent years, Hughes' medical care costs have been increasing about 15% annually.

While direct price negotiations between large, self-funded employers and providers has only just begun, it is a trend that will expand.

"That is the way the story will unfold. More self-funded employers will be negotiating with providers," said Elliot Segal, a principal in the Washington office of Mercer-Meidinger, who assisted Hughes with its provider-negotiated rate project. ■

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opinions

Time is ripe to push tax changes

WITH CORPORATIONS forced to self-insure liability risks by a lack of available commercial insurance capacity, it is a most opportune time for businesses to lobby again for tax deductions for self-funded loss reserves and premium payments to captive insurance companies (see story, page 3 and letter below).

We recognize that Congress and the administration are in no mood to extend any more tax breaks to any one as they struggle with implementing the budget-cutting provisions of the Gramm-Rudman-Hollings Amendment.

Nonetheless, with a tax reform proposal now before the Senate, corporations should push for reform of the archaic tax law that permits tax deductions for commercial insurance premiums but not for self-funded loss reserves.

At the same time, corporations should push for a tax code amendment that permits tax deductions for premiums paid to wholly owned insurance companies—a deduction that the Internal Revenue Service has successfully convinced many courts should not be granted under the current tax code.

Previous efforts to amend the tax code to put self-insurance and captive insurers on an equal economic footing with commercial insurers for tax purposes have failed, partly because not enough corporations lobbied hard enough and partly because the lobbying that occurred fell mostly on deaf ears.

But, those efforts were waged when insurance was in large supply and cheap. Now, more businesses are self-funding out of necessity and as a result more businesses—and their top managements—are concerned with the cost of self-insuring. And, businesses now can show Congress that they are self-insuring more often than not because they have no choice, not just because it is more economical.

Commercial insurers also should be pressed for their support for these tax law changes. Since they are un-

willing or unable to meet current demand for their product, they have no good reason to fight corporations on this issue. Further, given the current public attack on insurers for price gouging and refusing to provide needed services, insurers should jump at the opportunity to exhibit concern for corporate risk financing needs.

All in all, these new developments could attract and maintain more supporters in Congress for these needed tax law changes.

Corporations already have a fair alternative to commercial insurance for funding employee benefit plans: Voluntary Employee Beneficiary Assns. or 501(c)(9) trusts. Employer contributions to these trusts to fund health care plans and long-term disability benefits are tax deductible to the trust sponsor and earn investment income in the trust tax-free.

However, corporations lost an important advantage of these trusts under the Deficit Reduction Act of 1984 when the tax code was amended to tax investment income on reserves in these trusts held to pay post-retirement health care benefits. Now, this investment income is taxable to the trust as unrelated business income.

We encourage employee benefit specialists to capitalize on the current sympathy among some Treasury Department professionals that this recent tax code change should be reversed, making it more economical for corporations to self-fund post-retirement benefits through these trusts (see story, page 4).

If the reserves could earn interest tax-free, more employers would be inclined to use the trusts to fund post-retirement health care benefits.

These trusts have proved effective for funding employee benefits for active workers. With the courts telling employers that they can't reduce promised post-retirement health care benefits, the federal government should encourage proper funding for these liabilities.

letters

Claims-made 'fiasco' poses question: Who's on first?

To the editor: Don't you think Bud Abbott and Lou Costello could do a great routine with our current claims-made fiasco?

In the absence of these two greats, this might come close.

Costello: Bud, I have a claim I wanna make against my policy.

Abbott: Oh! Oh! Lou, I think you got one of those claims-made policies, don't cha?

Costello: Hey, whadda I know? I gotta policy—I gotta policy. I gotta claim—I gotta claim! What's this claims-made? I ain't made a claim yet but I'm trying, so start writing!

Abbott: Waid a minute! Let's look at the file. What date did the loss happen?

Costello: This guy wrote that his wife choked to death when she heard one of my jokes in Vegas on July 4, 1985. And...

Abbott: Waid a minute! Your policy was from Jan. 1, 1985, to Jan. 1, 1986. Today is April 1, 1986! The guy shoulda made the claim before Jan. 1, 1986. Your policy is a claims-made policy.

Costello: Claims-made, claims-made! He made a claim. That ain't a claim you're telling me?

Abbott: He's gotta make the claim during the policy period. If the guy makes a claim after the expiration you ain't got coverage unless you buy an extended re-

porting period endorsement. Here's a letter I sent you asking you if you wanted it. Your answer here says you don't need it cuz you never had a claim against you. I'm sorry Lou, but you ain't got coverage.

Costello: Waid a minute! You gotta be kidding. I had the insurance when the old lady croaked and now you say I didn't have it?

Abbott: No, you had it but you ain't got

What's in a name? A reputation of honesty

To the editor: Your article, "Mafia Members Tried to Bilk Hall Affiliate, Indictment Says," (BI, Dec. 30, 1985) concerns me.

The individual highlighted (Michael Franzese) has a name that is not too common and might not go unnoticed, such as might have been the case with Smith or Jones.

My background spans 26 years in the insurance industry, and proudly I have earned an excellent reputation for honesty.

To compound the problem, my son, Mi-

it now.

Costello: Hey Bud, I ain't never sued you but I'm goin' to see my lawyer 'bout this claims-made stuff.

Abbott: Be my guest. He's got a claims-made policy too!

Apologies to Abbott & Costello.
John G. Watkins
Dudzik, Watkins & West
Long Beach, Calif.

chael Franzese, recently started with Fireman's Fund Insurance Co. as an underwriting trainee. Michael is 23 years of age, a student at the University of South Florida and also has a good reputation for honesty.

What's in a name? In this instance, a name is our proud trademark. It is, after all, a people business and reputation is what we succeed or fail by.

Anthony Franzese
President
Franzese & Associates
Hollywood, Fla.

IRS should allow deductions for self-funding

To the editor: There is no need to beat the "dead horse" of the effect of cutthroat competition nor the attitude of courts for the current violent reaction of insurance companies.

What is needed now are rational approaches to the problem of coverage availability to meet the needs of businesses.

Since a higher degree of self-insurance is a fact for many firms regardless of their desire, it is time for the Internal Revenue "Service" to recognize self-insurance funding or premiums to a captive as legitimate tax deductions.

Being able to establish reasonable reserves against future claims would make the necessity to participate in losses less onerous.

It won't help everyone, nor will it be as desirable as a viable insurance market would be.

But, it will be helpful for the several years while the insurance industry is of such limited assistance in the transfer of risk.

William S. Rountree
Chairman
Rountree, Fox, Trahin & Fox
Indianapolis

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Published by Crain Communications Inc., Chicago

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Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 25-4248, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 604207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.50 a copy. \$60 a year in U.S. Canada and all other foreign add \$16 for surface mail. Europe and Middle East only add \$45 for air delivery. First-class mail to U.S. and Canada only, add \$48. Bermuda only, \$105 per year expedited delivery. WILLIAM STRONG, vp-circulation. NICK CAVNAR, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 313-446-1611. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

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MATCH FIREMAN’S
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Benefits self-insurance takes several forms

By JERRY GEISEL

Benefit experts cordially disagree on what constitutes self-insurance of health care benefits.

David Glueck, a vp with Towers, Perrin, Forster & Crosby, a New York-based consultant, says self-insurance is when there is no transfer of risk from an employer to a third party.

Robert Swanke, president of Swanke Inc., a third-party claims administrator in Bloomington, Minn., defines self-insurance as the retention of known or predictable health care expenses by an employer, not an insurer.

Jay Catlin, a benefit consultant at Buck Consultants Inc. in New York, describes self-insurance "as the employer doing the same thing

an insurer does," including funding and paying claims.

While interviews with two dozen benefit experts may lead to two dozen slightly different definitions, most will agree that self-insuring health care benefits means that an employer is assuming much or all of the risk.

But, because the nature of the risks differ so much, there isn't as much debate among benefit experts as there is among risk management experts on how much risk a company should retain (see story, page 24).

Just one incident—a plane crash or the leak of toxic chemicals—can threaten the solvency of a company if it hasn't purchased at least several hundred million dollars of liability coverage.

'The bigger the company is, the more likely it will self-fund,' says John Hickey.

This kind of potentially disastrous exposure to claims doesn't exist, at least among larger companies, in the health care field, where individual claims exceeding \$100,000 still are unusual.

In fact, because the risks are predictable, companies with more than 5,000 employees probably self-fund all or much of their health care claims.

"The bigger the company is, the more likely it will self-fund," said John Hickey, a partner at Kwasha Lipton, a benefit consultant in Fort Lee, N.J.

"When you reach a certain size, you can tolerate a \$200,000 claim," added Alan Breitman, a principal in the Boston office of consultant William M. Mercer-Meindinger Inc.

How much risk a company can assume depends on its size and its industry.

For example, an industrial manufacturer whose capital is tied up in machinery may not be able to assume as much risk as a cash-rich service company, according to the experts.

In addition, the health care benefits field is largely immune from the debate that swirls in the prop-

erty/casualty field about whether using a captive to fund risks is self-insurance.

Although there are about 2,000 property/casualty captives around the world, only a handful of employers use captives to fund health care benefits.

This is because Labor Department regulations issued under the Employee Retirement Income Security Act rule out such captive use for most employers.

Among other things, those regulations say only captives licensed in a domestic state or the Virgin Islands can write benefit coverages directly.

In addition, at least 50% of the captive's premiums must be unrelated to its parent in order for the captive to insure its parent's health care and other employee benefits (BI, Aug. 20, 1979).

But, a variety of self-funding options exist for health care benefits, including:

- Minimum premium plans. Often called a hybrid, minimum premium plans contain elements of self-insurance and elements of insurance.

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

When claims are incurred, the employer deposits the funds needed to cover the claims in an account that the insurer draws upon to pay the claims.

If claims are less than \$1.8 million, the employer saves money compared with the cost of an insured program.

However, no matter how high claims go, the employer will not owe the insurer more than the additional \$1.8 million. That is the insurance aspect of minimum premium plans.

- Stop-loss coverages. Specific stop-loss coverage protects a self-funding employer, often a smaller company, from one large individual claim.

For example, a company with 500 people covered in its health care plan might buy specific stop-loss coverage to pay individual claims exceeding \$50,000, said Buck's Mr. Catlin.

Specific stop-loss coverage was rare five years ago, but employer interest in purchasing the policies has increased as the number of jumbo-sized claims has risen, said Ed Shults, assistant vp with Metropolitan Life Insurance Co. in New York.

The other major type of stop-loss coverage, aggregate stop-loss, kicks in when total claims payment exceed a certain level. Frequently, an aggregate stop-loss will be set at 125% of the employer's annual estimated claims.

- Voluntary Employee Beneficiary Assns. VEBAs, also known as 501(c)(9) trusts, are a popular self-funding vehicle with important tax advantages.

In such an arrangement, an employer receives a tax deduction for contributions made to a VEBA, which must be used to provide employee benefits.

Reserves held by VEBAs—up to certain levels—earn tax-free investment income.

However, under the Deficit Reduction Act of 1984, VEBA reserves to pay employee health care claims generally can't exceed 35% of claims paid the previous year.

Current estimates on the number of VEBAs are not available. But in 1984, benefit experts estimated that about 9,400 VEBAs were operating, up from 7,400 in 1981 (BI, March 19, 1984).

What Motorola knows about mental health coverage could fill a book.

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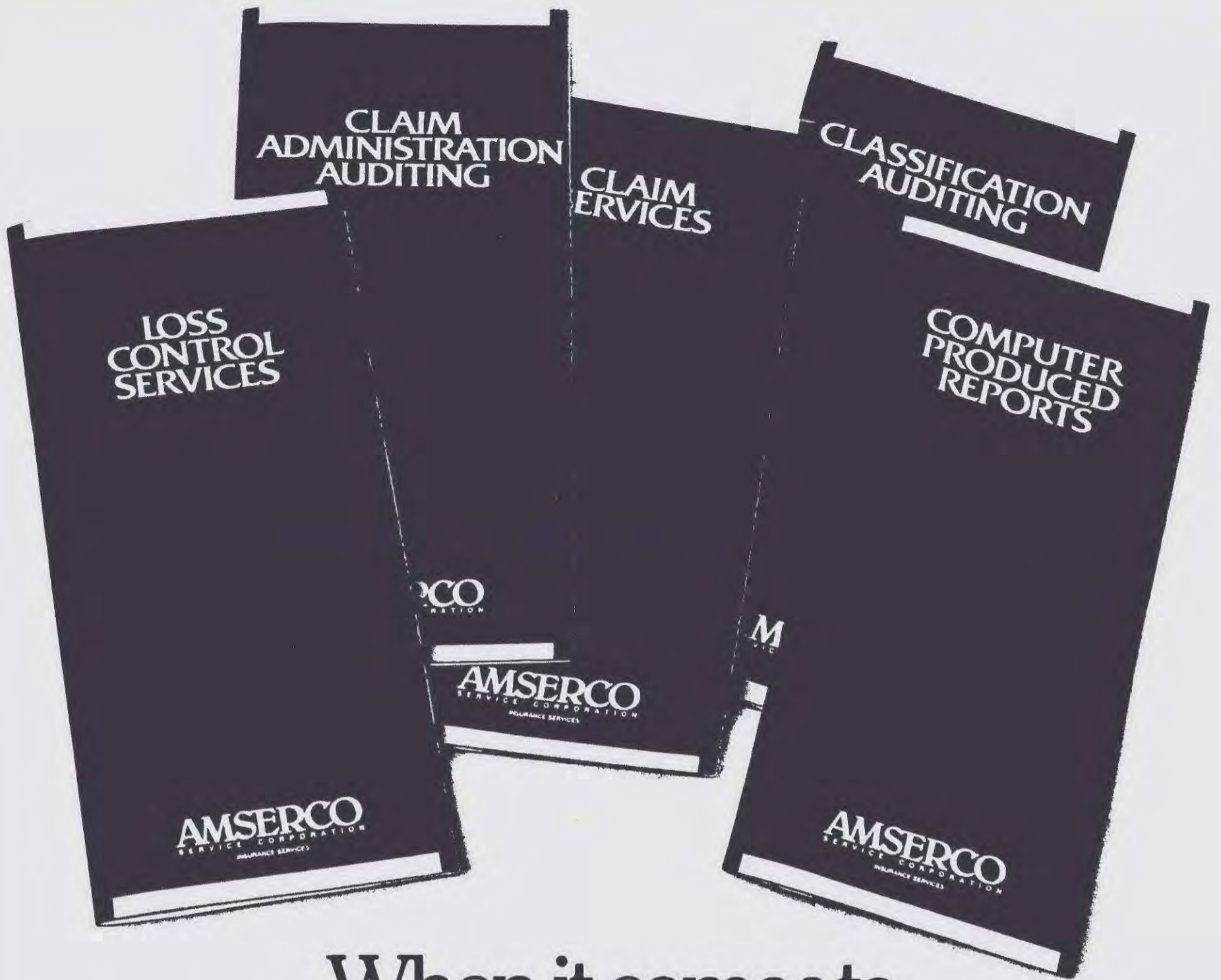
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INSURANCE SERVICES

Rates dropping for specific stop-loss cover

By JUDY GREENWALD

Employers that self-fund their group health care benefits are paying less for stop-loss insurance.

Companies that write specific stop-loss insurance, which caps the liability of an employer for an individual claim at a dollar amount chosen by the employer, are cutting rates as much as 25%.

The rate reductions reflect:

- Increased rate competition among stop-loss insurers.
- The moderation in health care cost inflation, which is reducing claims pressure.
- More competition from fully insured plans and health plan alternatives, like health maintenance organizations and preferred provider organizations.

"The market is softer from a pricing standpoint than it had been," sums up Tom Brown, senior vp and director at New York-based Duncanson & Holt Inc., a reinsurance market for stop-loss insurers.

As specific stop-loss costs fall, the cost of aggregate stop-loss insurance is stable, insurers say. Aggregate stop-loss insurance caps an employer's total annual payout for health benefits, usually at 125% of estimated claims.

Underwriters that have cut rates for specific stop-loss coverage over the past year include:

- Lincoln National Life Insurance Co., which reduced rates about 25%. The Fort Wayne, Ind.-based company wrote about \$34 million in stop-loss business last year.

- Cox Insurance Group, an Indianapolis-based underwriting agency, which recently cut rates 20%. "We have become much more competitive on some of the lower-deductible" business, says Ray Cox, owner of the company.

Cox wrote about \$10 million in stop-loss premium volume in 1985, about 95% of which was on behalf of Lloyd's of London syndicates.

- SAFECO Life Insurance Co. of Seattle, which is reducing rates 10% to 15%. SAFECO wrote about \$55 million in stop-loss coverage last year.

- North American Life & Casualty Co. in Minneapolis, which recently reduced rates about 10%, according to Jeanne Schwartz, manager of the insurer's self-funded group. North American wrote

about \$42 million to \$43 million in stop-loss business last year.

- Northwestern National Life Insurance Co. of Minneapolis, which recently reduced rates a "little bit," said R. Michael Conley, vp-group sales. The company wrote more than \$20 million in stop-loss premiums last year.

- The Brougner Agency of Greenwood, Ind., which lowered its rates in June. Officials would not detail the size of the cuts.

Brougner wrote about \$55 million to \$60 million in stop-loss business last year on behalf of Lloyd's syndicates, Forum Insurance Co. and syndicates on the New York Insurance Exchange.

But, Boston Mutual Life Insurance Co., which wrote \$11 million to \$12 million in stop-loss coverage

last year, has not lowered rates, says William Wood Jr., second vp and director of group sales. "Their rates were too high," he says of other companies that cut prices.

However, Boston Mutual has begun giving credits to employers that use cost-containment measures, like preferred provider organization options and second surgical opinion provisions.

Virtually all stop-loss underwriters agree that the market for specific coverage has become more competitive.

"Competition is much stiffer than it once was, so if we find a piece of business we want, we have to sharpen our business and quote more competitively," explains Alan Anderson, vp-group sales at the U.S. headquarters of Sun Life Assurance Co. of Canada in Wellesley, Mass. Sun Life wrote about \$3 million in stop-loss business last year.

While there are some new stop-loss insurers, new players are coming into the market with "nowhere near the frequency we used to see four to five years ago" and the market is "stabilizing," says Northwestern National's Mr. Conley.

Decreased health care inflation also is holding the line on stop-loss insurers' costs and, thus, their rates.

While some insurers say employers are still increasing the amount of risk they retain to lower their stop-loss costs, Sigurd Moen, second vp and director of sales at Washington National Insurance Co. in Evanston, Ill., says specific retentions have generally "pretty much leveled off" at about \$20,000 per employee. Washington National wrote about \$12 million to \$14 million in stop-loss insurance last year.

While underwriters report growing competition within the stop-loss market, they also note more competition from underwriters of fully insured group health products. As the cost of health care moderates, they explain, the cost differential between a fully insured plan and a self-insured plan with stop-loss coverage is narrowing.

"The market is more competitive because of the stable, fully insured premiums which now compete with stop-loss," explains Scott Taylor, vp-group department at SAFECO.

"I'd say it's a softer market," he adds, noting that while the specific stop-loss insurance market continues to grow, less new business was written in 1985 than in 1984.

Because insurers writing fully insured plans are much more competitive, "people have not considered self-funding" and stop-loss insurance, says Mary Ann Ritter, vp of the Brougner Agency.

Small groups, in particular, are tending to stay with fully insured plans, Ms. Ritter says.

Underwriters of fully insured plans are making a strong push to "buy back" business of small groups, agrees Jeanne Maack, manager of the benefits department at Illinois R.B. Jones Inc. in Chicago, a unit of Alexander & Alexander Services Inc. Jones, a Lloyd's correspondent, wrote "in the neighborhood" of \$3 million in stop-loss business last year.

The growing popularity of alternative health plans, like HMOs and PPOs, is another problem facing stop-loss insurers, Ms. Maack says.

If an employer's self-insured plan covers 200 employees and 75 decide to join an HMO, "you really don't have sufficient numbers of them left in the group to be self-funded" or at least remain self-funded and maintain the same specific retention, Ms. Maack explains.

PPOs are "sure biting into our market and taking business away from everyone," says Mr. Cox. ■

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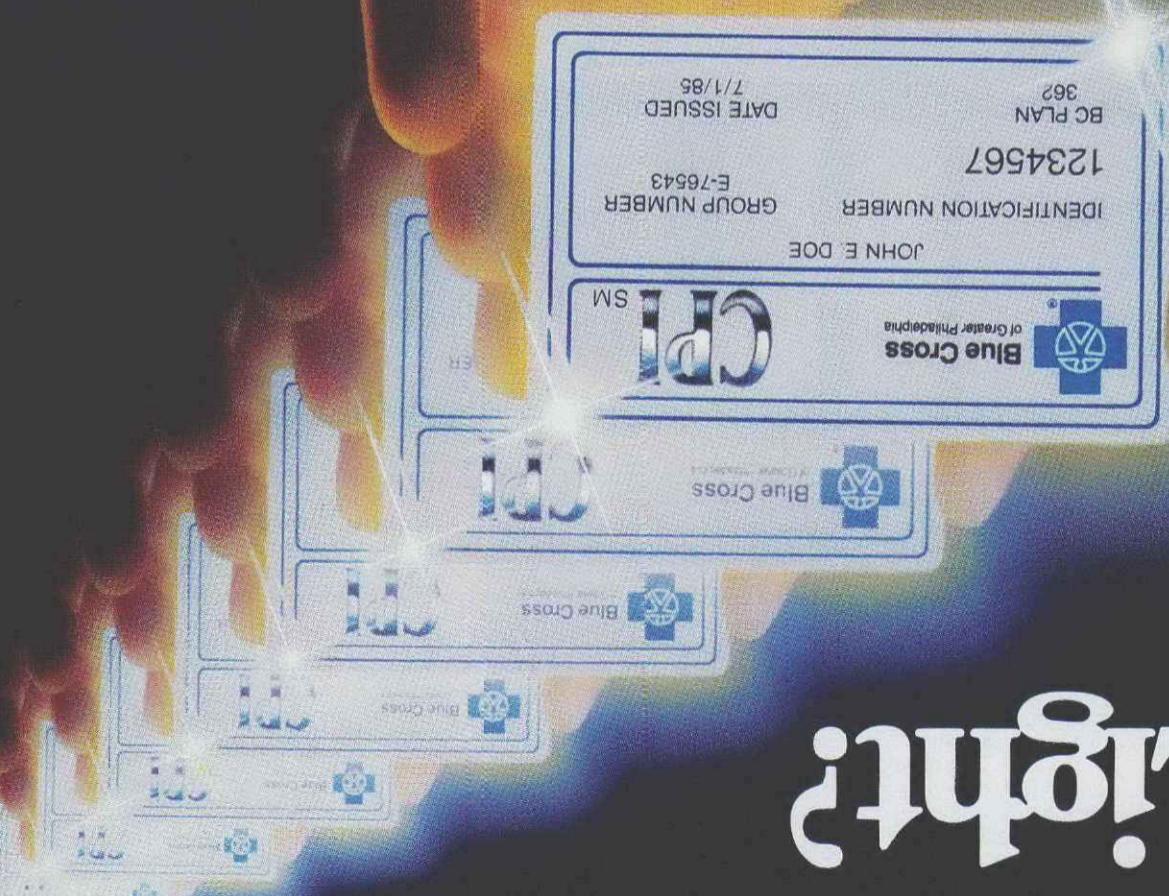
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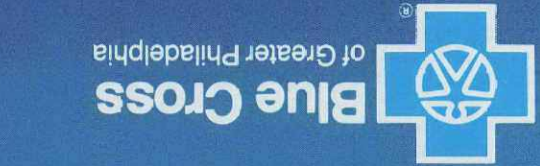
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P/C self-insurance

Continued from page 3
noted.

While self-insurance experts said a year ago they expected more companies to turn to self-insurance in 1985, they did not expect the relative market share of self-insurance to commercial insurance to grow in 1985. They noted that property/casualty rates were rising so dramatically that insurers' premium volume would probably grow faster in 1985 than the amount of funds committed to self-insurance (BI, Jan. 28, 1985).

But, consultant Tillinghast, Nelson & Warren Inc. estimates alternative risk financing—primarily self-insurance—grew to \$44 billion, or 43% of the \$102 billion property/casualty risk financing market in 1985 from \$35 billion or 39% of the \$90 billion market in 1984.

And, Tillinghast predicts that alternative risk financing mecha-

nisms will increase significantly in 1986, accounting for almost half of the property/casualty risk-financing market.

Alternative risk financing—which includes self-insurance and premiums paid to captive insurance companies and monopolistic and competitive state workers compensation insurance funds—will comprise approximately \$56 billion, or 47%, of the \$118 billion property/casualty risk financing market in 1986.

In contrast, in 1977, at the end of the last market crunch, alternative risk financing comprised approximately \$8 billion, or less than 14%, of the \$58 billion property/casualty risk financing market, according to Tillinghast.

Tillinghast based its estimates on data from its own sources and reports from governmental and private groups, including A.M. Best Co.

"People are looking more to self-

insurance now because it's more of a standard alternative than it was" during the last tight market, explained Robert Needle, vp-marketing for Alexsis Inc. in Philadelphia, the self-insurance services unit of Alexander & Alexander Services Inc.

"Plus, we're going into this market with people already self-insured."

The most prevalent forms of alternative risk financing in 1984, the last year for which Tillinghast has specific statistics, were self-insured retentions, deductibles and trusts, such as 501(c)(3) trusts set up by non-profit entities to finance their risks. Those mechanisms accounted for \$25 billion, or more than 71%, of the \$35 billion property/casualty alternative risk-financing market in 1984.

Captives accounted for \$4 billion of the market, or 11%, while self-insurance pools, primarily composed of public entities, accounted

for \$1 billion, or about 3%.

Accounting for \$5 billion, or 14%, of the alternative risk-financing market were state insurance funds, primarily for workers compensation exposures.

While Tillinghast included state funds as alternative risk-financing mechanisms in its study, it did not include premiums paid to insurers for cash-flow or retrospectively rated programs, which many risk managers and consultants also consider to be self-insurance (see story, page 22).

The new spurt of self-insuring property/casualty risks is occurring despite the Deficit Reduction Act of 1984. DEFRA prohibits self-insurers from taking current-year tax deductions for reserves established to pay future claims (BI, July 2, 1984; July 23, 1984).

Some risk management consultants last year feared that DEFRA would increase the cost of self-insuring by as much as 20%, depend-

ing on the type of risk retained, possibly discouraging some companies from turning to self-insurance as a risk-financing alternative.

However, DEFRA's impact on both the cost and the attractiveness of corporate self-insurance programs has been minimal because the rising cost of commercial property/casualty coverage has outpaced the increased cost of self-insurance, consultants and risk managers said.

"I haven't seen it have much impact at this point," summed up Warren Brockmeier, vp-risk management with The Wyatt Co. in Chicago.

"If you have no other choice, self-insurance is your only alternative—despite tax rulings," said H. Felix Kloman, a principal with Tillinghast in Darien, Conn.

Consultants pointed out buyers sometimes have no alternative but to self-insure a growing list of exposures, especially those insurers view as too risky to underwrite.

Among the exposures most frequently self-insured, they said, are professional liability, including coverage for architects, accountants, lawyers, physicians and insurance brokers; directors and officers liability; pollution liability; product liability; various public entity liability exposures; liquor liability; and earthquake exposures.

Some companies, especially corporate giants, self-insure almost all their predictable exposures.

"We operate as though we're an internal insurance company," said Howard T. Weber, director of insurance for Minnesota Mining & Manufacturing Co. in St. Paul, Minn. "We then go out and buy commercial insurance as though it were reinsurance."

Mr. Weber explained that 3M retains up to \$5 million per occurrence of each risk faced by its 54 operating divisions, either through self-insured retentions or by buying coverage from its captives.

While most companies do not retain the level of risk that 3M retains, observers noted that many companies are retaining more and more risk.

"The higher the risk, the larger the company and the more serious the expenses, the higher the loss retention tends to be," said Charles Young, a managing director with Marsh & McLennan Inc. in New York.

Mr. Young, who works with Fortune 500 companies, and other consultants said a growing number of companies are maintaining self-insured retentions of \$250,000 to \$500,000 per risk—compared with \$100,000 a year or two ago—with annual aggregates ranging between \$2 million and \$3 million.

"Take a company that has a \$100,000 per-risk retention for workers compensation, auto liability and general liability," Mr. Young said. "The insurance company then provides coverage from \$100,000 to \$1 million."

"If the insured company goes years without breaking into the \$100,000, there's no reason to raise the retention. But, if that changes, the insured and the insurance company may find it to their mutual advantage to raise the retention to \$250,000. . . . So, the insurer still can provide protection for a reasonable premium."

"Over the past 10 years, I've seen our own clients go into a self-insurance program for the first time at \$100,000," AIG Risk Management's Mr. Smetana explained. "When they get some control over the program, they move into higher thresholds. They move up to \$250,000 to \$500,000. Some grow as high as \$1 million. It's a combination of the growth in size of the financial base of an institution and its ability to control losses."

While retentions are the most
Continued on page 16

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P/C self-insurance

Continued from page 14
often utilized self-insurance mechanism, consultants said the mechanism drawing the most interest is group captives, though some do not consider group captives self-insurance (see story, page 22).

"The interest in captives has exploded in the last eight months," said Mr. Kloman, noting that Tillinghast has received more than 30 inquiries concerning group captives within the last four months. He said he knows of more than 100 proposals for group captives currently under consideration.

The groups considering captive formation generally consist of organizations that have product, pollution or professional liability exposures, said George M. Betterley, a principal and vp with Tillinghast in Boston.

These groups usually consist of small to medium-sized members

with annual losses of less than \$200,000, according to Richard E. Sherman, a consulting actuary with accounting firm Coopers & Lybrand of San Francisco.

Among the groups that observers said are seriously considering forming captives are public entities, hospitals, lawyers, retail stores, new-car dealerships, undertakers, professional sports teams and athletic clubs.

But, brokers and consultants note they get few inquiries about group captives from associations of large companies.

"It's very difficult to get large companies to work together," explained James V. Davis, chairman of the Advanced Risk Management Services division of Corroon & Black Corp. in Nashville, Tenn.

"They're suspicious of one another. Each feels it has a good risk management and loss prevention program already in place," he said.

And, others note many large corporations established single-parent captives during the market crunch of the mid-1970s, reducing their need to join a group captive.

But, some huge companies are contributing capital to establish underwriting facilities that provide excess insurance capacity, which some consultants say are similar to group captives.

One such facility is operating already. A.C.E. Insurance Co. Ltd., which was conceived by Marsh & McLennan and incorporated in the Cayman Islands, currently is offering its sponsors and non-sponsor policyholders general liability limits of \$65 million per risk excess of \$100 million. And, when it is fully capitalized at \$400 million, A.C.E. will offer \$100 million excess of \$100 million (BI, Dec. 23, 1985).

"I don't think there's any question we're going to see more association-type captives such as the A.C.E. captive Marsh & McLennan established," Mr. Young said.

Other groups are attempting to form similar facilities.

For example, AIG expects to know by mid-February whether it can raise enough capital to form a facility that would provide members with \$25 million to \$50 million of liability coverage excess of \$25 million (BI, Jan. 13).

"Particularly on the excess liability side, we do see a movement to develop new capital into new insurance and reinsurance facilities to create capacity..." said AIG Risk Management's Mr. Smetana. But, he does not consider these facilities captives.

The Reiss Organization has formed Tortuga Casualty Co. in the Cayman Islands to write \$25 million in excess general liability coverage excess of \$50 million for Reiss clients. Tortuga expects to cede about half the business it writes to Reiss-managed captives (see story, page 1).

And, a chemical industry group is proposing an excess liability facility, currently dubbed the CASEX Project, that would provide limits of \$50 million excess of \$50 million (BI, Dec. 2, 1985).

Just as large firms are joining these facilities, public entities, many of whose liability coverages have been canceled or not renewed, are increasingly turning to self-insurance pools, experts say.

"If you want to point to an area that's absolutely exploding, it's government entities' pooling," said James Blinn, a vp with Tillinghast in New York.

Mr. Kloman projects that self-insurance pools will be used to finance about 50% of public entities' general liability and workers compensation risks in 10 years, compared with 5% currently.

Some insurance buyers also are trying to control their insurance costs by buying cash-flow programs offered by insurers, which some consultants and risk managers con-

Continued on page 18

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NO. 14

Marshaling Capacity in a Hard Market:

The role of "industry-specific" captives.

Today, organizations that face similar exposures should be investigating "industry-specific" association captives with the objective of creating a specialized insurance vehicle that replaces coverage no longer available in traditional markets.

Groups rarely look into captives because of escalating premiums alone. Most are driven by the severe limitation on—or complete unavailability of—such coverages as directors and officers, umbrella liability, fidelity, and even libel and slander. By joining together, companies may be better able to deal with the insurance problems they share.

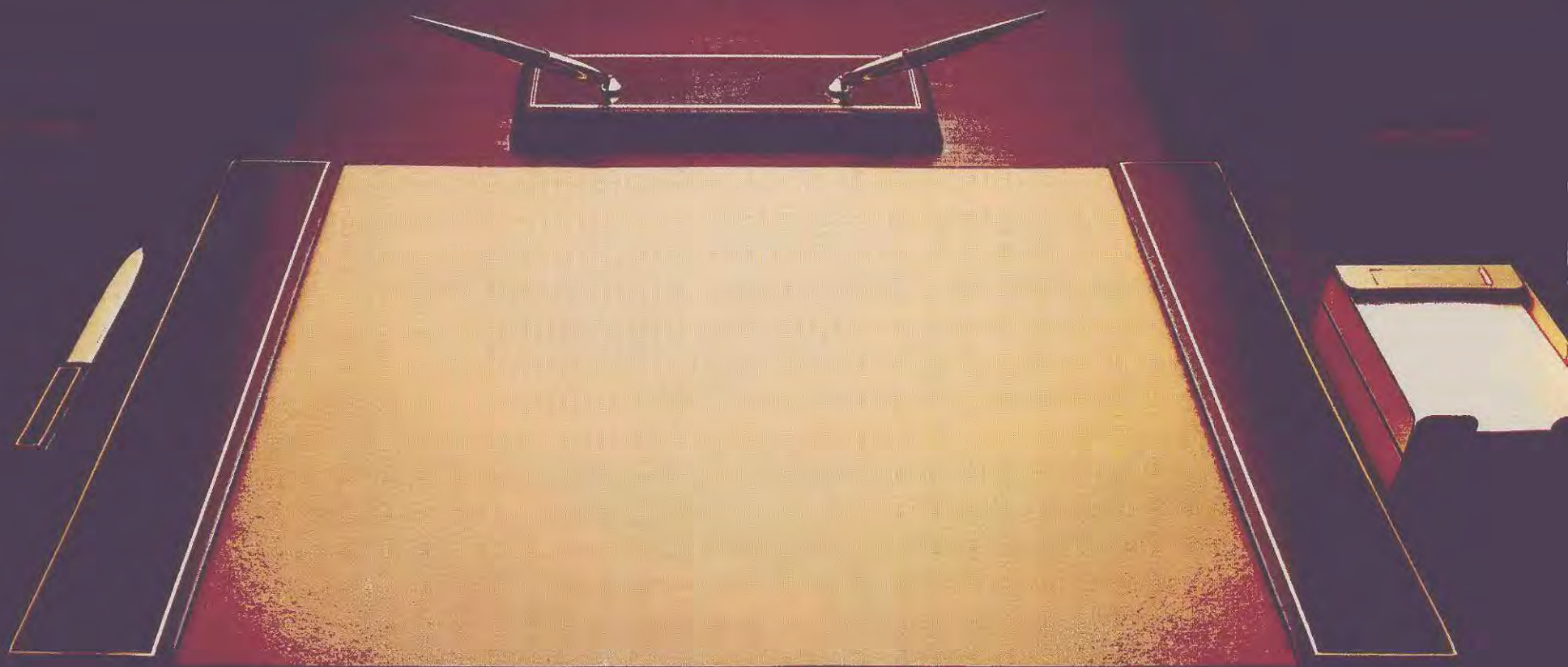
Successful captive formation requires that the industry association's leaders take an active role in the planning and operation of the program. The goal of an "industry-specific" captive is to use the knowledge of industry leaders to underwrite risks sensibly. This is especially important in lines such as directors and officers where the risks are a function of management skill.

Captives must be substantially capitalized in order to attract insurers and reinsurers to the program. The stronger the financial statement of the captive, the better the chances of market participation.

Since captive programs are most effective when they share part of their risk with the conventional insurance market, it is critical for association captives to choose an experienced broker as a consultant. The broker must be able to marshal existing capacity in the world marketplace, which can then be structured with the self-assumption program of the captive to cushion against unpredictable catastrophic loss.

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Some self-insuring excess exposures

Unlike the tight property/casualty market of the mid-1970s, buyers today are often unable to find coverage for excess layers and, thus, are being forced to retain this risk.

"That's one of the striking differences from this crunch to the '70s crunch—you could get primary up to \$500,000 and excess over \$1 million then," said George M. Betterley, a principal and vp with consultant Tillinghast, Nelson & Warren Inc. in Boston.

"That phenomenon isn't present today," he said. "Both primary and excess, with heavy emphasis on excess, is not being made available."

Some firms are currently self-insuring levels "that would have been unthinkable earlier," noted Warren Brockmeier, vp-risk management of The Wyatt Co. of Chicago.

"The difference is the dramatic, wholesale withdrawal of the umbrella market," said P. Richard Hackenburg, staff vp and assistant treasurer of Allegheny International Inc. of Pittsburgh. "Nobody is following anybody," he said of excess insurers.

Risk managers and consultants report capacity restric-

tions at various levels in the excess layers. In addition, they say, capacity restrictions differ from industry to industry, and often from company to company within an industry.

"It's difficult, if not impossible, to obtain \$50 million of insurance," said Charles Young, a managing director for Marsh & McLennan Cos. Inc. in New York.

"If I were to draw any conclusions, when you get over \$25 million you begin to run into problems of capacity unless you're a plain vanilla exposure," Mr. Betterley said.

And, those who can obtain some excess coverage face additional constraints, Mr. Hackenburg noted. "A lot of people can't get excess without agreeing to the claims-made form. Also, there's a difference in terms, such as the inclusion of defense costs and some exclusions," he said.

The unavailability of excess coverage is forcing some buyers to form underwriting facilities for excess coverages.

One such facility is operating already. A.C.E. Insurance Co. Ltd., which was conceived by Marsh & McLennan and incorporated in the Cayman Islands, currently is offering its sponsors and non-sponsor policyholders general liability

limits of \$65 million per risk excess of \$100 million. Several other similar facilities are being developed.

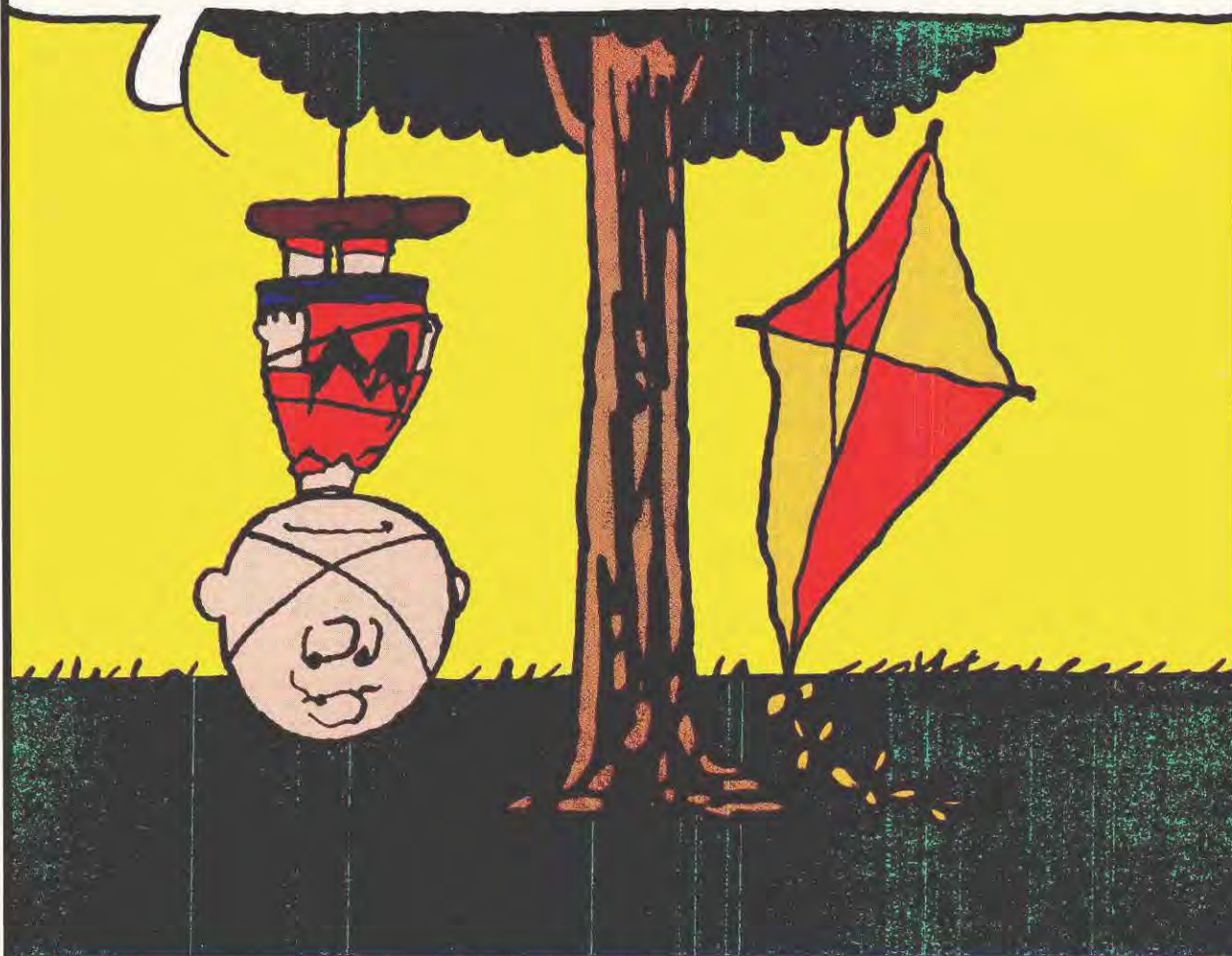
Indeed, market observers note that another of the most important differences between the market crunches of the 1970s and the 1980s is the greater interest in pools and group captives. Ten years ago, there was more interest in single-parent or pure captives, they say.

"Today, I don't believe a company would set up a single-parent captive," said Mr. Young. "They will not see it as a viable solution. I don't think there's any question we're going to see more association-type captives such as the A.C.E. captive Marsh & McLennan set up."

Risk managers today also face a greater threat of insurer insolvency than they did during the 1970s, said Lawrence J. Bell, assistant vp-risk management of Revco Drug Stores Inc. of Twinsburg, Ohio.

"That's why if you can get into self-insurance or some other risk-financing alternative, that's the thing to do," Mr. Bell said. "You can't depend on an insurance company to be there tomorrow. They're selling you a leaky lifeboat."

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P/C self-insurance

Continued from page 16

sider a form of self-insurance because the cost is dependent upon ultimate losses.

But, many insurers are restricting these programs to accounts that generate at least \$500,000 in annual premiums, are tightening underwriting standards and are less willing to write these plans for new accounts.

Although some insurers will write cash-flow programs for general liability and other casualty risks, most of the programs are only used for workers compensation exposures, consultants and insurers say.

If available, cash-flow plans are an attractive risk-financing alternative, they said.

Three of the most common types of cash-flow programs are paid-loss retrospectively rated plans, incurred-loss retros and compensating balance plans. Under these plans, insurers establish minimum and maximum premiums. The ultimate premium depends on a policyholder's loss experience during the policy period. Typically under such programs, a policyholder eventually pays between 50% and 150% of its estimated premium.

Under a typical paid-loss retro plan, the policyholder pays only a deposit premium covering the insurer's cost of administering the program and then reimburses the insurer for losses as they are paid. The policyholder thus is able to earn investment income on money that otherwise would have been paid up front to the insurer.

Under a typical incurred-loss retro plan, the policyholder pays the insurer in advance for anticipated losses. The premium is later adjusted based on actual losses.

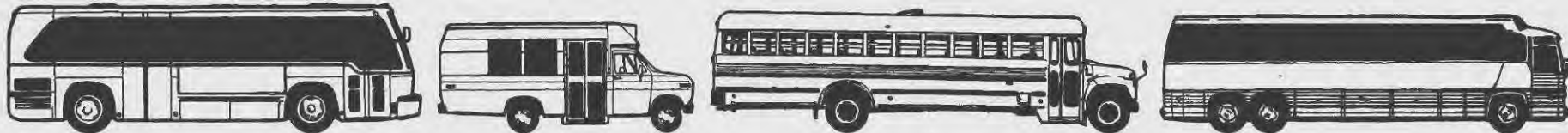
Under a compensating balance plan, the policyholder pays the insurer a portion of the premium. Then, the remainder of the premium, less the insurer's administrative expenses, is deposited in a bank account held jointly by the insurer and the policyholder. The insurer subsequently withdraws loss expenses from the account as they become payable.

Meanwhile, the policyholder can claim the account on its balance sheet as an asset and use it to support a line of credit at the bank.

Some insurers offer several cash-flow plan options. Kemper Group, for instance, offers paid-loss retros, incurred-loss retros, compensating balance programs and a deferred premium program, said Frank Snook, special risks officer with Kemper International Insurance Co. of Long Grove, Ill.

Under a deferred premium program, 35% of the premium is deferred until the first premium adjustment period, nine months after the policy expires.

Continued on page 20



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P/C self-insurance

Continued from page 18

Mr. Snook noted that 65% of the premiums generated by Kemper's deferred premium plans involve workers compensation exposures.

The St. Paul Cos. Inc. through Atwater McMillan Inc., its underwriting management subsidiary, offers paid-loss and incurred-loss retros and compensating balance programs for work comp, general liability and auto liability risks to policyholders with annual premiums of at least \$1 million.

Added to the cash-flow advantages, Corroon & Black's Mr. Davis believes the cost of well-designed cash-flow programs can be deducted as an insurance expense.

By agreeing to a higher minimum premium, as much as 70% as opposed to 30% or 40%, the Internal Revenue Service is more likely to believe the policyholder "would leave some dollars on the table"

and allow a deduction for the entire premium in the current year, he said.

"Even if the tax consequences are unfavorable, you still have the use of your money," noted Mr. Snook at Kemper.

The Internal Revenue Service has not ruled on the deductibility of premiums paid for cash-flow plans, but consultants said that the IRS has deemed some cash-flow plans to be self-insurance and therefore disallowed a tax deduction for the premiums paid.

But, consultants must persuade reluctant risk managers to take a higher minimum, because it is "counter to what they thought of as a retro program," Mr. Davis said.

Risk managers also must consider which cash-flow program most favorably affects their company's balance sheet.

For example, while St. Paul's paid-loss retros and compensating balance plans operate similarly, its paid-loss retro program requires a policyholder to provide the insurer with collateral through a letter of credit, explained George Tsui, vp-major accounts underwriting at Atwater McMillan.

Under the compensating balance program, the policyholder establishes a joint bank account from which the insurer can draw to cover any losses.

"The compensating balance program looks better on a company's balance sheet," Mr. Tsui said. "You don't have to use up your lines of credit." And, the policyholder can claim the collateral in the joint account as an asset, he noted.

Some companies are also using their lines of credit as a self-insurance mechanism, according to Mr. Blinn of Tillinghast.

For example, a company can obtain \$1 million in actual cash value property coverage for a building with a \$10 million replacement cost. The company then establishes a \$9 million line of credit to cover its losses should the building be destroyed.

"After a loss, the credit turns into a long-term financing arrangement," he explains. "Over the long-term, this is significantly less expensive" than insuring the risk for its full replacement value.

Using several alternative risk-financing methods can pay off.

"From a relative standpoint, we've been able to maintain or reduce the impact of the hard market," said P. Richard Hackenburg, staff vp and assistant treasurer at Pittsburgh-based Allegheny International Inc.

The company, which has maintained a "heavy" self-insured retention for liability exposures since 1976, operates a single-parent captive and has equity in a group captive and is considering expanding its self-insurance program, Mr. Hackenburg said.

Although he projects that the cost of the company's self-insurance program will increase 16% this year, Mr. Hackenburg noted that the company's risk financing costs would be "dramatically higher" if it had bought this coverage from a commercial insurer.

But while companies like Allegheny International can point to the success of self-insurance, consultants warn buyers not to turn to self-insurance as a quick fix only until the market softens.

"Once you get into it, it's going to be a rare occasion when you get out," explained Mr. Davis.

Lawrence J. Bell, assistant vp-risk management for Revco Drug Stores Inc. in Twinsburg, Ohio, agrees. "Any time you go into a self-insurance program, you should go into it on a long-term plan.

"It's just like getting married: If you go into it with the idea that if it doesn't work out, you'll get a divorce... if you're that dubious about it, maybe you shouldn't get into it."

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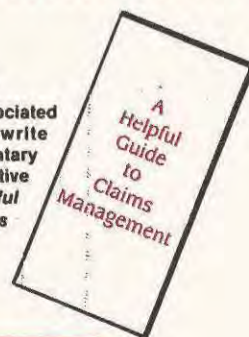
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Experts differ on definition of self-insurance

By DAVE LENCKUS

Self-insurance is a popular buzzword in risk management circles, but experts are divided about just what constitutes self-insurance.

Risk managers and consultants agree that self-insurance is the planned self-assumption of risk, as opposed to simply going bare.

However, they debate the amount of losses that can be self-insured and which risk-financing methods are self-insurance mechanisms.

"Self-insurance is a process of internally accepting risk and providing for it, possibly by funding, possibly by an allocation system," said Warren Brockmeier, vp-risk management for The Wyatt Co. in Chicago.

A self-insurance program should do "all the things an insurance company does, without the presence of an insurance company," said Thomas V. Hallett, chairman, president and chief executive officer of Adjustco Inc. in New York, the claims management subsidiary of Frank B. Hall & Co. Inc.

"Self-insurance should have some formal aspect—formal claims administration and a loss control program," Mr. Hallett added.

Some consultants and risk managers contend that only predictable, everyday losses can be self-insured. The amount of these losses will vary by the size of a company and its loss history.

However, for large companies, self-insurance would typically involve losses that would be covered

under a \$1 million to \$3 million primary layer of insurance in the commercial marketplace, they said.

"You can only operate a true self-insurance program in the area of expected losses," said Howard T. Weber, director of insurance for Minnesota Mining & Manufacturing Co. in St. Paul, Minn.

"You can't carry reserves on a corporation's books for unknown or unexpected losses. Our auditors won't let us carry contingency reserves on the corporation's books," Mr. Weber said.

But, others say that assuming risk for losses that would be covered by lower layers of excess insurance in the commercial marketplace also may be considered self-insurance.

"Self-insurance, broadly, is any

formal or informal retention of risk. Formally, it's a qualified program," said James Blinn, a vp with consultant Tillinghast, Nelson & Warren Inc. in New York.

Among the most often-used alternative risk-financing methods, high retentions and pure captives generally are considered self-insurance mechanisms.

But, consultants and risk managers disagree about whether deductibles, group captives and pools, and cash-flow insurance programs can be termed self-insurance.

Some consultants and risk managers contend that a deductible is not a formal self-insurance mechanism because deductibles often do not reflect a substantial portion of a loss.

And, an insurance company still

is involved in administering the claims for which an organization pays a deductible.

"If the self-insured himself is handling the claims, it's self-insurance. If an insurance company is handling the claims, it's a large deductible," said Gary Ransom, a consulting actuary in the insurance services division of Conning & Co. of Stamford, Conn.

"But, the difference between an SIR (self-insured retention) and a large deductible is hazy," he added.

Some risk managers and consultants consider group captives a self-insurance mechanism.

For example, Tillinghast categorized group captives and pools as self-insurance in its report on the growth of the alternative risk-financing market.

Others, however, say only pure captives qualify as a self-insurance mechanism.

"If you have a captive and it's pure—with no outside participants—then it becomes a form of self-insurance. At least, that's how the IRS views it," Mr. Brockmeier said, referring to Internal Revenue Service regulations that treat captives as self-insurance for tax purposes. The IRS prohibits tax deductions for premiums paid to wholly owned insurance subsidiaries that only insure the parent company's risks.

But, when companies pool their risks in an insurance company they own, most consultants are inclined to say that is not self-insurance.

"In the case of A.C.E., if it really pools risks, it's meant to operate as a regular insurance company would operate," said James V. Davis, chairman and chief executive officer of Advanced Risk Management Service of Nashville, Tenn., a unit of Corroon & Black Corp.

A.C.E. Insurance Co. Ltd. is the Cayman Islands incorporated insurance company conceived by Marsh & McLennan Cos. Inc. that will offer its members \$100 million excess of \$100 million of liability coverage when fully capitalized (BI, Dec. 23, 1985).

There also is some disagreement over whether cash-flow and retrospectively rated insurance programs are self-insurance mechanisms.

"Cash-flow plans are part of the decision to self-insure the primary area," said Charles Young, a managing director with Marsh & McLennan of New York. "All self-insurance programs are mindful of cash flow."

"Most cash-flow plans are another dimension to the conscious decision of self-funding," said Joseph E. Smetana, president of AIG Risk Management Inc. of New York, a unit of American International Group.

"Most are retrospectively rated programs in which the client is responsible for some losses," Mr. Smetana said. "Whether it is an incurred-loss or paid-loss program is not the point. They are loss-sensitive rated programs."

However, others do not believe that cash-flow plans leave enough risk with the policyholder to be considered a form of self-insurance.

"I wouldn't include cash-flow programs" in the definition of self-insurance, Mr. Ransom said. "It gives the insured the benefit of investment income."

He added: "If it's just a deferred premium, that's not really giving any risk to the insured."

Mr. Brockmeier agrees. He noted that under such plans, insurance companies provide policyholders with a maximum loss level, which "doesn't differentiate from insurance."

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No set rules for choosing right retention

By DAVE LENCKUS

There are no magic formulas for determining the correct self-insured retention, consultants and risk managers agree.

Although several rules of thumb are often bandied about, no one endorses them for determining a self-insured retention.

"We used to have rules of thumb that worked well—until insurance wasn't available," said Warren Brockmeier, vp-risk management with risk management consultant The Wyatt Co. in Chicago.

At best, the experts say, there are some hints.

In a recent newsletter to risk managers, consultant Warren, McVeigh & Griffin Inc. of Newport Beach, Calif., offered several

methods for determining an annual risk-retention capacity. But, it noted, "there are no firm formulas that work in every instance."

The consultant said guidelines for determining an acceptable level of risk retention include:

- 1% to 3% of working capital. "This approach is often used, because working capital is a measure of the entity's liquidity and ability to promptly meet obligations," the newsletter stated.

- 1% of the corporation's surplus that is available for dividends plus 1% of its average annual net earnings during the past five years, according to a formula by insurance expert Bernard Daenzer. This amount ideally would represent a company's minimum risk capacity, the newsletter stated.

- 1% of revenues may be a tolerable level for an annual aggregate level of self-insurance, with one-fifth or one-tenth of that amount a conservative yardstick for per-occurrence retentions.

The newsletter also noted that, "It is important to remember that these risk-retention guidelines do not establish an organization's total capacity to retain accidental losses." These guidelines address planned losses, not unplanned losses, according to the consultant.

When determining how much risk to assume, "first and foremost" a company should determine the worst-case scenario and decide how much it can afford to lose, Mr. Brockmeier said.

"Senior management has to decide what their personal threshold

of pain is," said H. Felix Kloman, a principal with Tillinghast, Nelson & Warren Inc. in Darien, Conn.

"Self-insure up to a rational retention level that will make good long-term economic sense," Mr. Kloman advised.

Many risk managers said self-insurance levels include at least their expected everyday losses.

In the case of primary risks, or those risks that would be covered by first-layer insurance, the decision whether to self-insure should not be based solely on market conditions, said Charles Young, a managing director of Marsh & McLennan Cos. Inc. of New York.

Instead, he said, self-insuring these risks should be part of a company's overall strategy for managing its assets.

"The decision to self-insure primary risks is largely independent of whether the market is hard or soft. It comes down to whether a company can do it more inexpensively or better than having it insured by an insurer," he said.

Generally, companies should be facing annual premiums of at least \$200,000 to \$300,000 for their general liability or workers compensation exposures before considering implementing a self-insurance program, said Richard E. Sherman, a consulting actuary with Coopers & Lybrand in San Francisco.

However, whether to self-insure risks that normally would be covered by excess insurance is a market-driven decision, said Mr. Young of M&M.

"Taking a large portion of a catastrophic type of exposure is more likely to be influenced by the cost and availability of that type of insurance," Mr. Young said.

And, whether and how much to self-insure ultimately depends on a company's financial situation and management outlook, experts agree.

"Most professional risk managers are aware of the guidelines, but they're meaningless if the company decides it can't afford that amount of risk," said Thomas V. Hallett, chairman, president and chief executive officer of Adjustco Inc. in New York. Adjustco, based in Tarrytown, N.Y., is the claims management subsidiary of Frank B. Hall & Co. Inc.

Often, the self-insurance decision is influenced by the number of locations in which a company operates, Mr. Hallett said.

For example, a company with thousands of workers in one plant may find it can predict its losses and control the costs of a workers compensation self-insurance program better than a company with the same number of workers in several plants.

And, sometimes the amount of risk a company will self-insure is a function of the personality of the officer responsible for making that decision, Mr. Hallett said.

Other consultants agreed: Some officers, whether a risk manager or a board chairman, are risk-takers. Others are not.

James Blinn, a vp with Tillinghast in New York, recounted an experience he faced with a Fortune 500 company that was structuring a self-insurance program. The risk manager said the company could assume losses up to \$150,000 per occurrence. The treasurer was willing to assume losses up to \$2 million. The vp of finance said the company could sustain losses up to \$5 million. The president thought \$35 million was a reasonable cap.

"What I learned there is you've got to talk to everybody," he said.

"There is no one standard that fits everybody," said George M. Betterley, a principal and vp with Tillinghast in Newton, Mass.

"In a profit-making environment, it's most commonly related to earnings—1% to 3% of pretax earnings is a range you often see used. But, I know of companies that are willing to risk 5% to 10% of pretax earnings for uninsured losses, and some won't even go to 1%. So much depends on how much your earnings are."

Mr. Betterley noted that whatever percentage is used, "It is always transferred into dollars in the mind of management."

And, the decision may be colored by qualitative considerations. For example, a company may be reluctant to break its trend of increasing yearly earnings, or it may not want to jeopardize retained earnings that could otherwise finance acquisitions, Mr. Betterley said.

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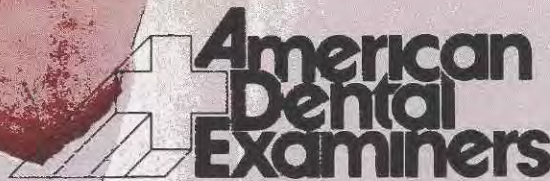
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Search for excess cover to be difficult

By JUDY GREENWALD

Self-insurers of liability and workers compensation risks searching for excess insurance, particularly those new to the market, aren't in for an easy time.

"In general, self-insurers are presently experiencing the same frustrations that clients with insured programs are, if not more so," says John J. Kelly, vp of Hall Services Division, a division of Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y.

In describing today's excess market, "The first word that comes to mind is disastrous," says Donald J. Krutek, vp of Arthur J. Gallagher & Co. in Rolling Meadows, Ill.

"One thing apparent is that companies are unwilling to provide the

same measure of coverage they did in the past," says Charles L. Ruoff, senior vp of Fred S. James Inc. in New York.

Insurers are cutting the limits of excess liability insurance they will provide, because they have lost either reinsurance or the appetite for writing big excess limits.

But, going up are the price of excess liability insurance and the attachment point—the limit at which excess insurers will write over a self-insured retention.

New self-insurers that do not have established relationships with excess insurers will find the market particularly difficult.

Underwriters obviously prefer risks they have underwritten before, says H. Felix Kloman, a principal with Tillinghast, Nelson &

Warren Inc. in Darien, Conn.

But experts say there are several steps new self-insurers, or established self-insurers that have lost their excess markets, can take to improve their chances of finding excess coverage:

- Develop a sound risk management program, including a loss prevention program.

- Arrange for a reputable claims handling facility, make sure reserves are adequate and conduct a loss history analysis for as many years as feasible.

- Prepare a detailed, complete description of the company's business, the risks inherent in that business, and the risk management philosophy for coping with them.

- Find a broker who has experience in the excess market.

- Accept that coverage will be very expensive.

Before the marketplace hardened, a company with, for example, a fully insured program could reduce its premium by taking a modest self-insured retention of \$50,000 to \$75,000 per claim, said Jack Groleau, head of the risk management unit of Bayly, Martin & Fay International Inc. in Los Angeles.

Today, a company will be forced to take a higher SIR of perhaps \$100,000 and pay three times the premium for the same excess limits.

Also, he says, a broker previously could readily obtain a \$5 million limit with the first insurer he approached, but today it is "extremely difficult" to obtain even a

\$1 million to \$2 million limit with one insurer. And, "by the time you reach \$10 million, you start losing players," he says.

Obtaining aggregate excess insurance coverage to cap annual self-insured retentions is particularly difficult, says Mr. Groleau. A company that averaged \$75,000 in losses formerly could purchase aggregate excess insurance that capped its losses at \$150,000 aggregate. But, today insurers are asking for aggregates that are three to four times the \$75,000 figure, Mr. Groleau said.

"They just don't want to insure down to the maintenance level any more," he says, adding, "You'd have to have a really, really bad year" for that kind of an aggregate coverage to kick in.

"Aggregate excess is extremely difficult to find," agrees Robert Hilb, president of Richmond, Va.-based Hilb, Rogal & Hamilton Co.

Complicating matters further, says Mr. Groleau, is that "today, every excess carrier seems to be determined to write his own (claims-made) form. There's just no way to get any of them to change their forms."

He adds that "any high-limit program today is going to have gaps, there's just no way around it."

Mr. Groleau says he eventually hopes to see the appearance of coverage to fill the gaps. This coverage appeared in the mid-70s, during the last hard market, and there is "more and more demand for that kind of market" today, he says.

As difficult as the excess market is for all self-insurers, observers say it is particularly bad for new self-insurers.

Insurers perhaps are reluctant to "aid and abet" desertion from the traditional market, says Mr. Ruoff.

Charles McAlear, chairman of McAlear Associates in Grand Rapids, Mich., says underwriters can have all the business they want just by pricing renewals.

"They don't need new business," he says. "Underwriters have to spend an awful lot of time learning the account, and they're just not anxious to do so."

Ron Boggs, a consultant with The Wyatt Co. in Chicago, says, "In this market, it's always easier to renew your existing program, regardless of what form it's in, just because you've got a track record with that insurance market."

William C. Cohen Jr., chief executive officer of Insurance Management Associates in Wichita, Kan., says, "If you've been there before, you can get it done again, and if you haven't been there, it's a lot tougher to do."

There's a "twisted piece of reasoning" here, in that people are forced by the market to become self-insured, then they can't get excess coverage, says Mr. Kloman. "It's absurd."

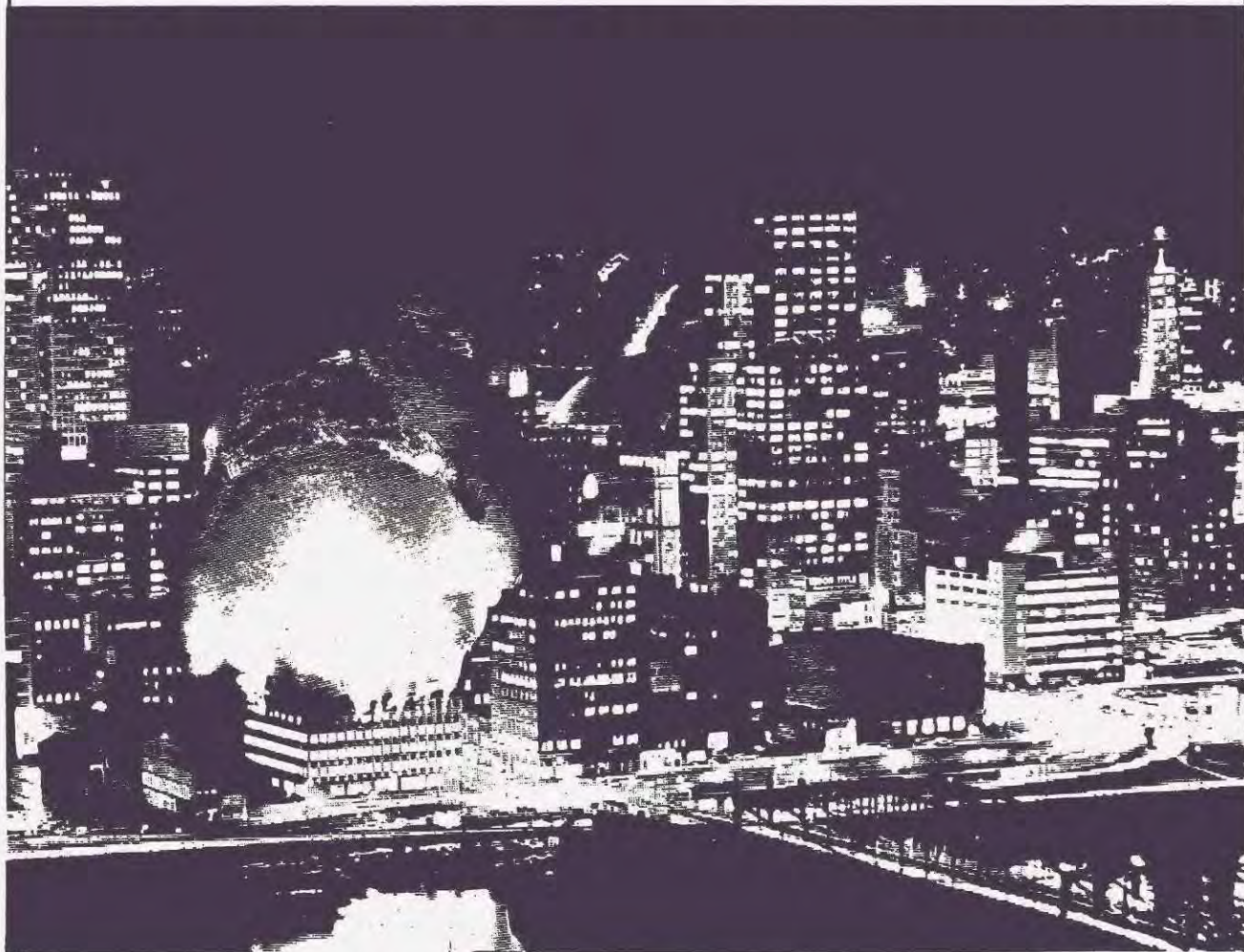
"I don't think that's accurate," responds Jack Langton, assistant vp at Hartford Insurance Group's special accounts department, which writes some excess insurance. "We're back to charging just what we charged five years ago. Now we're just going back to more sound financing than we previously had with them."

The best way to guarantee excess coverage is to have a good self-insurance program. "The more sound the self-insurance program in place, the easier it will be to place the excess," says Charles Colburn, manager of self-insurance at Johnson & Higgins in New York.

George M. Betterley, a Tillinghast principal in Newton, Mass., says, "If you were an underwriter, you would be very squeamish if you sensed people were doing it on

Continued on page 28

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Excess coverage

Continued from page 26
 the fly, and were not doing it properly."

Norm Du Bois, president of Insurance Brokers Service in Chicago, says self-insurers "have to really understand that they are going to act in place of the insurance company, and they've got to make provisions for it."

"There's a difference between self-insured and uninsured," says Edmond F. Rondepierre, senior vp and general counsel at General Reinsurance Corp., which writes excess insurance for self-insurers. "Obviously, if he (the client) self-insures, we have to have a lot of confidence that he knows how to handle claims."

A self-insurer has to give "serious thoughts" to the "non-underwriting aspects" of insurance, including loss prevention, investigating losses, negotiating with claim-

ants, conducting litigation and arranging for settlements where necessary, says Mr. Rondepierre.

"You've got to look long and hard at the people who do this," he says. "You've got to have confidence they can do it."

On the other hand, if a corporation has a professional risk manager and staff, and is self-insured, it "wouldn't preclude our looking at it."

Experts say a good loss prevention program is essential. Self-insurers should "demonstrate they are making a concerted effort as far as controlling losses and expenses," says J&H's Mr. Colburn.

A good claims-handling facility is essential as well, say observers. Gallagher has found that an insurer's decision to give a self-insurer excess coverage is "totally dependent on who is doing the claims service," says Mr. Krutek.

"Having a reputable claims adjusting company, a third party set-

ting reserves independent of in-house, will probably be viewed by the underwriting community as more credible," says Mr. Kelly.

Jim Stone, president of Emett & Chandler of Illinois in Chicago, says underwriters want to make certain that if the self-insurer is using a third-party administrator, "He does set reserves very carefully, and has a mechanism of keeping the underwriter continually advised of claim development in the course of the year."

Experts stress the critical importance of presenting a detailed loss history to the excess insurer.

Mr. McAlear says the self-insurer should present good loss data for "as many years as possible—10 years would be very good—and losses should have been properly evaluated recently." The dates of accidents and when the claims were made also should be monitored.

Self-insurers have a big problem

establishing credibility with insurers, says Mr. Kelly. Often, the data they supply insurers is on a paid, rather than on an incurred, basis, and insurers want incurred loss data.

And, many times, he says, insurers will call for an audit to certify the loss data's accuracy.

Bayly Martin & Fay's Mr. Groleau suggests self-insurers break down losses into categories such as zero to \$10,000, \$10,000 to \$25,000 and \$25,000 to \$50,000. This way, the self-insurer can easily demonstrate the effect of a \$10,000 retention, a \$25,000 retention and so on, on an excess insurer.

If, for instance, a self-insurer can show the excess insurer that he has had no claims over the \$250,000 level, and wishes to purchase excess insurance above that level, the insurer would be much more interested in providing coverage than if that level had been pierced two or three times.

Mr. McAlear says it is also a "very, very good idea" to keep track of losses in aggregate, as well as a record of any major losses, because it could help to get aggregate coverage.

Emett & Chandler's Mr. Stone also recommends that self-insurers describe their risk management philosophy, as well as the "complete product story," including what they produce, modifications that have been made to improve the product's safety and quality control procedures.

Particularly in cases where there is high exposure, a safety engineering report should be submitted "just to give the underwriter a real detailed outlook" of the operation, Mr. Groleau advises.

Mr. Stone says the reasons for requesting a particular self-insured retention should be submitted to the underwriter as well. There's no point asking for a \$1 million self-insured retention, he says, if the self-insurer actually can't afford even a \$25,000 SIR. Mr. Stone adds that excess insurers also now ask for financial statements, to prove the self-insurer can afford his SIR.

"The biggest thing is to give the underwriter every possible detail he would need to make a decision," says Merton J. Segal, chairman of Meadowbrook Agency, based in Southfield, Mich.

"They're willing to write, but they want to know everything there is to know. This is the day of the underwriter." If he has to put aside your file because of questions, "it goes to the bottom of the pile," he says.

Once all this information is together, it should be presented by a good broker with self-insurance experience, recommends Insurance Management Associates' Mr. Cohen. If the broker lacks experience, "He's going to have a lot more difficulty than someone who has connections in the self-insurance area."

Gallagher's Mr. Krutek advises only working with one broker, who will be "negotiating from power."

Fred S. James' Mr. Ruoff agrees one broker is preferable to two or three because one person can structure a layered approach while any greater number "can't maximize what's available."

Mr. McAlear says if a self-insurer decides to use a broker who focuses on the retail market as well as a surplus lines broker, the brokers have to be assigned markets. "Make certain that nobody is contacted twice," he says.

Mr. Groleau warns that if an underwriter is contacted twice, his attitude will be, "Hey, they're out there shopping. Forget it."

Corbette S. Doyle, vp of Corroon & Black Corp.'s Advanced Risk Management Services division in Nashville, Tenn., agrees. "You cut off your nose to spite your face by having more than one broker going into the excess market," she says.

Ms. Doyle also suggests that if at all possible, the risk manager should meet with the underwriters. "It's a people business," she says. And "no one can explain an account better than a risk manager."

Also, risk managers should plan far ahead, says Mr. Groleau. "You certainly want to give yourself all the time you possibly can." Most underwriters are asking for 60 days to study submissions. If they are given less time, "they don't want to even look at it." It's better to make the submission 120 days in advance, he advises, "to be on the safe side."

Finally, self-insurers "have to be flexible and realistic about what it is they are willing to consider," including higher deductibles and premiums, says Meadowbrook's Mr. Segal.

The self-insurer "has to be willing to listen to what the underwriter has to offer," he says. "He must understand that the underwriter is in control."

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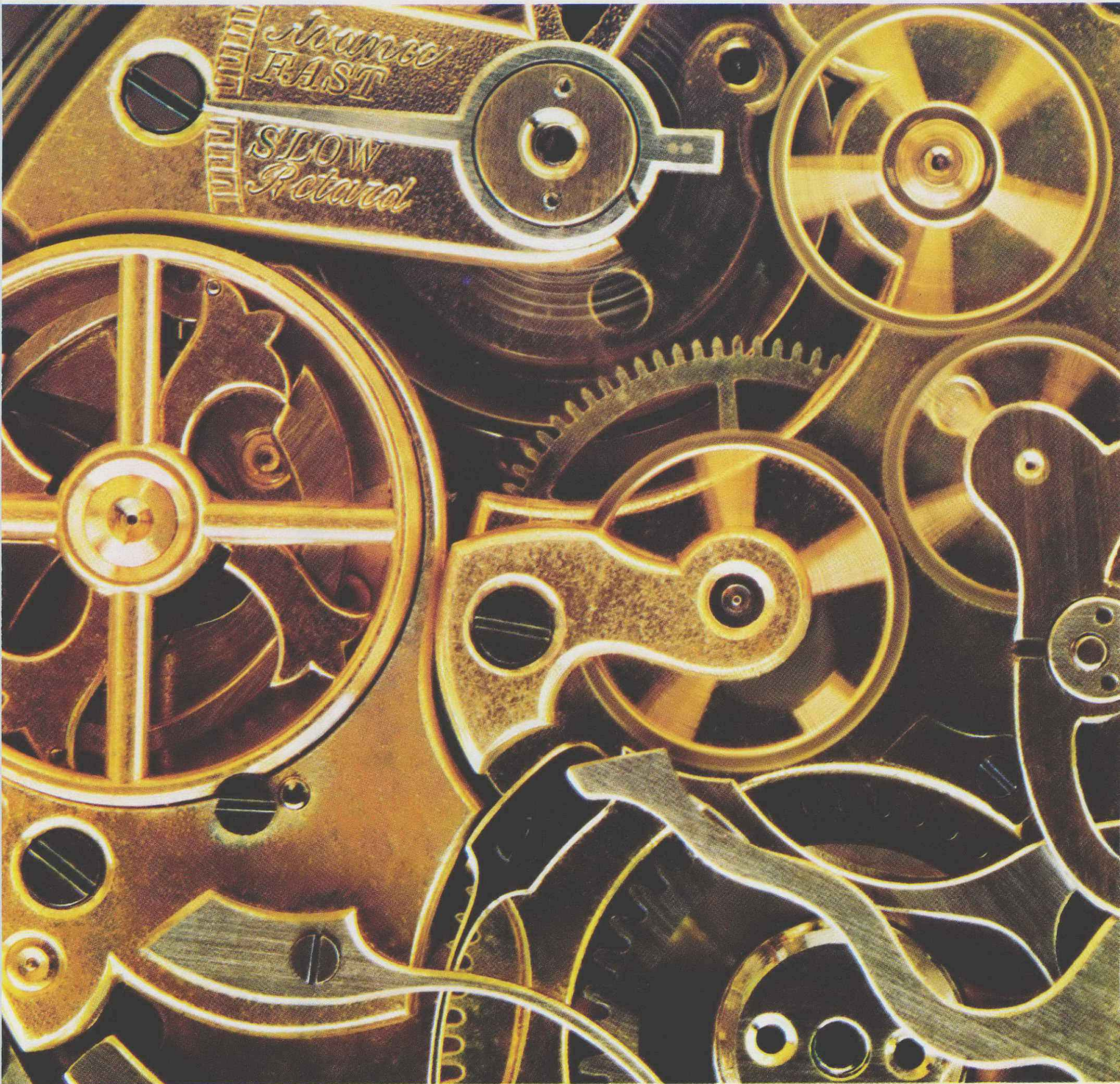
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Property/casualty TPAs' business booms

By MEG FLETCHER

Business is booming for third-party claims administrators specializing in property/casualty claims.

As risk managers turn to self-insurance in droves because commercial insurance is either unaffordable or unavailable, they also are turning to claims administrators.

"Risk managers are bound and determined not to again be caught at the mercy of the insurance marketplace," said David W. Woods, senior vp of Adjustco Inc., a Frank B. Hall & Co. Inc. subsidiary that ranks as the 10th-largest claims administrator.

Adjustco paid \$302.4 million in claims for self-insured clients in 1985.

"We have been extremely busy

not only helping people set up self-insurance plans, but explaining to others, private and public alike, why it might not be in their best interest," Mr. Woods added.

The flurry of new self-insurance activity "caught us somewhat unprepared," noted Thomas V. Hallett, chairman, president and CEO of Adjustco.

As a result, Adjustco and many other TPAs increased their staff and computer capacity.

"The effect of the hard market is now beginning to show its face in the service area, which we see as a great opportunity," said John G. Campbell, president of eighth-ranked Gallagher Bassett Services Inc. The Arthur J. Gallagher & Co. subsidiary paid \$370 million in claims for self-insurers in 1985.

Fifth-ranked Alexis Inc. had the largest increase in claims paid for self-insurers of any TPA surveyed—116%. Alexis, a subsidiary of Alexander & Alexander Services Inc., paid \$472 million in claims in 1985, compared with \$220 million in 1984, according to National Director John A. Malasky.

Even sixth-ranked ESIS Inc., a CIGNA Corp. subsidiary, which had a 3.2% drop to \$460 million in claims paid in 1985 on behalf of self-insurers, said the number of claims it handled increased in 1985. The drop in paid claims reflected a reduction in claims severity, said ESIS President Edward P. Holteran.

"We are all going to grow," predicted Al Peters, vp of fourth-ranked GAB Business Services

Inc., which paid \$524 million in claims last year for self-insurers.

While third-party administrators specializing in employee benefits were growing faster than those in the property/casualty area a year ago, the tide has turned with the hardened market for property/casualty insurance, according to Gallagher Bassett's Mr. Campbell. "We are probably running a pretty good horse race as far as growth and development," he said.

Property/casualty TPAs report growth among clients of all types, including medium- and large-sized corporations and captives.

Most agree that association plans and public entities were an area of booming growth in 1985, and most expect it to continue.

"We have seen explosive growth

in association/trust accounts, particularly in the public entity area," said Adjustco's Mr. Woods. About 125 of Adjustco's 152 new clients in 1985 were in the association/trust area, and about half of them were public entities, said Adjustco's Mr. Hallett.

Gallagher Bassett landed seven new association plan clients for a total of 24, said Mr. Campbell.

But, Alexis' Mr. Malasky tempers his enthusiasm for the prospect of continued growth in the number of association plans turning to self-insurance, because the market for excess insurance is shrinking.

While more self-insurance of workers compensation and general liability risks is increasing demand for TPA services, some property/casualty TPAs also are looking for growth in health plan claim administration.

"More property/casualty TPAs are looking at the health area and going into that than the other way around," said Gallagher Bassett's Mr. Campbell.

Adjustco increased its benefits business 20 percentage points, including a 15 percentage point increase in health insurance and a 5 percentage point increase in disability.

However, not all TPAs are diversifying.

Seventh-ranked Scott Wetzel Services Inc., a Home Insurance Co. subsidiary that paid \$373.3 million in claims for self-insurers last year, eliminated the 5% of its claims administration business that was related to health insurance.

Risk managers shopping for a TPA are focusing less on price than in the past and more on services that can save more money or, if they don't save money, meet a specific corporate objective, said C.C. Lefler, executive vp-marketing of third-ranked Crawford & Co., which paid \$618 million in claims for self-insurers last year.

These services include sophisticated information systems that provide accurate and timely reports, arrangements to maximize cash flow and rehabilitation of injured workers, he said.

"We are looking at an opportunity of attracting more risk managers' attention to place greater attention on safety and loss control efforts," said M.A. Soltan, president and CEO of Scott Wetzel.

And, TPAs are constantly updating their computer equipment. ESIS, GAB, Gallagher Bassett and Scott Wetzel all reported major computer developments in 1985.

While business continues to boom in 1986, there will be some added costs, the TPAs interviewed said. They will be spending more money and staff time in training their personnel to handle claims-made form policies for their clients.

"Expenses will go up and it will complicate our lives," said Adjustco's Mr. Hallett.

Following are profiles of the top TPAs that specialize in the administration of property/casualty risks:

Atlanta-based Crawford's 1985 gross revenues grew 10.5% to \$213.8 million, and the company expects to do even better this year, Mr. Lefler said.

Crawford, which has 700 administrative offices and eight regional sales offices, will emphasize structured settlements in its presentations to clients, he added.

Last year, Crawford stopped providing claims auditing services, which had generated 1% of its 1984 revenues. The professional liability exposure claims auditing presented and a determination that staff could be better used in-house contributed to the decision, Mr. Lefler

Continued on page 32

Evaluation of utilization review firms:



1. Firm Name Medical Review Corporation
 Address 40 Maple Avenue, Morristown, NJ 07960
 Contact/Title Marc Allen, President Tele. (201) 267-2233

2. Check those Health Care Cost Management services provided by your firm:

<input checked="" type="checkbox"/> Pre-Admission Review	<input checked="" type="checkbox"/> Second Surgical Opinion
<input checked="" type="checkbox"/> Length of Stay Management	<input checked="" type="checkbox"/> Mental Health — Rehab. Review
<input checked="" type="checkbox"/> Concurrent Utilization Review	<input checked="" type="checkbox"/> Others (Specify):
<input checked="" type="checkbox"/> Retrospective Utilization Review	<u>Hospital Bill Audit</u>
<input checked="" type="checkbox"/> Long Term Case Management	<u>DRG Case Mix Analysis</u>

3. Geographical area serviced: Nationwide Other (Specify)

4. Any group size restrictions? Yes No

5. Size range of groups currently servicing: From 100 to 100,000

6. Type of clients currently servicing: Fortune 500 Corps, TPAs, PPOs, MEJs, Insurance Companies, Unions, Small Employers, Trade Associations.

7. Year firm founded 1982 Total years executive staff actively involved in utilization review Over 40 years

8. Does your firm provide:

A. Employee Education Programs	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
B. Employee Education Materials	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
C. Employee Information Line	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
D. COST BENEFIT GUARANTEE	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
E. No Charge Reports and Analysis	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
F. Re-Insurer Discounts	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

9. If your firm is selected, how long between execution of contract and implementation. 30 days

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P/C business booms

Continued from page 30
said.

Crawford employs 4,460 persons, but the company did not provide figures on the number of employees serving only self-insured clients.

About 61% of its revenues are generated by claims adjusting, 25% by claims administration and 14% by other services, including health and rehabilitation services.

Crawford administered claims for 535 self-insured clients in 1985, up 242, or 83%, from 1984.

Crawford will continue to market rehabilitation-related services, including computerized job searches and job placement. It introduced those programs last year, aided by the acquisition of Los Angeles-based Injury Management and Rehabilitation Corp. in late 1984.

GAB, based in Parsippany, N.J.,

reported 1985 gross revenues of more than \$200 million. Revenues are expected to increase 10% to 15% this year with new clients, including municipalities and associations, Mr. Peters said.

GAB's marketing strategy will emphasize employee benefit services as well as its ability to provide "wrap around" services for property/casualty risks including equipment and product testing.

These new services are available internationally from sister companies, following the sale of GAB in July 1985 to SGS North America, a subsidiary of SGS International Holding Co. in Geneva, Switzerland.

After the sale, Gordon Cantley was named the new chairman of GAB.

About 91% of GAB's business is in claims administration, 7% in claims adjusting and 1% in claims auditing. It administered claims for 1,127 self-insured clients last year,

an increase of 127 or 13% compared with 1984.

Clients will continue to be served from 650 administrative offices nationwide and 19 sales offices. The Rochester, N.Y., sales office was eliminated, but the area is being serviced through the New York office.

Alexsis reported a 20% increase in gross revenues to \$38.6 million in 1985 and expects a 20% to 25% increase this year, according to Mr. Malasky.

It administered claims for 1,500 self-insured clients in 1985, 74% more than its 860 clients in 1984.

Its 41 administrative offices include six new ones located in Tallahassee, Fla.; Jefferson City, Mo.; Milwaukee; Worcester, Mass.; New York; and Bentonville, Ark.

Clients also are served by 37 sales offices, including new ones in Tallahassee, Milwaukee and New York.

Service new clients required

Alexsis to add 100 staff members, bringing the total to 670, and to double its computer capacity. Its headquarters was moved to a larger building in Northville, Mich.

Alexsis continues to do about 70% of its business in claims administration, 5% in claims auditing and 25% in other services, including program design and captive consulting, Mr. Malasky said.

ESIS and its subsidiaries, including Self-Insurance Management Corp. in Boston and Robert F. Coleman Inc. in New York City, held steady in 1985 with about 1,000 self-insured claims administration clients.

But, the company generated 30% more in revenues in 1985 than in 1984, said Mr. Holleran, declining to provide figures.

About 80% of ESIS's business involves claims administration, 10% claims adjusting and 10% claims auditing.

ESIS serves clients from its head-

quarters in Philadelphia and nine sales offices.

ESIS pared its staff by 900 in 1985 to 3,140, including CIGNA Corp.'s property/casualty claims department. ESIS declined to report the number of staff members assigned to serve only self-insured clients.

The staff reduction resulted from "elimination of redundancy" that existed after the 1982 merger of Connecticut General Life Insurance Co. and INA Corp. to form CIGNA Corp., and the introduction of a new computerized system for handling workers compensation claims, Mr. Holleran said.

The "paperless" file system, which is backed up by stored documents, speeds claims handling in nearly two dozen claims centers across the United States, he said. The approach will be used next for automobile liability claims, Mr. Holleran said.

Bremerton, Wash.-based Scott Wetzel is paying claims for 417 self-insured clients, which is 15, or 4%, more than in 1984.

The company operates from nine administrative and 26 sales offices, employing 439 staff members, all of whom only service self-insured clients.

Scott Wetzel cut its staff by 86, or 16%, in 1985, through increased automation and delegating sales authority to branch managers, said Mike Soltau, the new president and chief executive officer who last year succeeded the company's founder.

Scott Wetzel, which declined to provide revenue figures, generates about 81% of its business from claims administration, which is 6 percentage points less than in 1984. It generates 13% of its business from loss control and data processing, which is up 8 percentage points from last year. It also generates 5% in claims adjusting, down 3 percentage points from 1984, and 1% in claims auditing.

Gallagher Bassett of Rolling Meadows, Ill., reported \$25.6 million in gross revenues in 1985, up \$3.8 million or 17% compared with 1984.

About 86% of those revenues continue to be generated by claims administration, 1% claims auditing and 13% through other services, including loss control, management information and property appraisals.

It is paying claims for 551 self-insured clients, up 83, or 18%, from 1984. Gallagher Bassett is beginning to service a much larger client, including landing American Honda Motor Co., Mr. Campbell said.

Service self-insured clients are 582 staff members, up 10% or 52 from the previous year, in 66 administrative offices and 15 sales offices.

Adjustco reported gross revenues of \$52.1 million in 1985, but no comparable figure was available for 1984.

About 62% of those revenues were generated through claims administration and 22% from claims adjusting. Those combined categories have grown 8 percentage points from 1984. Adjustco also reported 3% in claims auditing revenues, down 1 percentage point from last year, and 13% from other services, which is 7 percentage points fewer than in 1984.

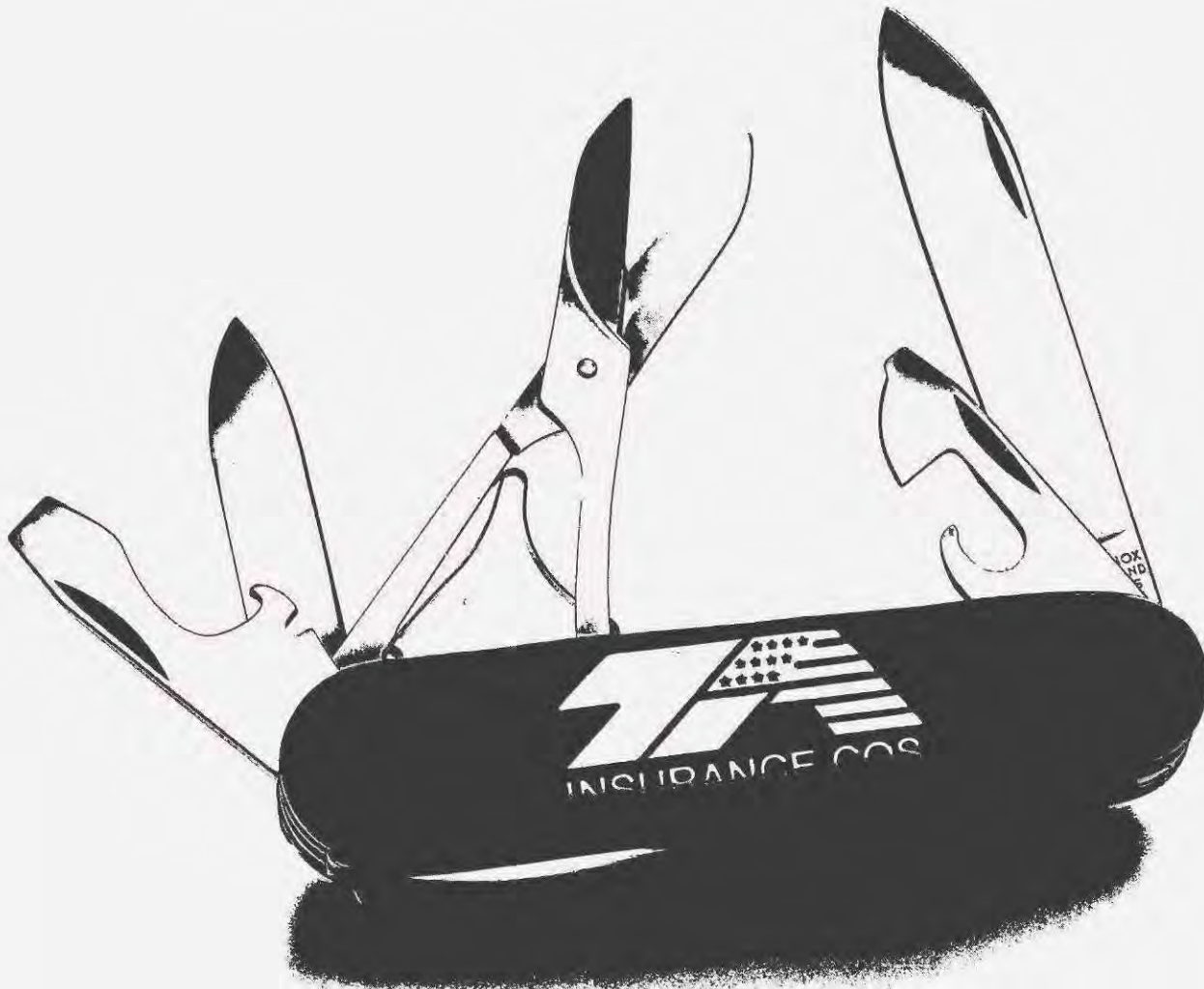
Adjustco employs 1,100 persons, 880 of whom serve only Adjustco's 12,663 self-insured clients. It operates from 107 offices that combine administration and sales.

In the fall of 1985, Adjustco acquired the Southland Marshall Group, a multiline claims firm with 10 offices throughout Texas.

As a result, Adjustco formed a new southwest regional office based in Dallas that encompasses New Mexico, Oklahoma, Texas, Arkansas and Louisiana.

It plans to open three offices in metropolitan areas this year. ■

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Benefit TPA shakeout fuels competition

By MEG FLETCHER

A massive shakeout among third-party administrators specializing in employee benefits is creating intense competition.

TPAs are buying each other out—or selling out—at an unprecedented rate.

Among the larger TPAs:

- Fred S. James & Co. Inc. of New York last week announced plans to divest its third-party benefit claims administration operations, which together with its smaller property/casualty claims administration services rank James as the second-largest claims administrator.

James Benefits paid \$700 million in claims on behalf of its 2,100 self-insured benefit clients. Property/casualty claims paid for 700 self-insured clients totaled \$80 million.

"By its nature, third-party benefit claims administration is capital and labor intensive, while insurance brokering and benefit consulting is not," said Ronald C. Nevins, executive vp and chief operating officer. He added that James "expected to find a number of interested companies," although it was not in negotiations with a potential purchaser and no deadline has been set for completing the divestiture.

- TPA of America Inc. bought 11th-ranked American Benefit Plan Administrators Inc. last year. TPA of America, owned by private investors, now is in final discussions to purchase two other TPAs. In addition, 30 of 125 acquisition prospects responded with interest to a letter TPA of America sent out earlier this month, according to Harry L. Austin, who is president of both TPA of America and American Benefit.

American Benefit paid out \$300 million in claims last year, up 20% from 1984.

- Richard J. Dunlap, who founded ninth-ranked Employee Benefit Claims Inc./Employee Benefit Administration Co., earlier this month bought a majority interest in Comprehensive Benefits Service Co. Inc. in Newtown Square, Pa.

The two Employee Benefit companies paid \$350 million in claims in 1985, up 40% from 1984.

Comprehensive Benefits pays about \$90 million in claims annually, which is 26% of the \$350 million Mr. Dunlap's company paid in 1985. (Claims paid by Comprehensive Benefits are not included in the combined figures reported by the two Employee Benefit companies.)

Also, Employee Benefit Plans Inc., an Employee Benefit affiliate, earlier this month bought 3 P.A. Corp. of Seattle, which pays about \$10 million in claims annually.

Meanwhile, many smaller TPAs also are selling their business to others who want to integrate TPA services into their benefit operations:

- Key Benefit Administrators Inc. of Indianapolis was purchased recently by Blue Cross/Blue Shield of Indiana. The TPA is one of at least 12 TPAs acquired by Blue Cross/Blue Shield plans nationwide, according to Dexter Coolidge, executive director of Business Strategy Service, a BC/BS consultant on business strategy.

- Indianapolis-based Independent Benefit Plans Inc. was one of five TPAs acquired last year by Lincoln National Administrative Services Corp., a wholly owned subsidiary of Lincoln National Corp. that also owns Lincoln National Life Insurance Co., said Independent Benefit President W.B. "Ben" Davenport. He is also presi-

dent of the Self-Insurance Institute of America, a Santa Ana, Calif.-based organization of TPAs.

- Chicago-based Kelly & Associates Inc. was bought last year by MONYCO, a downstream holding company of Mutual Life Insurance Co. of New York.

"I wouldn't be surprised if the number of TPAs acquired exceeded 100, and that might be conservative," Mr. Davenport said of acquisitions in recent years.

In addition, he knows of two or three life insurance companies actively seeking TPAs to acquire, he said. He declined to identify them.

Over the next five years, there will be a shakeout among the approximately 1,500 TPAs nationwide, American Benefit's Mr. Austin predicts. He expects to see a

couple of dozen major players and a lesser number of independent ones.

"In some respects, we are victims of our success" said Frederick D. Hunt Jr., executive director of the Society of Professional Benefit Administrators, a Washington-based TPA organization.

"Everybody is trying to get into the business," he said, including insurance companies, banks and health care providers.

SIIA's Mr. Davenport said, "The big players all really recognize the hundreds of billions of dollars of financial activity involved in providing health care in the nation, and we are going to see intense competition to control that business."

They recognize the fact that employers are turning away from con-

ventional insurance in favor of a tailor-made program with personalized service, especially if it costs less, Mr. Hunt said.

An employer can save 30% to 40% in employee benefit costs by self-funding, he added.

However, many of the employers who want to self-insure have done so already. Relatively fewer employers are now converting from conventional insurance to self-insurance, said Robert C. Strom, vp at Gallagher Bassett Services Inc.

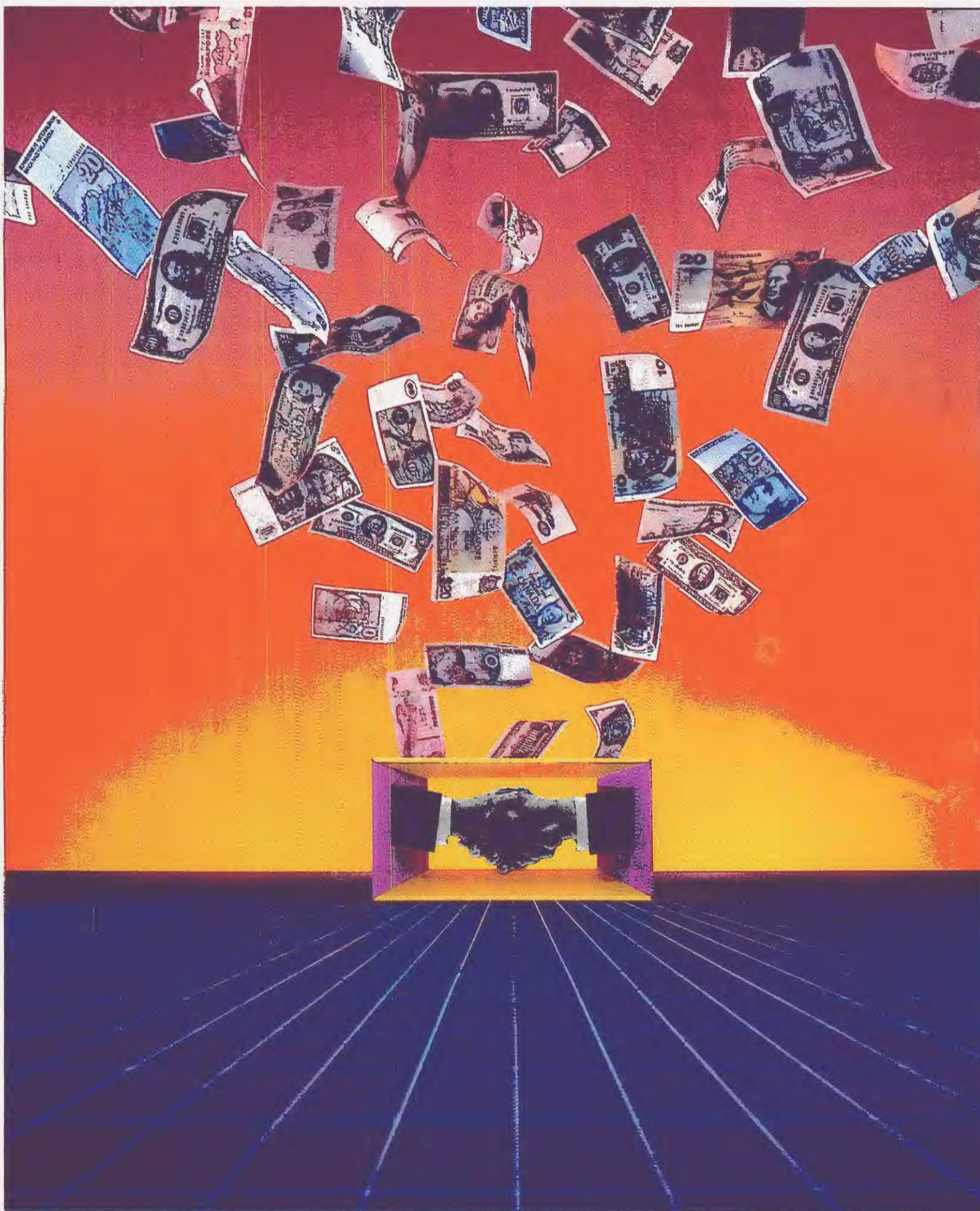
Everyone expects more competition with the many acquisitions of claims administrators and the new owners looking to expand their market share, and at the same time the number of new employers self-funding health plans slowing down.

Michael Bedessem, controller of ninth-ranked Employee Benefit Claims Inc. agreed: "Competition in the TPA industry is increasing, and that is why acquisition is a favorable route to growth. There are a lot of TPAs out there who are marginally profitable, and they are candidates for acquisition."

Smaller TPAs sometimes welcome a sale to gain access to more professional staff and more capital for up-to-date computer equipment needed for sophisticated cost management studies, said William J. Nietschmann, senior vp of 12th-ranked Penn General Service Corp. His TPA paid \$200 million in benefit claims last year, up 17% from 1984.

Robert E. Kelly Jr., president of

Continued on next page



Continued from previous page

Kelly & Associates, said he expects his company to benefit as a MONYCO subsidiary because it will receive capital for expansion and an experienced marketing force.

While price competition is likely to increase, claims administrators specializing in employee benefits more often are judged by the kind and quality of their cost-containment programs.

These programs include pre-admission certification, concurrent review and integration of workers compensation and health benefits to avoid duplication of claims payments. All of these approaches are being expanded by most of the TPAs interviewed.

In addition, more TPAs are getting involved in dealing with or sponsoring PPOs and health maintenance organizations.

Mr. Bedessem of Employee Benefit predicts his companies' biggest

growth will stem from PPO agreements with 80 hospitals and 10,000 doctors for the exclusive right to market to specific categories of employers in six regions.

Los Angeles-based U.S. Administrators has operated a PPO in California since June 1984 and will launch more than one pilot PPO program this year in the East, said President Samuel X. Kaplan.

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

U.S. Administrators, the largest TPA, provides only claims administration services. Almost all—98.5%—of its gross revenues is generated by health claims administration. Only 1% of revenues are related to disability claims and 0.5% prepaid legal plans.

It provides services to 61 clients, three more than in 1984, from six administrative offices.

Mr. Kaplan, who owns and oper-

ates the company, added four people to the senior management staff in 1985 and now is delegating more authority.

U.S. Administrators is growing, Mr. Kaplan said, declining to provide gross revenues. All 1,060 staff members, which is 400 more than in 1984, serve only self-insured clients.

U.S. Administrators paid \$781 million in benefit claims last year, up 6.4% from 1984.

Now, the company is seeking larger clients and has raised its minimum client size to 5,000 employees from 1,500.

The employee benefit claims administration services of James Benefits that will be divested generated \$29 million of James Benefits' \$57 million in gross revenues last year.

The other 49% of gross revenues were generated by brokerage and actuarial services, which will be retained, and 1% from claims audit-

ing.

About 673 of James Benefits' 1,203 employees work on servicing self-insured clients' claims. About 91% of James Benefits' claims administration business in 1985 was in health insurance, which is a drop of 3 percentage points from 1984; 4% flex compensation, up 3 percentage points from 1984; 3% disability; and 2% pensions.

James Benefits operates 14 administrative offices and 48 sales offices.

James will continue to provide property/casualty claims administration services to self-insured clients with a staff of 350 people in its claims management services division.

James declined to provide revenue figures for its property/casualty claims administration, but reported that 90% of its business was generated by claims administration, 5% auditing and 5% other services.

The number of claims auditing projects performed for self-insurers doubled to 20 in 1985 compared with the previous year.

About 90% of the claims paid involved workers compensation, 7% general liability and 3% automobile, said Vp Robert L. Young.

James services property/casualty claims clients from 38 administrative offices including three new ones in International Falls, Minn.; Albuquerque, N.M.; and San Diego, Calif. It has 80 sales offices.

Fred S. James & Co. Inc. was acquired last year by Sedgwick Group P.L.C., a leading London-based broker.

Employee Benefit Claims Inc./Employee Benefit Administration Co. had gross revenues of \$28 million, including \$26 million from claims administration.

About 91% of its claims business is in health insurance, and Employee Benefit Administration Co. handles 9% in work comp.

About 91% of its business is claims administration, 7% claims auditing and 2% claims adjusting.

All of its 430 staff members service more than 2,300 clients from 22 administration and sales offices, including two new ones in Seattle and Costa Mesa, Calif.

Employee Benefit Administration Co. has offices in Minneapolis and Tulsa, Okla.

EBA is becoming a full-service property/casualty administrator, and the number of paid claims it administers is expected to grow 250% from \$30 million, Mr. Bedessem said.

Most of the growth will come from administering workers compensation claims, especially from the administration of half of the work comp claims in Minnesota's assigned risk pool, he said.

American Benefit Plan Administrators Inc. generated \$7 million of its \$20 million in gross revenues last year from claims administration, or about 30%. The remainder came from 5% claims adjusting, 5% claims auditing and 60% from other services, including the administration of 350 multiemployer and Taft-Hartley plans.

About 70% of the claims it administered were in health insurance, 25% pensions, 4% disability and 1% life.

About 400 of its 550 staff members service only 200 self-insured clients, unchanged from last year.

This year will be one of growth with more acquisitions and a major marketing push this year aimed at adding corporate clients from the Southeast to the 55 Taft-Hartley plans it now services.

The TPA plans to zero in on companies with between 250 and 2,500 employees in Texas, Oklahoma, Louisiana, Mississippi, Alabama and Florida, said Irv Baldinger, senior vp.

Penn General Service Corp. generates about 50% of its undisclosed gross revenues from claims administration and 50% from other services, including workers compensation loss prevention and health care cost containment.

It administers claims for 1,275 self-insurance clients, up 52 or 4% from 1984. About 45% of its clients are corporations, 40% association plans and 15% public entities.

The claims it administers are 50% health, 45% in workers compensation and 5% in disability.

All 175 staff members service only self-insured clients from 11 administrative and 29 sales offices. In the past year, an administrative office in Barrington, N.H., was closed and the Dallas office was moved to nearby Irving, Texas.

Penn General also moved its corporate headquarters from Los Angeles to the Boston headquarters of its parent company, Republic Hogg Robinson Inc.

By March, Penn General expects to have a new management information system in full operation. ■

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Benefit TPAs are regulated in 20 states

By MEG FLETCHER

Third-party claims administrators handling primarily employee benefits are regulated in 20 states, including six that passed or implemented new laws in 1985.

Illinois, South Carolina, Arkansas, Minnesota, Michigan and New Mexico passed or implemented laws last year.

Those laws require administrators of primarily life and health insurance benefits to register and periodically report to state officials, according to Tracy R. Gilliland, government affairs coordinator for Washington-based Society of Professional Benefit Administrators.

The other 14 states with TPA regulation are Arizona, California, Florida, Idaho, Indiana, Kansas,

Louisiana, Montana, Nevada, North Dakota, Oklahoma, Tennessee, Utah and Wyoming.

A *Business Insurance* survey of the leading 12 third-party administrators nationally found almost all favor state regulation of TPAs.

The TPA laws in all states except Louisiana are based on a model law adopted by the National Assn. of Insurance Commissioners. The model requires a written contract between the TPA and each insurer represented. It also requires a TPA to let state insurance department officials review its books.

These states have new rules authorizing their insurance departments to regulate TPAs:

- Illinois. The state passed legislation last year that is effective July 1 this year, although TPAs in

business by that date have until Oct. 1 to obtain a license. A TPA gets a license by submitting an application and paying a \$100 registration and annual renewal fee.

A TPA with either a claims administration services account, from which claims are paid, or an administrator trust account, containing self-insurers' premium payments and contributions, must post a bond for each account that is the greater of \$50,000 or 5% of the moneys expected to be in each account in the next year, not to exceed \$1 million. The TPA must also submit names and addresses of the insurers and plan sponsors or the ultimate risk bearer (*BI*, Nov. 5, 1984).

- South Carolina. An administrator must pay a \$100 registration

fee and a \$100 annual renewal fee on or before March 1 under the law, which took effect Sept. 4, 1985.

The TPA also must file copies of written agreements with insurers, a financial statement and biographical affidavits of key officials.

And, it must file a financial guarantee bond for no less than 10% of total funds handled, but not less than \$50,000 or more than \$500,000.

- Arkansas. A TPA must file a \$25,000 surety bond and pay a \$25 registration and annual renewal fee, since the law was enacted April 4, 1985. Also, the TPA must report any changes on the application or the attached list of self-insured plans or trusts.

- Minnesota. The revised law effective May 9, 1985, requires a TPA to submit resumes of the top

three employees and pay a \$101 registration fee and a \$101 renewal fee every two years.

Financial statements for the past three years are required. The initial statement does not have to be certified, although a certified one is required with a renewal.

The TPA must have a fidelity bond, with the amount varying from \$100,000 to \$2 million, depending upon the way the TPA operates. For example, if the TPA commingles the trust accounts of various clients, a larger bond will be required.

- Michigan. An administrator must pass a written examination to be licensed (*BI*, Jan. 28, 1985).

An administrator is also required to submit a current financial statement and pay a \$200 filing fee and a \$25 fee annually.

No bond is required, but if there are fewer than 500 participants in a plan, the TPA must arrange for stop-loss insurance.

The law, which took effect Jan. 1, 1985, also established a TPA Advisory Board, but no one has been appointed, said Kathy Parsons of the Insurer Licensing Division.

- New Mexico. Regulations effective April 1, 1985, have been tabled because they did not give the state's Licensing Division enough information to set guidelines, said Nap Sanchez, licensing manager. Legislators probably will not act until 1987, he said.

Jurisdictional ruling sought

Employee benefit claims administrators want to clarify jurisdictional boundaries between state and federal regulation of employee benefit plans.

The issue: Implementing the pre-emption clause of the Employee Retirement Income Security Act, which says that only the Department of Labor, and not individual states, regulates self-funded employee benefit plans (*BI*, Sept. 30, 1985).

The Self-Insurance Institute of America, which represents third-party administrators, plans to file a federal suit in Michigan, Illinois or Florida by the end of March, says James W. Duff, chairman of the SIIA's legislative and regulatory committee.

These states impose requirements on self-funded employee benefit plans, which they should not do, Mr. Duff said.

"With multistate operations you get many conflicting regulations," he said.

The current confusion makes some multistate employers reluctant to establish self-insurance plans and those that do may face added costs, Mr. Duff said.

However, another organization representing TPAs believes there is little confusion over single-employer self-funded plans. Most of these plans are ERISA-qualified, said Frederick D. Hunt Jr., executive director of the Society of Professional Benefit Administrators.

But, the Labor Department has failed to provide definite guidelines establishing when an employee benefit plan is ERISA-qualified, he said.

Most of the confusion about regulation of plans involves multiemployer self-funded plans, he added.

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Region served: Nationwide.

Specialty: Employee benefits/group insurance: 80% health insurance, 15% disability, 5% life.
Self-insured clients/claims: Administration: more than 100 clients, \$25 million claims paid.

Client mix: Administration: 97 corporations, nine public/government entities, two multiemployer plans, two Taft-Hartley plans, five union-sponsored plans, six association plans. Health plans: 28,000 employees covered, 60,000 dependents covered.
Staff: 31 total staff members, 25 of whom serve self-insured clients only.

Charges: Administration: flat monthly charge per employee, \$3-\$10.
1985 gross revenues: \$1.2 million total, \$600,000 from claims services.
Principal officers: Albin J. Tercek, president; William L. Morris, vp.
Membership: SPBA.

Allied Benefit Systems Inc.

401 N. Michigan Ave., Suite 310, Chicago, Ill. 60611; 312-321-5071

Year founded: 1980.
Services provided: 77% claims administration; 3% auditing; 20% other services, including brokering.
Region served: Nationwide.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.
Self-insured clients/claims: Administration: 30 clients, \$19 million claims paid.

Client mix: Administration: 28 corporations, two public/government entities. Health plans: 10,000 employees covered, 5,500 dependent units covered.
Staff: 14 total staff members, 11 of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$3.50-\$8.
1985 gross revenues: \$550,000 total, \$450,000 from claims services.
Principal officers: Laurence Wilneff, president; Ben D. Schenker, secretary/treasurer; Paulette Vission, vp.
Membership: SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

American Benefit Plan Administrators

2999 W. Sixth St., Los Angeles, Calif. 91206; 213-386-2703

Parent company: TPA of America Inc.
Year founded: 1954.

Services provided: 30% claims administration, 5% adjusting, 5% auditing, 60% other administration services.
Region served: Nationwide.

Specialty: Employee benefits/group insurance: 70% health insurance, 25% pensions, 4% disability, 1% life.
Self-insured clients/claims: Administration: 200 clients, \$300 million claims paid. Adjusting: types of claims include medical. Auditing: four projects conducted.

Client mix: Administration: clients include multiemployer plans, Taft-Hartley plans, association plans. Auditing: two multiemployer plans, two Taft-Hartley plans. Health plans: 500,000 employees covered, 1.5 million dependents covered.
Staff: 550 total staff members, 400 of whom serve self-insured clients only.

Charges: Administration, adjusting and auditing: fee for service.
1985 gross revenues: \$20 million total, \$7 million from claims services.
Branch offices: Administrative and sales offices in Phoenix and Tucson, Ariz.; Denver; Honolulu; Indianapolis; Shreveport, La.; St. Paul, Minn.; Kansas City, Mo.; Las Vegas, Nev.; Albuquerque, N.M.; Oklahoma City; Dallas; Houston; Nederland, Texas; Salt Lake City; Jacksonville, Fla.; El Monte, Calif.
Principal officers: H.L. Auston, president; C.J. Monson, executive vp; Irvine Baldinger and H.V. Kaye, senior

vps; T.E. Greene III, chairman.
Membership: SPBA.

American Claims Evaluation Inc.

375 N. Broadway, Jericho, N.Y. 11753; 516-938-0400

Year founded: 1981.
Services provided: 100% claims auditing.
Region served: Nationwide.

Staff: More than 300 total staff members.
Charges: Auditing: contingency fee arrangements.
1985 gross revenues: Not reported.

Branch offices: Administrative and sales offices in New York, Chicago and Los Angeles.

Principal officers: Gary Gelman, president; June Narus Novak, vp; Robert E. Lindberg, vp-marketing; Edward Elkin, medical director.
Membership: SIIA.

American Insurance Administrators Inc.

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

Year founded: 1977.

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

Region served: Nationwide.
Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 12 clients, \$20 million claims paid. Adjusting: four clients; types of claims include health, dental and vision. Auditing: six projects conducted.

Client mix: Administration: clients include corporations, public/government entities, union-sponsored plan.

Health plans: 40,000 employees covered, 120,500 dependents covered.

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

Charges: Administration and adjusting: per employee per month, \$5-\$8. Auditing: \$35-\$75 per hour.

1985 gross revenues: Not reported.

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 and Barbara Rabinowitz, vps.

Membership: SPBA.

Continued on next page



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ADVANCED SYSTEM APPLICATIONS, INC.
BI 127

Guide to claims professionals' directory

The annual directory of claims companies specializing in serving self-insurers lists companies that responded to a *Business Insurance* questionnaire. Although there is no charge to be included in the directory, companies must generate at least 50% or \$500,000 of their gross revenues from handling claims for self-insured clients to be listed.

Companies are organized according to the type of business in which they specialize. Those that handle only employee benefits/group insurance are listed beginning on page 39, those that handle only property/casualty claims (including workers compensation) are listed beginning on page 50 and those that handle both property/casualty and employee benefits/group insurance are listed beginning on page 56.

Following the company name and address, parent company and year founded, the listings include 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 claims file operations, verifying the accuracy and direction of claims payments and recommending solutions to claims administration problems.

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

Also included are the geographic region served, claims specialties (as a percentage of gross revenues derived from handling claims for self-insured clients), number of self-insured clients and amount of claims paid for them (excluding funds held on behalf of employer-sponsored pension and profit-sharing

plans), types of self-insured clients served, information on staffing and ways in which the company bills for its services.

Total gross revenues in 1985, as well as revenues generated from claims services for self-insurers, are included when reported by the company. Following are locations of administrative and sales offices; as well as names, locations and type of service provided by subsidiaries.

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 answers to the questionnaire. There are no public documents available to allow *Business Insurance* to verify the accuracy of the information.

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.

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Continued from preceding page

AmeriTrust Benefits Management

707 Brookpark Road, Brooklyn Heights, Ohio 44109; 216-749-8212

Parent company: AmeriTrust Co. National Assn.

Year founded: 1984.

Services provided: 73% claims administration; 7% auditing; 20% other services, including data collection and reporting for PPOs.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 97% health insurance, 2% disability, 1% workers compensation.

Self-insured clients/claims: Administration: 11 clients, \$37 million claims paid. Auditing: one project conducted.

Client mix: Administration: 10 corporations, one public/government entity. Health plans: 78,000 employees covered, 117,000 dependents covered.

Staff: 41 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month. Auditing: by the project.

1985 gross revenues: Not reported.

Principal officers: Marie C. Grossman, vp-AmeriTrust; Paul C. Matcinga, operations manager; Richard L. Philips, systems manager.

Membership: SIIA, Northeast Ohio Claim Assn.

Associated Health Plans Inc. of Louisiana

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

Year founded: 1978.

Services provided: 60% claims administration; 40% other services, including preparation of plan documents.

Region served: Louisiana, Texas, Alabama, Mississippi, Georgia and Missouri.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: more than 100 clients, more than \$20 million claims paid.

Client mix: Administration: more than 100 corporations, two public/government entities. Health plans: more than 16,000 employees covered, approximately 24,000 dependents covered.

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

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

1985 gross revenues: \$1.2 million total, \$720,000* from claims services.

Branch offices: Administrative office in New Orleans; sales office in Lafayette, La.

Principal officers: Pam Chawff, president/chief administrative officer; A.J. Blanchat, secretary/chief executive officer; Vincent Varisco, vp/director-sales; Dolores Blanchat, treasurer.

Membership: SPBA, SIIA, National QicClaim Assn. of Independent Health Care Plan Administrators.

*BI estimate.

b

Babcock Insurance Corp.

6464 E. Grant Road, Tucson, Ariz. 85715; 602-886-8401

Year founded: 1970.

Services provided: 90% claims administration, 10% auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 80% health insurance, 15% disability, 5% life.

Self-insured clients/claims: Administration: more than 50 clients, \$8 million claims paid.

Client mix: Administration: more than 50 corporations, five public/government entities, two multiemployer plans, two Taft-Hartley plans, one union-sponsored plan, one association plan. Health plans: more than 25,000 employees covered, 40,000 dependents covered.

Staff: 35 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$3.50-\$5. Auditing: time and expense.

1985 gross revenues: \$10 million total, all from claims services.

Branch offices: Sales locations throughout the U.S.

Subsidiaries: APEX Data Systems (computer software and services).

Principal officers: Dwight Babcock, president; Cynthia Stewart vp-group services; Joanne Smith, comptroller;

Continued on facing page

Continued from facing page
John Armstrong, manager-APEX Data Systems; Stuart Ghertner, executive director-preferred provider services.
Membership: SPBA, Professional Insurance Mass-Marketing Assn.

Benefit Administration Services Ltd.

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

Year founded: 1984.

Services provided: 90% claims administration; 10% other services, including consulting.

Region served: South.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: eight clients, more than \$1 million claims paid.

Client mix: Administration: seven corporations, one public/government entity. Health plans: more than 1,000 employees covered, more than 2,500 dependents covered.

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

Charges: Administration: per capita, per capita plus transactions, methods requested by client.

1985 gross revenues: Not reported.

Principal officers: John W. Nicholson Jr., chairman of the board; Tom M. Brown, president; Karen R. Watson, secretary/treasurer; Dudley M. Brown, vp.

Membership: SIIA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

Benefit Claims Administrators Inc.

P.O. Box 1776, Toledo, Ohio
43603; 419-255-1400

Year founded: 1980.

Services provided: 60% claims administration; 40% other services, including group insurance sales.

Region served: Northwest Ohio.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: 64 clients, \$2.4 million claims paid.

Client mix: Administration: 62 corporations, one public/government entity, one union-sponsored plan. Health plans: 3,000 employees covered.

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

Charges: Administration: monthly per capita, \$5-\$7.50

1985 gross revenues: \$500,000 total, \$300,000* from claims services.

Principal officers: James Houtz, president; Russ Sutton, vp-finance.

Membership: SIIA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

*BI estimate.

Benefit Consultant Services

5353 E. Princess Ann Road,
Norfolk, Va. 23501; 804-855-8601

Parent company: Donald F. Smith & Associates.

Year founded: 1972.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% long-term disability.

Client mix: Administration: 90% corporations, 10% union-sponsored plans.

Staff: 16 total staff members, 15 of whom serve self-insured clients only.

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

1985 gross revenues: Not reported.

Branch offices: Administrative and sales office in Newport News, Va.

Principal officers: Mike G. Stadler and Charles Lascola, vps-Donald F. Smith & Associates.

Membership: SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

Benefit Plan Administrators Inc.

P.O. Box 5, Danbury, Conn. 06810;
203-775-4006

Year founded: 1980.

Services provided: 100% claims administration.

Region served: New England and Atlantic states.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

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

Charges: Administration: per employee.

1985 gross revenues: Not reported.

Principal officers: Charles J. Wilson, president.

Membership: SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

Benefit Plans Risk Management Inc.

215 Stanford Parkway, P.O. Box
928, Findlay, Ohio 45840;
419-423-3823

Year founded: 1974.

Services provided: 70% claims administration; 5% auditing; 25% other services, including sales and marketing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 9% disability, 1% life.

Self-insured clients/claims: Administration: more than 100 clients. Auditing: 50 projects conducted.

Client mix: Administration: 100 corporations, 10 public/government entities, two union-sponsored plans, three association plans. Health plans: 14,000 employees covered, 27,000 dependents covered.

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

Charges: Administration: per capita. Auditing: by contract.

1985 gross revenues: \$1.5 million total, \$1.1 million from claims services.

Branch offices: Sales offices in Marion and Youngstown, Ohio.

Principal officers: J. Roland Hahn, president; Stanley H. Phillips, vp-finance.

Membership: SPBA.

Benefit Plan Services Inc.

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

Year founded: 1977.

Services provided: 100% claims administration.

Region served: Southeast.

Specialty: Employee benefits/group insurance: 97% health insurance, 3% disability.

Self-insured clients/claims: Administration: 11 clients, \$2.5 million claims paid.

Client mix: Administration: nine corporations, two public/government entity. Health plans: 3,200 employees covered, 2,400 dependents covered.

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

Charges: Administration: per employee, \$2.50-\$4.50.

1985 gross revenues: \$200,000 total, all from claims services.

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

Membership: SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

The Benetech Corp.

8900 Keystone Crossing, Suite 272,
Indianapolis, Ind. 46240;
800-358-6780/800-523-2271 in
Indiana

Year founded: 1983.

Services provided: 80% claims administration; 20% other services, including consulting.

Region served: Nationwide.

Specialty: Employee benefits/group insurance.

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

Client mix: Administration: 15 corporations. Health plans: 800 employees covered, 2,400 dependents covered.

Staff: Six total staff members, five of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$2.50-\$5.50.

1985 gross revenues: Not reported.

Principal officers: Richard Stannard, chairman; Betty Anderson, president.

Membership: National Qic-Claim Assn. of Independent Health Care Plan Administrators.

Boon-Chapman

7600 Chevy Chase Drive, Building
II, P.O. Box 9201, Austin, Texas
78731; 512-454-2681

Year founded: 1961.

Services provided: 80% claims administration; 20% other services, including insurance sales.

Region served: Southeast, South, Midwest, Southwest and Mountain States.

Specialty: Employee benefits/group insurance: 95% health insurance, 3% life, 1% disability, 1% optional life.

Self-insured clients/claims: Ad-

ministration: 30 clients, \$26 million claims paid.

Client mix: Administration: 26 corporations, four public/government entities. Health plans: 21,000 employees covered, 700 dependents covered.

Staff: Approximately 60 total staff members, 25 of whom serve self-insured clients only.

Charges: Administration: per covered employee per month, \$3-\$7.

1985 gross revenues: Approximately \$3 million total, \$2.4 million* from claims services.

Principal officers: T.J. Chapman and Dick Carr.

Membership: SPBA, Professional Insurance Mass-Marketing Assn.

*BI estimate.

Business Planning Associates Inc.

Box 4517, 2260 Erin Court,
Lancaster, Pa. 17604;
717-299-1201

Parent company: Erin Benefit Group Ltd.

Year founded: 1977.

Services provided: 100% claims administration, adjusting and auditing.

Region served: Mid-Atlantic states.

Specialty: Employee benefits/group insurance: 90% health insurance, 8% pensions, 2% disability.

Self-insured clients/claims: Administration: 200 clients, \$10 million claims paid.

Client mix: Administration: 198 corporations, one multiemployer plan, one

association plan. Health plans: 11,000 employees covered, 11,000 dependents covered.

Staff: 35 total staff members, 14 of whom serve self-insured clients only.

Charges: Administration: flat annual fee, per employee, percent of claims. Adjusting and auditing: included in administration charges.

1985 gross revenues: \$2.5 million total.

Principal officers: Carl K. Reigle Jr., chairman; Kathleen Harnish, president; Mary Caci, secretary; James Rothenberger, treasurer; Agnes Watson, vp.

Membership: SPBA, SIIA.

C

CC Systems Corp.

2001 Killebrew Drive, Minneapolis,
Minn. 55420; 612-854-6500

Year founded: 1982.

Services provided: 60% claims administration; 40% other services, including remote processing services for clients wishing to pay their own claims.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: more than 50 clients, more than \$50 million claims paid.

Client mix: Administration: approximately 50 corporations, two public/government entities, two mul-

tiemployer plans, four Taft-Hartley plans, two union-sponsored plans, two association plans. Health plans: approximately 37,500 employees covered, approximately 75,000 dependents covered.

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

Charges: Administration: per employee, per transaction.

1985 gross revenues: \$1.5 million total, \$1.2 million from claims services.

Branch offices: Administrative and sales offices in Houston; Denver; Kansas City, Mo.; Lansing, Mich.

Principal officers: William C. Ellwood, president; Basil M. Pace, executive vp; David Walter, Diane Collins and Mark Fitz Gerald, vps.

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: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 28 clients.

Client mix: Administration: 28 corporations. Health plans: 6,000 employees covered, 13,500 dependents covered.

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

Continued on next page

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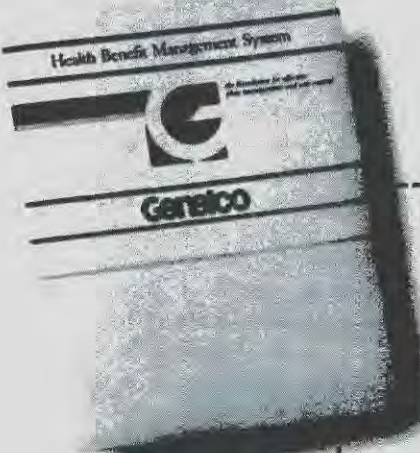
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Charges: Administrative: per capita.
1985 gross revenues: Not reported.
Branch offices: Administrative office in Columbus, Ohio.
Principal officers: R.T. Alkire, president; R.T. Miller, executive vp; D.L. Hilmer and M.D. Greham, vps.

Central Benefits Systems Inc.

1005 Grand, Suite 80C, Kansas City, Mo. 64106; 816-842-1885

Parent company: W.S. Vogel Agency.

Year founded: 1984.
Services provided: 60% claims administration; 40% other services, including premium billing, collection and commission accounting.

Region served: Nationwide.
Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 20 clients, \$8 million claims paid.

Client mix: Administration: 15 corporations, five public/government entities. Health plans, 4,000 employees covered.

Staff: 21 total staff members, 12 of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$3.10-\$5.75.

1985 gross revenues: Not reported.
Principal officers: W.E. Vogel, president; Tony Lim, executive vp; David Deuter, senior vp.

Claims Administration Services Inc.

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

Year founded: 1982.

Services provided: 75% claims administration; 25% other services, including consulting.

Region served: Nationwide.
Specialty: Employee benefits/group insurance: 90% health insurance, 10% flex compensation.

Self-insured clients/claims: Administration: 250 clients, \$35 million claims paid.

Client mix: Administration: 240 corporations, 10 public/government entities. Health plans: 25,000 employees covered, 55,000 dependents covered.

Staff: 40 total staff members, 35 of whom serve self-insured clients only.

Charges: Administration: per capita, \$1.50-\$5.

1985 gross revenues: \$1.5 million total, \$1 million from claims services.

Principal officers: Stephen F. Rasnick, president; Elizabeth Henkle, vp.

Membership: SPBA, SIIA.

Claims Administrators & Plan Supervisors Corp. (CAPSCO)

8140 Mossac Westpark 4, Suite 250, Austin, Texas 78759; 512-343-8070

Year founded: 1979

Services provided: 50% claims administration; 2% auditing; 38% other services, including insurance and trust accounting.

Region served: Southwest.

Specialty: Employee benefits/group insurance: health insurance.

Self-insured clients/claims: Administration: 25 clients, \$4 million claims paid. Auditing: one project conducted.

Client mix: Administration: 23 corporations, two association plans. Health plans 4,500 employees covered, 2,000 dependents covered.

Staff: 10 total staff members, nine of whom serve self-insured clients only.

Charges: Administration: per employee, \$4-\$7.50.

1985 gross revenues: \$468,328 total, \$335,415 from claims services.

Subsidiaries: Insurance Brokerage of Austin places fully insured multi-employer trust business for insurance agents).

Principal officers: Clyde E. Fortenberry, president; Sandra Browning, administrative vp; Betty Wagner, claims vp.

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

Comprehensive Benefits Service Co. Inc.

Whiteland Plaza, Suite 200, Whiteland Business Park, 740 E. Lancaster Pike, Exton, Pa. 19341-2081; 215-524-9500

Year founded: 1974.

Services provided: 100% claims administration.

Region served: Mid-Atlantic and New England states.

Specialty: Employee benefits/group insurance: 99% health insurance, 1% disability.

Self-insured clients/claims: Administration: 200 clients, \$63.5 million claims paid.

Client mix: Health plans: 88,400 employees covered.

Staff: 150 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee.

1985 gross revenues: Not reported.

Branch offices: Administrative office in East Hartford, Conn.; sales offices in New York, Boston and Washington, D.C.

Principal officers: Russell Naylor, chairman; William Thomas, president; Dennis Ryan, executive vp; George Clark, vp-finance; Dave Johnson, vp-operations; Michael Torpey, vp-marketing.

Membership: SPBA, SIIA.

Computer Claims Administration Inc.

1131 N. 27th, P.O. Box 21367, Billings, Mont. 59104; 406-245-3575

Year founded: 1980.

Services provided: 100% claims administration.

Region served: Montana, Wyoming, North Dakota, South Dakota, Idaho and Nevada.

Specialty: Employee benefits/group insurance: 79% health insurance, 20% flexible compensation, 1% disability.

Self-insured clients/claims: Administration: 32 clients, \$4 million claims paid.

Client mix: Administration: clients include corporations, public/government entities. Health plans: 3,500 employees covered, 7,000 dependents covered.

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

Charges: Administration: per employee per month, \$3-\$12.

1985 gross revenues: Not reported.

Branch offices: Administrative office in Missoula, Mont.; sales office in Miles City, Mont.

Subsidiaries: Pro-Health, Missoula, Mont.

Principal officers: Frederick H. Larson, president.

Membership: SPBA.

Concept Administrators Inc.

9342 Tech Center Drive, Suite 600, Sacramento, Calif. 95826; 916-364-7000

Year founded: 1979.

Services provided: 80% claims administration; 10% auditing; 10% other services, including consulting for third-party administrators.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: 120 clients, \$12 million claims paid. Auditing: 50 projects conducted.

Client mix: Administration: 115 corporations, five public/government entities. Health plans: 25,000 employees covered, 37,000 dependents covered.

Staff: 43 total staff members, 30 of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$3-\$8. Auditing: 3% of savings; flat fee, \$250.

1985 gross revenues: \$1.8 million total, \$1.62 million* from claims services.

Branch offices: Administrative office in Redding, Calif.

Subsidiaries: Subsidiary conducting claims services in Reno, Nevada.

Principal officers: G. Roland Perry, Gary Goldberg and John Vanstralen.

Membership: SPBA, SIIA, National QIC Claim Assn. of Independent Health Care Plan Administrators.

*BI estimate.

Corporate Diversified Services Inc.—TPA Division

10535 Pacific St., Omaha, Neb. 68114; 402-393-3133

Parent company: Nebraska Blue Cross.

Year founded: 1974.

Services provided: 90% claims administration; 10% other services.

Region served: Nebraska, Minnesota, Illinois, Michigan, Oklahoma, Texas, California and Florida.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 77 clients, \$6 million claims paid.

Client mix: Administration: 75 corporations, two union-sponsored plans. Health plans: 6,836 employees covered.

Staff: 38 total staff members, 12 of

whom serve self-insured clients only.

Charges: Administration: per employee per month, \$2.45-\$5.50.

1985 gross revenues: \$216,985 total, \$197,872 from claims services.

Principal officers: Richard L. Guffey, president; Jerry D. Herbel, vp/treasurer; Susan Schneiderwind, secretary.

Membership: SIIA, International Foundation of Employee Benefit Plans.

Corporate Systems Administration Inc.

3201 Bristol Highway, P.O. Box 1036, Johnson City, Tenn. 37601; 615-282-3420

Parent company: Jones & Hill Insurance.

Year founded: 1980.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 93% health insurance, 5% disability, 2% life.

Self-insured clients/claims: Administration: 63 clients, \$75 million claims paid.

Client mix: Administration: 53 corporations, 10 public/government entities. Health plans: 75,000 employees covered, 90,000 dependents covered.

Staff: 150 total staff members, 60 of whom serve self-insured clients only.

Charges: Administration: per claim, flat rate, \$3.50-\$7.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in Savannah and Atlanta, Ga.

Principal officers: Thomas Repass, president; Cecil Byers, vp.

Membership: SPBA, SIIA.

d

Diversified Group Brokerage Corp.

218 New London Turnpike, P.O. Box 736, Glastonbury, Conn. 06033; 203-659-0381

Year founded: 1969.

Services provided: 30% claims administration; 70% other services, including administration, billing, benefit consulting and insurance brokering.

Region served: New England states, New York and Pennsylvania.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 380 clients, \$15 million claims paid.

Client mix: Administration: 298 corporations, one public/government entity, 80 multiemployer plans, one union-sponsored plan. Health plans: 25,000 employees covered, 62,500 dependents covered.

Staff: 60 total staff members, 53 of whom serve self-insured clients only.

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

1985 gross revenues: \$4.3 million total, \$1.3 million from claims services.

Branch offices: Administrative office in East Norwalk, Conn.; sales offices in Hamden, Conn. and Braintree, Mass.

Principal officers: Edward O'Brien, executive vp; Dean Briskey, comptroller; Katherine Shea and Mary Armstrong, vps.

Membership: SBPA, SIIA.

e

Eagles' Administrators Ltd.

309 Vine St., Suite 200, Cincinnati, Ohio 45202; 513-977-3400

Parent companies: Pension & Continued on facing page

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Continued from facing page

Group Consultants Inc./Eagles' National Corp.

Year founded: 1972.**Services provided:** 95% claims administration; 5% other services, including actuarial consulting and plan design.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 98% health insurance, 2% disability.**Self-insured clients/claims:** Administration: 112 clients, \$35.3 million claims paid.**Client mix:** Administration: 96 corporations, 10 Taft-Hartley plans, five union-sponsored plans, one association plan. Health plans: 19,000 employees covered, 48,000 dependents covered.**Staff:** 35 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: flat monthly fee; per employee, \$3.50-\$12. **1985 gross revenues:** \$1.2 million total.**Branch offices:** Administrative and sales offices in Dayton, Ohio; Lexington, Ky.; Jacksonville, Fla. Additional sales offices in Chicago, Indianapolis, Miami and Los Angeles.**Principal officers:** R. Richard Cooley, president; Thomas C. Colvin, executive vp; David Gubbay, vp/secretary; Richard E. Stump, vp/treasurer; Robert W. Herbster, vp.**Membership:** SIIA, Health Insurance Assn. of America, International Foundation of Employee Benefit Plans.**Eastern Benefit Systems Inc.**

200 Freeway Drive E., East Orange, N.J. 07018; 201-676-3333

Parent company: W.S. Vogel Agency Inc.**Year founded:** 1978.**Services provided:** 90% claims administration, 10% other services.**Specialty:** Employee benefits/group insurance; 85% health insurance, 10% disability, 5% flexible compensation.**Self-insured clients/claims:** Administration: 20 clients, \$30 million claims paid.**Client mix:** Administration: 20 corporations. Health plans: 28,000 employees covered.**Staff:** 54 total staff members, 36 of

whom serve self-insured clients only.

Charges: Administration: per employee per month.**1985 gross revenues:** Not reported.**Branch offices:** Administrative and sales office in Kansas City, Mo.**Principal officers:** William E. Vogel, chief executive officer, Antonio Lim, vp; Thomas J. McMahon, director-operations, Dominic Fanuel and Charles Black, regional managers.**Membership:** SPBA.**Employee Benefit Claims of Wisconsin**

312 E. Wisconsin Ave., Milwaukee, Wis. 53202; 414-273-3540

Parent company: SAFECO Corp.**Year founded:** 1977.**Services provided:** 90% claims administration, 10% adjusting.**Region served:** States east of the Mississippi River.**Specialty:** Employee benefits/group insurance; 95% health insurance, 5% disability.**Self-insured clients/claims:** Administration: 200 clients, \$30 million claims paid.**Client mix:** Administration: 176 corporations, 20 public/government entities, two Taft-Hartley plans, two association plans. Health plans: 40,000 employees covered, 80,000 dependents covered.**Staff:** 90 total staff members, 30 of whom serve self-insured clients only.**Charges:** Administration: percentage of claims.**1985 gross revenues:** \$1.5 million total, all from claims services.**Branch offices:** Administrative and sales offices in Appleton, Wis., and Atlanta.**Subsidiaries:** NCC, Atlanta.**Principal officers:** John Feith, president; John A. Feith, vp.**Membership:** SIIA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.**Employee Benefit Management Corp.**

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

Year founded: 1959.**Region served:** Midwest, East Coast

and Texas.

Specialty: Employee benefits/group insurance; 88% health insurance, 10% disability, 2% flexible compensation.**Self-insured clients/claims:** Administration: 200 clients, more than \$50 million claims paid.**Client mix:** Administration: 164 corporations, six Taft-Hartley plans, 30 association plans. Health plans: more than 50,000 employees covered, more than 150,000 dependents covered.**Staff:** 107 total employees, 104 of whom serve self-insured clients only.**Charges:** Administration: per capita.**1985 gross revenues:** Not reported.**Branch offices:** Administrative office in Indianapolis.**Principal officers:** Russell Means, chairman/treasurer; Tom Jack, president/secretary; John Micha, Molly White and Robert Cummins, vps; John Ramsey, actuary.**Membership:** SPBA, SIIA, Self Funding Institute of Ohio, National QicClaims Assn. of Independent Health Care Plan Administrators.**Employee****Benefit Services**

P.O. Box 897, Charleston, S.C. 29402; 803-577-2600

Year founded: 1981.**Services provided:** 65% claims administration; 35% other services, including consulting.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 95% health insurance, 5% disability.**Self-insured clients/claims:** Administration: 22 clients, \$12.1 million claims paid.**Client mix:** Administration: 18 corporations, four public/government entities. Health plans: 14,500 employees covered.**Staff:** 11 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per employee.**1985 gross revenues:** \$800,000 total, \$530,000 from claims services.**Principal officers:** Thomas H. Cooper, president.**Membership:** SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.**Employee Group Services Ltd.**

888 10th St., Marion, Iowa 52302; 319-373-1401

Year founded: 1979.**Services provided:** 70% claims administration; 30% other services, including brokering.**Region served:** Midwest.**Specialty:** Employee benefits/group insurance; 100% health insurance.**Self-insured clients/claims:** Administration: more than \$8 million claims paid.**Client mix:** Administration: 60% corporations, 40% public/government entities.**Staff:** Nine total staff members, all of whom serve self-insured clients only.**Charges:** Administration: flat fee.**1985 gross revenues:** Not reported.**Principal officers:** John R. Ver Hulst, president; Jerald Ver Hulst, vp; Jean D. Ver Hulst, treasurer.**Membership:** SPBA.**Employee Services Inc.**

120 South Indiana Ave., P.O. Box 1610, Sioux Falls, S.D. 57101; 605-336-2457

Year founded: 1966.**Services provided:** 100% claims administration.**Region served:** South Dakota, southwest Minnesota and northwest Iowa.**Specialty:** Employee benefits/group insurance; 100% health insurance.**Self-insured clients/claims:** Administration: 35 clients, \$8.5 million claims paid.**Client mix:** Administration: clients include corporations, public/government entities. Health plans: 8,000 employees covered, approximately 14,000 dependents covered.**Staff:** 16 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per employee per month, \$3-\$6.**1985 gross revenues:** \$480,000 total.**Principal officers:** John Timmer, president; Henrietta Timmer, vp; Marvin E. Jensen, secretary/treasurer.**Membership:** SPBA.**Employers Claim & Administrative Services**

420 Keoway, Des Moines, Iowa 50301; 515-286-4400

Services provided: 98% claims administration, 2% auditing.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 100% health insurance.**Client mix:** Administration: all clients are corporations.**Charges:** Administration: per employee per month. Auditing: per hour.**1985 gross revenues:** Not reported.**Membership:** SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.**Executive & Employee Benefit Plans Inc.**

8995 Roswell Road N.E., Atlanta, Ga. 30330; 404-998-7001

Year founded: 1959.**Services provided:** 94% claims administration, 3% adjusting, 2% auditing, 1% other services.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 95% health insurance, 2% disability, 1% pensions, 1% flex compensation, 1% life.**Self-insured clients/claims:** Administration: \$70 million claims paid. Approximately 50 administration, adjusting and auditing clients.**Client mix:** Administration: 43 corporations, three public/government entities, one Taft-Hartley plan.**Staff:** 42 total staff members, 35 of whom serve self-insured clients only.**Charges:** Administration: per employee, \$2.50-\$6. Adjusting: included in administration charges. Auditing: varies.**1985 gross revenues:** \$1.7 million total, \$1.68 million from claims services.**Branch offices:** Administrative and sales offices in Orlando, Fla., and Charlotte, N.C.**Principal officers:** Richard Perkins, president; E.A. Hightower, executive vp; Marie Bricker, vp.**Membership:** SPBA.

Continued on next page



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**THE
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SETTLEMENTS
COMPANY**

Continued from preceding page

Executive & Employee Benefit Plans Inc.

2025 Riverside Drive, Columbus, Ohio 43221; 614-481-8391

Parent company: Community Mutual Insurance Co.**Year founded:** 1959.**Services provided:** 82% claims administration, 18% other services.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; includes health insurance and disability.**Self-insured clients/claims:** Administration: 130 clients.**Client mix:** Administration: 120 corporations, 10 union-sponsored plans.**Staff:** 80 total staff members.**Charges:** Administration: per employee per month.**1985 gross revenues:** \$3.8 million total, \$3.1 million from claims services.**Branch offices:** Administrative and sales offices in Cleveland and Cincinnati, Ohio; Vienna, Va.; and Houston.**Subsidiaries:** Claims Center Inc., Columbus, Ohio (claims software leasing).**Principal officers:** Carmon E. Cobe Sr., president; C. Jeffrey Wintersteller, executive vp; Carmon E. Cobe Jr., vp-administration; Victoria Reichelderfer, assistant vp-claims; Susan Postle, assistant vp-finance.**f****The J.P. Farley Corp.**

P.O. Box 45021, Westlake, Ohio 44145; 216-871-6800

Year founded: 1979.**Services provided:** 100% claims administration.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 65% health insurance, 20% pensions, 10% disability, 5% flex compensation.**Self-insured clients/claims:** Administration: 108 clients, \$7 million claims paid.**Client mix:** Administration: 106 corporations, one Taft-Hartley plan, one association plan. Health plans: 5,000 employees covered, 8,000 dependents covered.**Staff:** 15 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per employee per month.**1985 gross revenues:** \$400,000 total, all from claims services.**Principal officers:** James P. Farley, president; Coral E. Farley, secretary-treasurer.**Membership:** SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.**Financial Insurance Service Consultants Inc.**

2603 W. 22nd St., Suite 22, Oak Brook, Ill. 60521; 312-850-9500

Parent company: Financial Insurance Service Inc.**Year founded:** 1978.**Services provided:** 96% claims administration; 4% other services, including pension plan administration.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 100% health plans.**Self-insured clients/claims:** Administration: 600 clients, \$16.7 million claims paid.**Client mix:** Administration clients include corporations, public/government entities and multiemployer plans. Health plans: 13,000 employees covered, 20,000 dependents covered.**Staff:** 28 total staff members, 16 of whom serve self-insured clients only.**Charges:** Administration: per employee plus deposit, \$2.25-\$8.**1985 gross revenues:** \$1.51 million total, \$1.45 million* from claims services.**Branch offices:** Sales offices in Illinois, Indiana, Wisconsin, Missouri, North Carolina, Tennessee and Michigan.**Principal officers:** Joseph T. Ambrose, president; Robert J. Peele, executive vp; Ronald Anfonson, treasurer.**Membership:** SPBA, Chicago Claim Assn.

*BI estimate.

First Benefit Services Inc.

300 Ellinwood Way, Pleasant Hill, Calif. 94523; 415-627-5870

Parent company: Continental Insurance.**Year founded:** 1981.**Services provided:** 100% claims administration, adjusting and auditing.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 100% health insurance.**Self-insured clients/claims:** Administration: 150 clients, \$4.2 million claims paid.**Client mix:** Administration: 150 corporations.**Staff:** 97 total employees, all of whom serve self-insured clients only.**Charges:** Administration: per covered employee.**1985 gross revenues:** Not reported.**Branch offices:** Sales offices in Anaheim and San Diego, Calif.; Dallas; Chicago; Atlanta.**Principal officers:** Pat Vitucci, president.**Membership:** SIIA.**First Benefits Inc.**

P.O. Box 4138, 3636 Copley Road, Suite 201, Copley, Ohio 44321; 216-666-0337

Year founded: 1980.**Services provided:** 70% claims administration; 30% other services, including consulting.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 60% health insurance, 20% pensions, 10% disability, 10% miscellaneous.**Self-insured clients/claims:** Administration: 225 clients, \$50 million claims paid.**Client mix:** Administration: 56 corporations, 45 public/government entities, 113 Taft-Hartley plans, 11 association plans.**Staff:** 84 total staff members.**Charges:** Administration: fee for service, flat monthly fee, percent of claims.**1985 gross revenues:** \$3 million total, \$2.1 million from claims services.**Branch offices:** Akron, Canton, Columbus, Mansfield, Elyria and Youngstown, Ohio; Cape Coral and Tallahassee, Fla.; Southfield, Mich.**Principal officers:** Robert C. Frazier, chairman of the board/president; Kathleen Frazier, secretary; Richard Linn, vp/treasurer; Charles Mozingo, Edward Dunlevy and Al Goetz, vps; Ron Orman, assistant vp.**Membership:** SPBA.**First Fund Insurance Administrators Inc.**

17811 Fitch St., Irvine, Calif. 92713; 800-854-8354

Year founded: 1972.**Services provided:** 100% claims administration.**Region served:** Southwest.**Specialty:** Employee benefits/group insurance; 93% health insurance, 5% life, 2% disability.**Self-insured clients/claims:** Administration: 178 clients, \$78 million claims paid.**Client mix:** Administration: 172 corporations, four public/government entities, two multiemployer plans. Health plans: 38,000 employees covered, 43,500 dependents covered.**Staff:** 96 total staff, most of whom serve self-insured clients only.**Charges:** Administration: per capita, \$5-\$9.**1985 gross revenues:** \$4.38 total, all from claims services.**Branch offices:** Administrative and sales offices in San Diego and Oakland, Calif.; Phoenix, Ariz.**Subsidiaries:** First Fund Administrators of Arizona, Select Benefit Administrators.**Principal officers:** Virgil Gentzler, chairman; Keith Huyzax, president; John Snyder, vp-marketing; Sharon Magnuson, vp-claims; Robert Moe, chief financial officer.**Membership:** SPBA, SIIA.**First Southeast Risk Management Inc.**

1215 Hightower Trail, C150, Atlanta, Ga. 30338; 404-642-1150

Year founded: 1972.**Services provided:** 70% claims administration; 30% other services, including placement of stop-loss contracts and computer services for clients and third-party administrators.**Region served:** Midwest, Southwest, Southeast and East.**Specialty:** Employee benefits/group insurance; 80% health insurance, 10% flex compensation, 10% disability.**Self-insured clients/claims:** Administration: 260 clients, \$28 million claims paid.**Client mix:** Administration: 238 corporations, 20 public/government entities, one multiemployer plan, one association plan. Health plans: 35,000 employees covered, 97,000 dependents covered.**Staff:** 54 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per capita, \$3-\$9.**1985 gross revenues:** \$2 million total, \$1.6 million from claims services.**Branch offices:** Administrative and sales offices in Tampa, Fla.; Tifton, Ga.; Birmingham, Ala.**Principal officers:** William M. Bennett, president; Starling Grisham, Robert F. McBurney and Al Reynolds, executive vps; Susan Griggs, secretary.**Membership:** SPBA, SIIA, International Foundation of Employee Benefit Plans.**Fringe Benefit Review Inc.**

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

Year founded: 1978.**Services provided:** 70% claims administration, 30% other services.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 75% health insurance, 15% disability, 5% flex compensation, 5% life.**Self-insured clients/claims:** Administration: 100 clients, \$50 million claims paid.**Client mix:** Administration: 100 corporations. Health plans: approximately 40,000 employees covered, approximately 20,000 dependents covered.**Staff:** 45 total staff members, 42 of whom serve self-insured clients only.**Charges:** Administration: by the project; per employee per month, \$2 and up.**1985 gross revenues:** \$1.5 million total.**Branch offices:** Administrative office in High Point, N.C.**Principal officers:** F. Richard Atkinson, president; W. James Michelsen, vp/secretary/treasurer.**Membership:** SPBA, SIIA.**FundingBenefits**

3229 36th St., P.O. Box 7325, Metairie, La. 70010; 504-831-6651

Year founded: 1983.**Services provided:** 80% claims administration; 20% other services, including medical management.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 90% health insurance, 5% flex compensation, 5% disability.**Self-insured clients/claims:** Administration: 40 clients, \$5 million claims paid.**Client mix:** Administration: 37 corporations, three public/government entities. Health plans: 6,000 employees covered, 8,000 dependents covered.**Staff:** 30 total staff members, all of whom serve self-insured clients.**Charges:** Administration: per capita, \$7-\$10.**1985 gross revenues:** \$1.2 million total, \$950,000* from claims services.**Branch offices:** Administrative and sales office in Lafayette, La.**Principal officers:** Terry Surrency, president; Adele Mathernes and Curt Keay, executive vps; Rich Baumgartner, medical director; Paul Caesend and Kathy Whited, vps.**Membership:** SPBA, SIIA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

*BI estimate.

g**Genelco Inc.**

1600 South Brentwood, Suite 500, St. Louis, Mo. 63144; 314-962-2040

Parent company: General American Life Insurance Co.**Year founded:** 1973.**Services provided:** 60% claims administration; 5% adjusting; 5% auditing; 30% other services, including software programs.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 90% health insurance, 5% flex compensation, 5% disability.**Self-insured clients/claims:** Administration: 50 clients, \$125 million claims paid. Adjusting: seven clients. Auditing: seven projects conducted.**Client mix:** Administration: 35 corporations, six public/government entities, four multiemployer plans, two Taft-Hartley plans, three association plans. Adjusting: seven corporations. Auditing: seven corporations. Health plans: 55,000 employees covered, 138,000 dependents covered.**Staff:** 120 total staff members, 80 of whom serve self-insured clients only.**Charges:** Administration: per employee per month, \$2-\$15. Adjusting and auditing: per project.**1985 gross revenues:** \$6 million total, \$3.6 million from claims services.**Branch offices:** Administrative offices in Philadelphia and Denver.**Principal officers:** David Johnson, president; Russell Korte, executive vp; Ben Allen, senior vp; Tom Hiegel and Larry Amundsen, vps.**Membership:** SIIA, Risk & Insurance Management Society.**Group Plans Inc.**

8790 Governorship Drive, Cincinnati, Ohio 45242; 513-677-1801

Parent company: The Sheakley Group.**Year founded:** 1979.**Services provided:** 100% claims administration.**Region served:** West and Midwest.**Specialty:** Employee benefits/group insurance; 100% health insurance.**Self-insured clients/claims:** Administration: 50 clients.**Client mix:** Administration: 48 corporations, two public/government entities.**Staff:** 25 total staff members, all of whom serve self-insured clients only.**Charges:** Administration: per covered employee.**1985 gross revenues:** Not reported.**Branch offices:** Administrative and sales offices in Chicago; Dayton, Ohio; Phoenix, Ariz.**Principal officers:** Larry A. Sheakley, chairman; Jack Hunter, president; Raymond Sheakley, treasurer.**Membership:** SIIA.**Group Services & Administration Inc.**

3113 Classen Blvd., #4, Oklahoma City, Okla. 73118; 405-528-4400

Year founded: 1980.**Services provided:** 90% claims administration, 10% other services.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 90% health insurance, 5% disability, 5% life.**Self-insured clients/claims:** Administration: 24 clients, \$600,000 claims paid.**Client mix:** Administration: 24 corporations. Health plans: 1,675 employees covered, 3,330 dependents covered.**Staff:** Six total staff members, three of whom serve self-insured clients only.**Charges:** Administration: per covered employee.**1985 gross revenues:** \$220,000 total, \$198,000 from claims services.**Principal officers:** Ronald R. Stephenson, president; Gary Stephenson, vp; Denning Crowe, secretary/treasurer.**h****Harden & Co.**

2552 Stanwell Drive, Suite 105, Concord, Calif. 94520; 415-682-7707; 800-642-0234 in California; 800-227-2742 in other states

Parent company: Alex Brown Financial Group.**Year founded:** 1974.**Services provided:** 100% claims administration, adjusting and auditing.**Region served:** Nationwide.**Specialty:** Employee benefits/group insurance; 100% health insurance.**Self-insured clients/claims:** Administration: 1,500 clients; \$21.6 million claims paid. Adjusting: 1,300 clients.**Client mix:** Administration: 1,494 corporations, six public/government entities. Health plans: 15,000 employees covered, 21,000 dependents covered.**Staff:** 45 total staff members, 11 of

Continued on facing page

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Continued from facing page

whom serve self-insured clients only.

Charges: Administration, adjusting and auditing: flat fee.

1985 gross revenues: \$2 million total, all from claims services.

Principal officers: James R. Dunathan, chief executive officer; W. Ashley Harden, president; Larry Knott, vp-sales; Bette Brent, vp-underwriting; Earl Wiklund, vp-finance.

Membership: SPBA.

Health Care

Administrators Inc.

P.O. Box 5059, Lafayette, Ind. 47903; 317-474-5455

Year founded: 1985.

Services provided: 93% claims administration; 2% adjusting; 2% auditing; 3% other services, including stop-loss and group life.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: three clients, \$500,000 claims paid.

Client mix: Administration: three corporations. Health plans: 3,000 employees covered.

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

Charges: Administration: per employee, \$4 and up.

1985 gross revenues: \$180,000 total.

Principal officers: Robert M. Whitsel, president; Tommy Anderson, executive vp; Charles D. Calvi Jr., vp; Owen Luecke, secretary; J. Bray, treasurer.

Membership: SPBA, SIIA, International Foundation of Employee Benefits, National QicClaim Assn. of Independent Health Care Plan Administrators.

Health Claims

Administration Inc.

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

Year founded: 1975.

Services provided: 45% claims administration; 55% other services, including consulting.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: 100 clients.

Client mix: Administration: 50 corporations, 50 pooled groups. Health plans: approximately 40,000 employees covered.

Staff: 70 total staff members, 60 of whom serve self-insured clients only.

Charges: Administration: per employee, percent of claims.

1985 gross revenues: Not reported.

Subsidiaries: Legal Services Inc.

Principal officers: George T. Reilyea, president; Jack Rushing, marketing; Leann Lantz, legal; Mark Taylor, underwriting.

Membership: SPBA.

Health & Pension Plan

Administrators Inc.

2200 Wantagh Ave., Wantagh, N.Y. 11793; 516-783-2992

Year founded: 1972.

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

Region served: Mid-Atlantic states and New England.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability and life.

Self-insured clients/claims: Administration: 21 clients, \$8 million claims paid.

Client mix: Administration: 10 corporations, 11 Taft-Hartley plans. Health plans: 20,000 employees covered.

Staff: 10 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per covered employee, per claim.

1985 gross revenues: \$550,000 total, \$539,000 from claims services.

Branch offices: Administrative office in Waterbury, Conn.

Principal officers: Frank H. Andrews, president.

Membership: SPBA.

Year founded: 1947.

Services provided: 61% claims administration; 39% other services, including eligibility, accounting, consulting, sales.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 97% health insurance, 2% disability, 1% workers compensation.

Self-insured clients/claims: Administration: 16 clients, \$34.8 million claims paid.

Client mix: Administration: 12 corporations, two multiemployer plans, two union-sponsored plans. Health plans: 13,000 employees covered.

Staff: 71 total staff members.

Charges: Administration: based on number of employees, \$4.50-\$5.79.

1985 gross revenues: \$3.2 million total, \$1.9 million from claims services.

Branch offices: Administrative of-

fice in Reno, Nev.; sales office in Burlingame, Calif.

Principal officers: Robert L. Jenkins, president; Jack O. Moore, vp-administration; Wayne Fong, vp-finance; Chuck Thompson, marketing director; Kathy Judd, vp-personnel.

Membership: SPBA.

Indecs of Ebasco Inc.

160 Chubb Ave., Lyndhurst, N.J. 07071; 201-460-6150

Parent company: Ebasco Risk Management Consultants Inc.

Year founded: 1982.

Services provided: 90% claims administration; 10% other services, including pension actuarial consulting.

Region served: Nationwide.

Specialty: Employee benefits/group

Continued on next page

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Imperial Industries

101 S. First St., Burbank, Calif. 91502-1975; 818-954-0900

Parent company: Bayly, Martin & Fay International Inc.

Continued from preceding page
insurance: 80% health insurance, 10% disability, 5% life, 3% pensions, 2% flex compensation.

Self-insured clients/claims: Administration: 13 clients, \$8.5 million claims paid.

Client mix: Administration: eight corporations, two public/government entities, one Taft-Hartley plan, two on-sponsored plans. Health plans: 12,000 employees covered, about 16,500 dependents covered.

Staff: 17 total staff members, 14 of whom serve self-insured clients only.

Charges: Administration: per covered employee, \$4-\$10; percent of annual premium/deposits, 5%-7.5%.

1985 gross revenues: \$634,000* total, \$570,000 from claims services.

Branch offices: Administrative and sales office in New York.

Principal officers: Bruce E. Buchanan Sr., president; Lee H. Cohen, vp; R.M. Bieber, director; J.W. Diamond, treasurer; H.M. Blum, secretary.

Membership: SPBA, International Foundation of Employee Benefit Plans.
*E1 estimate.

Independent Benefit Plans Inc.

P.O. Box 1976, Beech Grove, Ind. 46107; 317-787-5373

Parent company: Lincoln National Administrative Services Co.

Year founded: 1968.

Services provided: 66% claims administration; 1% adjusting; 33% other services, including consulting and brokering.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: more than 200 clients.

Client mix: Administration: more than 200 corporations. Health plans: 30,000 employees covered, 70,000 dependents covered.

Staff: 50 total staff members, 40 of whom serve self-insured clients only.

1985 gross revenues: More than \$1 million total, more than \$670,000* from claims services.

Principal officers: W.B. Davenport,

president; Richard Skinner and Peter Hansen, vps.

Membership: SIIA.
*B1 estimate.

Independent Health Plan Administrators Inc.

4116 N. Seventh Ave., Phoenix, Ariz. 85014 or P.O. Box 34090, Phoenix, Ariz. 85067; 602-264-6626/248-0255

Year founded: 1971.

Services provided: 90% claims administration, 10% auditing.

Region served: Southwest.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 27 clients. Auditing: two projects conducted.

Client mix: Administration: 24 corporations, three public/government entities. Health plans: 18,000 employees covered.

Staff: 48 total staff members, 20 of whom serve self-insured clients only.

Charges: Administration: per capita; percent of claims plus capitation. Auditing: hourly.

1985 gross revenues: \$2 million total.

Branch offices: Administrative and sales offices in Tucson, Ariz., and San Diego.

Subsidiaries: Group Benefits Inc. (consulting) and Benecenter Inc. (brokerage).

Principal officers: Paul Boucek, president; V. Ronald Clegg, vp; Robert King, president-Benecenter Inc.; Joanna Budge, vp-claims; Doris Kean, assistant vp-brokerage.

Membership: SPBA, SIIA, Phoenix Claims Assn., National QicClaim Assn. of Independent Health Care Plan Administrators.

Insurance Benefit Administrators Inc.

5600 South Wolf Rd., Western Springs, Ill. 60558; 312-246-4900

Year founded: 1970.

Services provided: 75% claims administration, 10% adjusting, 15% other services.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 91% health insurance, 5% life, 4% disability.

Self-insured clients/claims: Administration: 94 clients, \$9.7 million claims paid.

Client mix: Administration: 89 corporations, five public/government entities. Health plans: 11,000 employees

covered, 6,400 dependents covered.

Staff: 47 total staff members, 16 of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$2.65-\$4.50. Adjusting: per month per employee, \$2.12-\$3.60.

1985 gross revenues: \$4.9 million total.

Principal officers: Casey Gaik, president; Frances Gaik, secretary/treasurer; Mark Becker, vp.

Membership: SIIA.

Insurance Design Administrators

3 Post Road, Oakland, N.J. 07436; 201-337-0555

Year founded: 1983.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: 54 clients, \$4.2 million claims paid.

Client mix: Administration: 47 corporations, seven public/government entities. Health plans, 5,054 employees covered, 10,000 dependents covered.

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

Charges: Administration: flat fee per covered employee, \$4-\$8.

1985 gross revenues: \$500,000 total, all from claims services.

Branch offices: Sales office in New York.

Principal officers: Russell P. Minetti, president; Joseph E. Healy, vp-marketing; J. Stewart English, vp-finance.

Membership: SPBA, SIIA.

Insurance Services Inc.

3015 E. Central, Wichita, Kan. 67214; 316-686-3373

Year founded: 1977.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 15 clients, \$2.5 million claims paid.

Client mix: Administration: 15 corporations. Health plans: 3,000 employees covered, 7,500 dependents covered.

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

Charges: Administration: per em-

ployee per month.

1985 gross revenues: Not reported.

Principal officers: Tillie D. Salle, president; Alvin F. Salle, Roberto Guzman and David L. Salle, vps; Marc Salle, secretary/treasurer/legal counsel.

Membership: SPBA.

j

Jackson, Long & Associates Inc.

20000 Governors Drive, Olympia Fields, Ill. 60461; 312-747-7400

Year founded: 1979.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 163 clients, \$58 million claims paid.

Client mix: Administration: 152 corporations, 10 public/government entities, one association plan. Health plans: 89,000 employees covered.

Staff: 52 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per covered employee.

1985 gross revenues: More than \$2 million total, all from claims services.

Principal officers: Richard L. Jackson, president; Donald L. Long, executive vp; Jane R. Bergman, vp-administration.

Membership: SPBA, SIIA.

Thomas L. Jacobs & Associates Inc.

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

Year founded: 1915.

Services provided: 30% claims administration; 30% adjusting; 30% auditing; 10% other services, including consulting.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% disability, 10% health insurance.

Self-insured clients/claims: Administration: 25 clients, \$20 million claims paid. Adjusting: 25 clients. Auditing: 25 projects conducted.

Client mix: Administration: clients include corporations and public/government entities. Health plans: 800,000 employees covered.

Staff: 33 total staff members, 24 of whom serve self-insured clients only.

Charges: Administration: per claim, time and expense, monthly charge. Adjusting: per claim, time and expense. Auditing: flat fee, time and expense.

1985 gross revenues: \$2 million total, \$1.8 million* from claims services.

Branch offices: Sales offices in Dallas and Houston.

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

*B1 estimate.

Johnson Administrators

One Summit Square, Langhorne, Pa. 19047; 215-860-1300

Parent company: The Johnson Cos.

Year founded: 1980.

Services provided: 75% claims administration; 25% other services, including consulting and reinsurance brokering.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 80% health insurance, 15% flex compensation, 5% disability.

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

Client mix: Administration: 90 corporations, nine public/government entities, one multiemployer plan. Health plans: 30,000 employees covered, 50,000 dependents covered.

Staff: 43 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$4-\$10.

1985 gross revenues: Not reported.

Principal officers: Edwin T. Johnson, chairman; Donald L. Gallie, chief operating officer; David O. Oberkircher, marketing director; Janice M. Haban, director-claims/administration.

Membership: SPBA, SIIA.

k

Kelly & Associates Inc.

303 E. Ohio St., Chicago, Ill. 60611; 312-649-1200

Year founded: 1955.

Services provided: 50% claims administration; 50% other services, including plan administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 50% health insurance, 50% pensions.

Self-insured clients/claims: Administration: more than 100 clients.

Client mix: Administration: clients include corporations and Taft-Hartley plans.

Staff: More than 350 total staff members.

Charges: Administration: fee basis.

1985 gross revenues: More than \$10 million total, more than \$5 million* from claims services.

Branch offices: Administrative offices in Denver; Dallas; Houston; Metairie, La.; Little Rock, Ark.; Indianapolis; Decatur, Ill.; Milwaukee; Oklahoma City; Phoenix, Ariz.; Lansing, Mich.; Braintree, Mass.; Washington, D.C.

Principal officers: Robert E. Kelly Jr., president.

Membership: SPBA.

*B1 estimate.

Kepple & Co. Inc.

405 W. Northmoor Road, Peoria, Ill. 61614; 309-692-7330

Year founded: 1982.

Services provided: 95% claims administration; 5% other services, including insurance brokerage.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 5% pensions, 5% disability.

Self-insured clients/claims: Administration: 25 clients, \$10 million claims paid.

Client mix: Administration: 15 corporations, five public/government entities, three multiemployer plans, two Taft-Hartley plans.

Staff: 17 total staff members, 14 of whom serve self-insured clients only.

Charges: Administration: percent of paid claims, per covered employee.

1985 gross revenues: Not reported.

Principal officers: Michael D. Kepple, president; Linda P. Kepple, vp; Becky Allen, office manager; Ann Duncan, claims manager; Donna Hitch, brokerage manager.

Membership: SPBA.

Key Benefit Administrators

2021 E. 52nd St., Indianapolis, Ind. 46205; 317-255-3822

Parent company: Regional Marketing Inc.

Year founded: 1979.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 75% health insurance, 20% disability, 5% life.

Self-insured clients/claims: Administration: 120 clients, \$30 million claims paid.

Client mix: Administration: 106 corporations, eight public/government entities, one Taft-Hartley plan, five association plans. Health plans: 41,000 employees covered, 86,500 dependents covered.

Staff: 52 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month.

1985 gross revenues: Not reported.

Branch offices: Administrative office in South Bend, Ind.

Principal officers: Larry Dust, president; Jerry D. Brown, vp/general manager; Anita H. Quigley, vp-sales administration; Bradley P. Ray, controller; Joyce Cleverly, vp-computer operations.

Membership: SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

l

LaHood & Associates Inc.

2900 W. 90th, Overland Park, Kan. 66204; 913-341-0001

Parent company: Blue Cross/Blue Shield of Kansas City.

Year founded: 1974.

Services provided: 90% claims administration; 6% adjusting; 3% auditing; 1% other services, including consulting.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 84% health insurance, 10% flex compensation, 6% disability.

Self-insured clients/claims: Administration: 291 clients, \$112 million claims paid. Adjusting: three clients.

Continued on facing page

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Continued from facing page
types of claims include health, long-term disability. Auditing: eight projects conducted.

Client mix: Administration: 266 corporations, nine public/government entities, three multiemployer plans, 12 Taft-Hartley plans, one association plan. Adjusting: clients include corporations. Auditing: two corporations. Health plans: 90,000 employees covered, 140,000 dependents covered.

Staff: 90 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month. Adjusting and auditing: per project.

1985 gross revenues: \$4.5 million total, \$4.1 million from claims services.

Branch offices: Administrative and sales office in Kansas City, Mo.; additional sales offices in Waterloo, Iowa, and St. Louis.

Principal officers: R.E. Krecken, chairman of the board; George LaHood, president; Joel Frisch and Zona Bauer, vps.

Membership: SPBA, SIIA.

Life Group Administrators Inc.

1245 Waukegan Road, Glenview, Ill. 60025; 312-724-0500

Parent company: Larry Gordon Agency Inc.

Year founded: 1982.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 200 clients, \$1.5 million claims paid.

Client mix: Administration: 200 corporations. Health plans: 3,000 employees covered.

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

Charges: Administration: per covered employee, \$5.50-\$8.

1985 gross revenues: Not reported.

Branch offices: Sales offices in Chicago, Rockford and Geneva, Ill.

Principal officers: Larry Gordon, chief executive officer; Stuart F. Pockross, president; Norine Meister, comptroller; Asma Sayeed, claims manager; Barbara Yoshimura, manager-sales/administration.

Membership: Midwest Claims Conference, Self Insured Assn. of Illinois.

m

MICA Benefits Corp.

2970 S. Main St., Suite 301, Salt Lake City, Utah 84115; 801-487-4113

Year founded: 1985.

Services provided: 80% claims administration; 20% other services, including brokering.

Region served: Rocky Mountain state area.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: two clients, \$500,000 claims paid.

Client mix: Administration: two corporations. Health plans, 800 employees covered, 1,400 dependents covered.

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

Charges: Administration: per employee per month.

1985 gross revenues: Not reported.

Branch offices: Administrative office in Idaho Falls, Idaho.

Principal officers: Gerald Mitchell, president; Stanton Call, vp.

Membership: National QicClaim Assn. of Independent Health Care Plan Administrators.

Mass Insurance Consultants & Administrators Inc.

55 E. Jackson Blvd., Chicago, Ill. 60604; 312-346-2626

Year founded: 1952.

Services provided: 50% claims administration; 50% other services, including consulting.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 5% disability, 5% life.

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

Client mix: Administration: six corporations. Health plans: 32,500 employees covered, 13,000 dependents covered.

Staff: 175 total employees, 40 of whom serve self-insured clients only.

Charges: Administration: per covered employee, \$3-\$5; percent of premium.

1985 gross revenues: \$6.1 million total, \$3.1 million from claims services.

Principal officers: Thomas J. O'Neill, executive vp/chief operations officer; Kenneth T. Krispin, executive vp/chief financial officer; John P. Mack, Charles S. Mack and Richard N. Swanson, vps.

Membership: SPBA, SIIA.

Medical Claims Service Inc.

119 Beach St., Boston, Mass. 02111; 617-426-8660

Parent company: MCK Co. Inc.
Year founded: 1976.

Services provided: 67% claims administration; 33% other services, including agent and broker services.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 175 clients, \$13.5 million claims paid.

Client mix: Administration: 175 corporations. Health plans: 13,225 employees covered, 17,200 dependents covered.

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

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

1985 gross revenues: \$2.43 million total, \$1.7 million from claims services.

Branch offices: Sales office in Chicago.

Principal officers: William G. McKelvey, president; Angela Markert, controller/treasurer; Cathleen Lindamood, underwriting manager; Kathleen Cooney, claims manager.

Membership: SPBA.

Mountain States Administration Co.

2530 S. Parker Road, Suite 606, Denver, Colo. 80014; 303-368-4500

Year founded: 1980.

Services provided: 100% claims administration.

Region served: Midwest, Southwest and Rocky Mountain states.

Specialty: Employee benefits/group

insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 20 clients, \$10 million claims paid.

Client mix: Administration: 18 corporations, one public/government entity, one union-sponsored plan. Health plans: 12,500 employees covered.

Staff: 18 total staff members, 10 of whom serve self-insured clients only.

Charges: Administration: per employee per month, percent of premium, percent of claims.

1985 gross revenues: \$1 million total, all from claims services.

Principal officers: Clarence Gray, president.

Membership: National QicClaim Assn. of Independent Health Care Plan Administrators.

Mutual Assurance Administrators

5601 Northwest 72nd, Suite 354, Oklahoma City, Okla. 73132; 405-722-0444

Year founded: 1975.

Services provided: 82% claims administration; 18% other services, including brokering and consulting.

Region served: South and Midwest.
Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: 37 clients, \$6 million claims paid.

Client mix: Administration: 32 corporations, four public/government entities, one association plans. Health plans: 6,500 employees covered.

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

Charges: Administration: per employee per month.

1985 gross revenues: Not reported.

Principal officers: Richard Carllson, president.

Membership: SPBA, SIIA, National QicClaim Assn. of Independent Health Care Plan Administrators.

n

National Benefit Administrators Inc.

Suite 110, L.B. 8, 11651 Plano Road, Dallas, Texas 75243; 214-340-2570

Year founded: 1982.

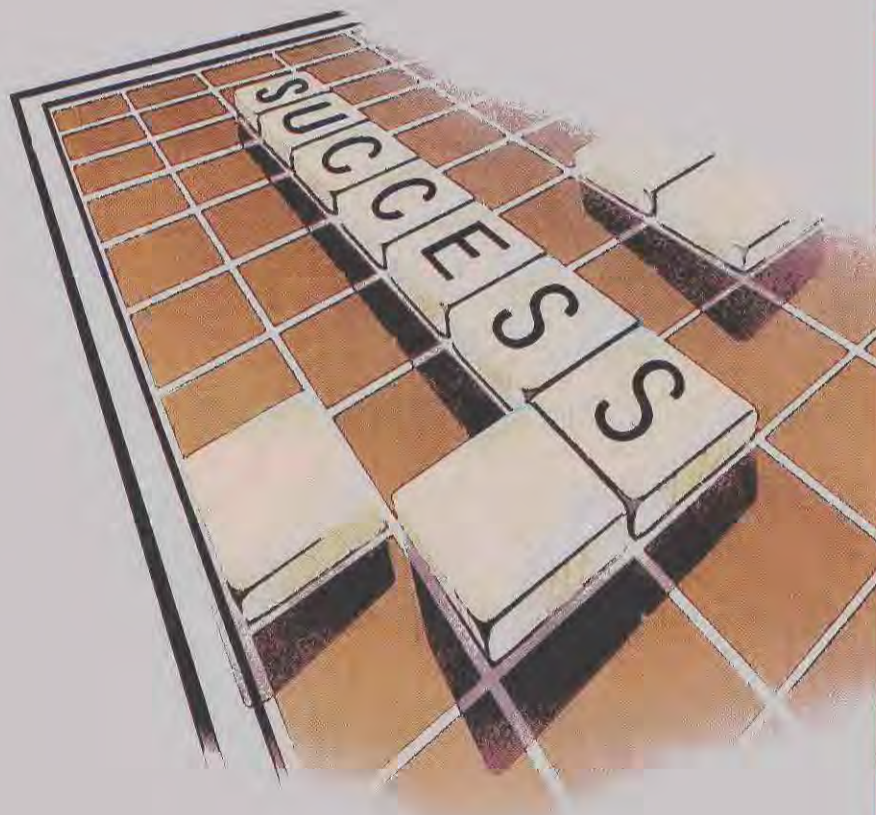
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Continued from preceding page

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance; 100% health insurance.

Self-insured clients/claims: Administration: 25 clients, \$15 million claims paid.

Client mix: Administration: 21 corporations, one public/government entity, three association plans. Health plans: 12,000 employees covered, 9,000 dependents covered.

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

Charges: Administration: per employee per month, percent of claims paid. Adjusting and auditing: included in administration charges.

1985 gross revenues: Not reported.

Principal officers: Michael R. Oglesby, president; Julie A. Justice, vp.

Membership: SPBA, Texas Professional Administrators.

National Benefits Corp. Inc.

120 Gibraltar Road, Suite 218,

Horsham, Pa. 19044;

215-443-0404/800-457-5555

Year founded: 1981.

Services provided: 65% claims administration, 35% other services.

Region served: Nationwide.

Specialty: Employee benefits/group insurance; 90% health insurance, 5% disability, 5% life.

Self-insured clients/claims: Administration: 11 clients.

Client mix: Administration: clients include corporations, multiemployer plans and association plans. Health plans: 1.94 million employees covered, 587,450 dependents covered.

Staff: 62 total staff members, 37 of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$3-\$7.50.

1985 gross revenues: Not reported.

Branch offices: Administrative and sales office in Kansas City, Mo.; additional administrative office in Philadelphia.

Principal officers: Dave Partridge, president; Michael Sweeney, executive vp; Dennis Mulligan, vp-sales; Robert Patterson, comptroller; Douglas William McFarland, claims director.

Membership: Greater Philadelphia Claims Assn.

New World Claims Service Ltd.

423 Sycamore St., P.O. Box 1030,
Niles, Mich. 49120; 616-684-6700

Parent company: Assn. of Independent Corrugated Convertors.

Year founded: 1984.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance; 100% health insurance.

Self-insured clients/claims: Administration: 75 clients, \$6.5 million claims paid.

Client mix: Administration: 75 corporations. Health plans: 4,000 employees covered, 8,500 dependents covered.

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

Charges: Administration: per capita.

1985 gross revenues: Not reported.

Branch offices: Sales office in Chicago.

Subsidiaries: New World Services Ltd., Niles, Mich. (claims services).

Principal officers: R.D. Cravens, president; Ruth Halvorson, manager; Ruth Peterson, administrative assistant.

Membership: National QicClaim Assn. of Independent Health Care Plan Administrators.

New York Claim Administrators

2525 One Marine Midland Center,
Buffalo, N.Y. 14203; 716-856-6592

Year founded: 1983.

Services provided: 90% claims administration, 10% adjusting.

Region served: Nationwide.

Specialty: Employee benefits/group insurance; 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 15 clients, \$15 million claims paid. Adjusting: two clients, types of claims include medical.

Client mix: Administration: eight corporations, five public/government entities, one multiemployer plan, one Taft-Hartley plan. Adjusting: clients include one public/government entity.

Health plans: 15,000 employees covered, 32,000 dependents covered.

Staff: 14 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$4-\$5. Adjusting: flat fee per month.

1985 gross revenues: \$800,000 total, all from claims services.

Principal officers: Ronald K. Zoeller, president; E. Timothy Danahy and David Miller, vps.

O

Oklahoma Administrative Services

515 Central Park Drive, #306,
Oklahoma City, Okla. 73105;
405-557-0202

Year founded: 1985.

Services provided: 90% claims administration; 10% other services, including administrative services.

Region served: Oklahoma and surrounding states.

Specialty: Employee benefits/group insurance; 100% health insurance.

Self-insured clients/claims: Administration: eight clients, \$550,000 claims paid.

Client mix: Administration: eight corporations. Health plans: 1,500 employees covered, 3,700 dependents covered.

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

Charges: Administration: per employee per month.

1985 gross revenues: \$100,000 total, \$90,000* from claims services.

Principal officers: Dawn Charbonneau, president.

Membership: National QicClaim Assn. of Independent Health Care Plan Administrators.

*BI estimate.

P

PAS Inc. (Preferred Administrative Services Inc.)

2728 Coho St., Madison, Wis.
53713; 608-273-1776

Year founded: 1981.

Services provided: 100% claims administration.

Region served: Wisconsin, Illinois, Iowa and Missouri.

Specialty: Employee benefits/group insurance; 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 173 clients, \$4 million claims paid.

Client mix: Administration: clients include corporations, public/government entities, association plans. Health plans: 4,860 employees covered, 13,620 dependents covered.

Staff: 10 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee, \$2.25-\$7.

1985 gross revenues: \$533,868 total, all from claims services.

Principal officers: Gene Jensen, president; Barbara Jensen, vp.

Membership: National QicClaim Assn. of Independent Health Care Plan Administrators.

Pittman & Associates Inc.

P.O. Box 111047, Memphis, Tenn.
38111; 901-323-2140

Year founded: 1980.

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

Region served: Arkansas, Louisiana, Kentucky, Tennessee, Mississippi, Alabama, Georgia, Florida, Virginia, North Carolina and South Carolina.

Specialty: Employee benefits/group insurance; 90% health insurance, 5% flex compensation, 5% disability.

Self-insured clients/claims: Administration: 43 clients, \$6.3 million claims paid.

Client mix: Administration: 43 corporations. Health plans: 21,000 employees covered.

Staff: 43 total staff members.

Charges: Administration: per employee per month.

1985 gross revenues: Not reported.

Branch offices: Administrative and sales office in Nashville, Tenn.

Principal officers: Arnold H. Pittman, president; Jane Hogan, agency manager; Aileen Moore, Memphis claims manager; Linda Medlin, Nashville claims manager; Jon Erickson, sales manager-Nashville.

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, including marketing and billing services.

Region served: Missouri and Kansas.

Specialty: Employee benefits/group insurance; 97% health insurance, 3% disability.

1985 gross revenues: Not reported.

Principal officers: Paul T. Power, president.

Membership: National QicClaim Assn. of Independent Health Care Plan Administrators.

Professional Benefit Administrators Ltd.

14555 N. Scottsdale Road, Suite
300, Scottsdale, Ariz. 85260;
602-483-1133

Parent company: Grand Canyon Financial Services Corp.

Year founded: 1975.

Services provided: 70% claims administration, 20% adjusting, 10% auditing.

Region served: West.

Specialty: Employee benefits/group insurance; 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 12 clients, \$8 million claims paid.

Client mix: Administration: clients include corporations, multiemployer plans, association plans. Health plans: 12,000 employees covered, 14,000 dependents covered.

Staff: 24 total staff members, six of whom serve self-insured clients only.

Charges: Administration: per employee per month, approximately \$6. Adjusting and auditing: included in administration charges.

1985 gross revenues: \$2 million total.

Subsidiaries: BenePlans of America Inc. (marketing and services).

Principal officers: James R. Cone, president; Ronald J. Rostas, senior vp/chief financial officer; Jill Hasselquist, vp-claims.

Membership: SPBA, SIIA.

Pyramid Benefit Services

121 Franklin St., P.O. Box 746,
Elkhart, Ind. 46515; 219-293-5463

Parent company: Midwest Commerce Banking Co.

Year founded: 1984.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance; 100% health insurance.

Self-insured clients/claims: Administration: 14 clients, \$500,000 claims paid.

Client mix: Administration: 13 corporations, one public/government entity. Health plans: 2,500 employees covered, 5,000 dependents covered.

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

Charges: Administration: per employee per month.

1985 gross revenues: \$150,000 total, all from claims services.

Principal officers: Mark Kleppinger, general manager; Tammy Bowerman, claims supervisor; Rosemary Barnes, senior claims coordinator.

Membership: SIIA, National QicClaim Assn. of Independent Health Care Plan Administrators.

R

Richard J. Reese & Associates Inc.

7645 Metro Blvd., Minneapolis,
Minn. 55402; 612-835-7035

Year founded: 1967.

Services provided: 30% claims administration, 10% auditing, 60% other services.

Region served: Midwest.

Specialty: Employee benefits/group insurance; 100% health insurance.

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

Client mix: Administration: 15 Taft-Hartley plans. Health plans: 65,000 employees covered, 140,000 dependents covered.

Staff: 85 total staff members, 14 of whom serve self-insured clients only.

Charges: Administration: percent of paid claims, 2.2%-4%.

1985 gross revenues: \$4 million total, \$1.5 million from claims services.

Branch offices: Administrative offices in St. Louis and Kansas City, Mo.; Des Moines, Iowa; Madison, Wis.

Principal officers: Richard J. Reese, president; Jerome P. Pollock, senior vp; David V. Gabrielson, executive vp; James Stolfa, vp-data processing; Gary Newman, vp.

Membership: SPBA.

S

Self-Assurance Co. Inc.

100 Yordy Road, Morton, Ill. 61550;
309-263-7722

Year founded: 1980.

Services provided: 90% claims administration; 5% auditing; 5% other services, including pre-admission certification.

Region served: Central, Southeast and Southwest states.

Specialty: Employee benefits/group insurance; 92% health insurance, 5% life, 3% disability.

Self-insured clients/claims: Administration: 93 clients, \$9 million claims paid.

Client mix: Administration: 85 corporations, six public/government entities, one Taft-Hartley plan, one association plan.

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

Charges: Administration: per covered employee, time and expense.

1985 gross revenues: Not reported.

Branch offices: Administrative and sales office in Shawnee Mission, Kan.

Principal officers: Matthew A. Schafer, president; Connie Renfro, claims manager; Jyl Krause, administrative coordinator; David Johnson, data processing manager.

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: Midwest and South.

Specialty: Employee benefits/group insurance; 94% health insurance, 5% disability, 1% flex compensation.

Continued on facing page

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A Step Ahead

Continued from facing page

Self-insured clients/claims: Administration: 160 clients; \$15.3 million claims paid.

Client mix: Administration: 153 corporations, five public/government entities, one union-sponsored plan, one association plan. Health plans: 16,000 employees covered, 10,500 dependents covered.

Staff: 28 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$4-\$9.

1985 gross revenues: \$1.25 million total, all from claims services.

Branch offices: Administrative and sales office in Birmingham, Ala.; additional sales office in Pittsburgh.

Subsidiaries: Self-Funded Plans of the South Inc., Birmingham, Ala.

Principal officers: Thomas P. Luby, president; Richard C. Sheldon, vp-sales; Bonnie Bletcher Krauss, vp-administration; Marsha A. Phillips, vp-client service.

Membership: SPBA, SIA.

Self-Insurers Benefit Services

222 S. Prospect, Park Ridge, Ill. 60068; 312-692-7020

Parent company: Combined Insurance Co. of America.

Year founded: 1979.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 94% health insurance, 5% disability, 1% flex compensation.

Self-insured clients/claims: Administration: 55 clients, \$65 million claims paid.

Client mix: Administration: 45 corporations, 10 public/government entities. Health plans: 75,000 employees covered, 125,000 dependents covered.

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

Charges: Administration: percent of paid claims, per capita.

1985 gross revenues: Not reported.

Principal officers: C. Kenneth Frantz, president; Charles L. Loherty, vp-sales; Kenneth Peters, vp-claims.

Membership: SIA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

Glen Slaughter & Associates

1999 Harrison, Suite 500, Oakland, Calif. 94612; 415-451-8564

Year founded: 1955.

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

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 50% health insurance, 50% pensions.

Self-insured clients/claims: Administration: 80 clients, \$80 million claims paid.

Client mix: Administration: 10% corporations, 15% public/government entities, 75% Taft-Hartley plans.

Staff: 180 total staff members.

Charges: Administration: per covered employee.

1985 gross revenues: Not reported.

Branch offices: Administrative and branch offices in Los Angeles and San Diego, Calif.; Reno and Las Vegas, Nev.; Santa Fe, N.M.

Principal officers: Glen Slaughter, chairman; Gerry Thibault, president; Al Laemmert, Tom Weston and Cliff Wingo, senior vps; Terry O'Toole, financial vp.

Membership: SPBA.

Spectrum Benefits Inc.

744 Office Parkway, Suite 148, St. Louis, Mo. 63141; 314-991-0878

Year founded: 1985.

Services provided: 90% claims administration; 10% other services, including consulting.

Region served: Midwest.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: two clients, \$4.8 million claims paid.

Client mix: Administration: one corporation, one Taft-Hartley plan. Health plans: 2,400 employees covered, 5,400 dependents covered.

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

Charges: Administration: per employee, \$320-\$515

1985 gross revenues: Not reported; \$16,000 for last four months of 1985.

Principal officers: Mary Lewis, president; Pat Everman, vp.

Membership: SPBA, Missouri

Claims Assn., National Qic-Claim Assn. of Independent Health Care Plan Administrators.

Stirling & Weiss Inc.

51 Locust St., New Canaan, Conn. 06840; 203-966-8738

Year founded: 1973.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 9% disability, 1% flex compensation.

Self-insured clients/claims: Administration: 50 clients; \$14.5 million claims paid.

Client mix: Administration: 45 corporations, five public/government entities. Health plans: 15,000 employees covered.

Staff: 32 total staff members, 29 of whom serve self-insured clients only.

Charges: Administration: per employee per month, \$1-\$3; percent of paid self-funded claims, 4%-5%.

1985 gross revenues: \$1.5 million total, all from claims services.

Principal officers: George S. Stirling Jr., president; Harold A. Meyer Jr., senior vp; Denise Welby and Jerome

Abbott, vps; Catherine Wemett, secretary.

Membership: SPBA.

Susquehanna Administrators Inc.

26-28 W. King St., P.O. Box 1523, Lancaster, Pa. 17603; 717-295-9201

Parent company: Lincoln National Life Insurance Co.

Year founded: 1975.

Services provided: 100% claims administration.

Region served: Mid-Atlantic states.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 150 clients, \$60 million claims paid.

Client mix: Administration: 126 corporations, 20 public/government entities, two multiemployer plans, one Taft-Hartley plan, one union-sponsored plan. Health plans: 40,000 employees covered, 100,000 dependents covered.

Staff: 75 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per em-

ployee per month, \$4-\$7.

1985 gross revenues: \$2.8 million total, all from claims services.

Subsidiaries: Susquehanna Administrators Inc., Baltimore (claims services).

Principal officers: Kenneth G. Stoudt, chief executive officer; John B. Penrose, president-Pennsylvania office; Michael Thompson, president-Maryland office.

Membership: SPBA, SIA.

Syncor Administrative Services Inc.

3000 West Dundee, Northbrook, Ill. 60065; 312-291-1230

Year founded: 1971.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 128 clients.

Client mix: Administration: 121 corporations, seven public/government entities. Health plans: 12,000 employees covered, 25,000 dependents covered.

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

Charges: Administration: per employee per month, \$3.50-\$7.50.

1985 gross revenues: \$475,000 total, all from claims services.

Subsidiaries: Datamed Inc. (claims services).

Principal officers: Anthony Corso and Judee Corso.

Membership: SPBA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.



Third Party Administrators Inc.

9292 N. Meridian St., Suite 111, Indianapolis, Ind. 46260; 317-844-2200

Year founded: 1984.

Services provided: 100% claims administration.

Region served: Midwest.

Specialty: Employee benefits/group insurance: 100% self-funded plans, including medical, dental, vision and pre-

Continued on next page

A leading insurance executive discusses safety and the company plane.

John V. Brennan, President of U.S. Aviation Underwriters, America's largest insurer of corporate aircraft.



Business aircraft have never been built better—and safer—than they are today. However, due to the complexity and high performance of these planes, pilot training is something every company must think about.

"Nine out of every ten aircraft accidents have pilot-related causes. We strongly urge our policyholders to set up regular refresher training programs using simulators that represent their exact make of aircraft.

Pilot training is critical

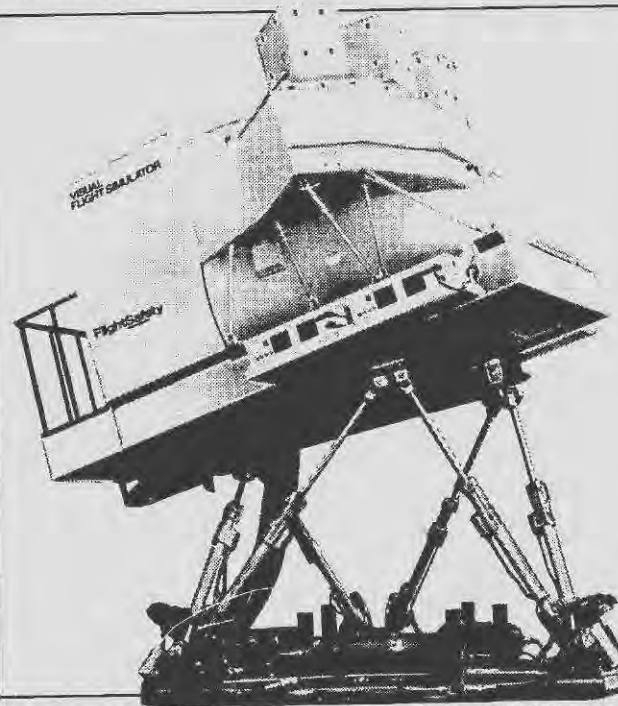
"I insist that the pilots who fly our own company jet take simulator training twice each year—the same as airline pilots. We do our training with FlightSafety International.

"Our experience shows that simulators are the safest possible training environment. They enable pilots to practice and perfect all

normal and emergency procedures under controlled conditions. The alternative of training in the aircraft is hazardous and incomplete—in addition, it wastes fuel.

Simulators: the safety factor

"Typically, the cost of refresher training for two pilots is less than the cost of one back-up flight instrument. That should be a worthwhile investment for any company."



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What do you do when a liability claim is made against your product in a foreign land? Where do you turn when you need some investigation done in places like Germany, Australia, South America, or Greece?

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Specializing in product liability claims management.

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Continued from preceding page
scription drug.

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

1985 gross revenues: Not reported.
Subsidiaries: Benefit Strategies Inc., Indianapolis (consulting services).

Principal officers: Ethel Ewing, president; Arthur V. Brown, chairman; Michael G. Galloway, secretary/treasurer.

Membership: Indiana Assn. of Health Underwriters, Independent Insurance Agents of Indiana.

Total Program Administrators

2809 Emerywoods Parkway, Suite 100, Richmond, Va. 23229; 804-288-8885

Parent company: Blue Cross/Blue Shield of Virginia.

Year founded: 1985.

Services provided: 75% claims administration, 25% auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: three clients, \$500,000 claims paid.

Client mix: Administration: three corporations. Health plans: 2,500 employees covered, 5,000 dependents covered.

Staff: 15 total staff members, all of whom serve self-insured clients.

Charges: Administration: per contract, per month.

1985 gross revenues: \$1 million total, all from claims services.

Branch offices: Administrative and sales offices in Fairfax, Norfolk and Roanoke, Va.

Principal officers: David A. Kreager, director/general manager.

Membership: SIIA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

U

Underwriters & Administrators Inc.

P.O. Box 6250, Harrisburg, Pa. 17112; 717-564-2673

Year founded: 1977.

Services provided: 60% claims administration, 40% other services.

Region served: Mid-Atlantic states.

Specialty: Employee benefits/group insurance: 60% health insurance, 30% pensions, 8% disability, 2% life.

Self-insured clients/claims: Administration: 51 clients, more than \$5 million claims paid.

Client mix: Administration: 18 corporations, three public/government entities, 30 Taft-Hartley plans. Health plans: 24,000 employees covered, 51,000 dependents covered.

Staff: More than 25 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per capita.

1985 gross revenues: More than \$750,000 total, more than \$450,000* from claims services.

Principal officers: Stanford F. Golin, president; Donald Evans, vp; Steven Golin, treasurer; Gregory Golin, secretary; David Shatto, comptroller.

Membership: SPBA, SIIA.

*BI estimate.

United Medical Resources Inc.

2343 Auburn Ave., Cincinnati, Ohio 45219; 513-651-3737

Year founded: 1983.

Services provided: 75% claims administration; 25% other services, including pre-admission reviews, concurrent reviews, auditing of hospital and physician bills, individual patient case management, data reporting and analysis.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 95% health insurance, 5% disability.

Self-insured clients/claims: Administration: 15 clients, \$25 million claims paid.

Client mix: Administration: 15 corporations. Health plans: 17,500 employees covered, 30,625 dependents covered.

Staff: 15 total staff members, all of whom serve self-insured clients.

Charges: Administration: per employee per month, varies with size of company and services performed.

1985 gross revenues: Not reported.

Principal officers: Victoria B. Buyniski, president; James L. Armistage, vp.

Membership: SIIA, Self Funded Institute of Ohio.

U.S. Administrators Inc.

3540 Wilshire Blvd., Los Angeles, Calif. 90010; 213-383-1100

Year founded: 1962.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 98.5% health insurance, 1% disability, 0.5% miscellaneous.

Self-insured clients/claims: Administration: 61 clients, \$781 million claims paid.

Client mix: Administration: 58 corporations, two multiemployer plans, one Taft-Hartley plan. Health plans: 919,000 employees covered.

Staff: 1,060 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in Calabasas and North Hollywood, Calif.; Shrewsbury, N.J.; Pittsburgh; Dallas.

Principal officers: Samuel X. Kaplan, president; Mark Dubinsky, Wayne Ferrentino, Carole Kennedy and Jim Larocca, senior vps.

V

Variable Protection Administrators Inc.

7123 Pearl Road, Cleveland, Ohio 44130; 216-888-8585/800-872-7253

Year founded: 1968.

Services provided: 50% claims administration; 50% other services, including marketing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: seven clients, \$1.3 million claims paid.

Client mix: Administration: six corporations, one association plan.

Staff: 92 total staff members, six of whom serve self-insured clients only.

Charges: Administration: flat rate per employee.

1985 gross revenues: \$600,000 total, \$300,000* from claims services.

Branch offices: Sales office in Brunswick, Ohio.

Principal officers: David Manley, president; David Campbell, vp-marketing; Timothy Eisenmann, vp-operations; Anthony Manley, vp-claims; Sue Maddock, vp-underwriting.

Membership: SPBA, Northeastern Claims Assn.

*BI estimate.

Vista Administrators Inc.

77 S. Broadway, Suite 260, Aurora, Ill. 60507; 312-844-2151

Year founded: 1981.

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

Region served: Metropolitan Chicago area.

Specialty: Employee benefits/group insurance: 100% health insurance.

Self-insured clients/claims: Administration: 10 clients, \$3 million claims paid.

Client mix: Administration: clients

a

Aetna Technical Services Ltd.

151 Farmington Ave., Hartford, Conn. 06158; 203-273-7593

Parent company: Aetna Life & Casualty Co.

Year founded: 1972.

Services provided: 90% claims administration, 1% adjusting, 2% auditing, 7% other services.

Region served: Nationwide.

Specialty: Property/casualty claims: 70% workers compensation, 15% general liability, 10% heavy product liability, 4% automobile, 1% bonds.

Self-insured clients/claims: Administration: more than 100 clients. Auditing: more than five projects conducted.

Client mix: Administration: more

include corporations, public/government entities, union-sponsored plans. Health plans: 1,587 employees covered, 892 dependents covered.

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

Charges: Administration: per employee per month.

1985 gross revenues: Not reported.

Principal officers: Nicholas P. Viola, president/chief operating officer; Marilee Viola, secretary/treasurer.

Membership: SIIA, International Foundation of Employee Benefit Plans.

Voluntary Plan Administrators Inc.

18321 Ventura Blvd., Suite 800, Tarzana, Calif. 91356; 818-705-3463

Year founded: 1979.

Services provided: 90% claims administration, 5% adjusting, 5% auditing.
Region served: Nationwide with specialization in California.

Specialty: Employee benefits/group insurance: 80% disability, 20% sick pay plans.

Self-insured clients/claims: Administration: 210 clients. Adjusting: four clients; types of claims include short- and long-term disability, sick pay plans. Auditing: three projects conducted.

Client mix: Administration: clients include corporations, public/government entities.

Staff: 28 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of premiums/deposits. Adjusting: \$75-\$150 per hour. Auditing: \$75-\$150 per hour.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in Santa Clara and Newport Beach, Calif.

Principal officers: John H. Bredehorn, president; Ralph D. Hurley, vp.

Membership: SPBA.

W

Western Reserve Administration Services Inc.

8300 Dow Circle, Strongsville, Ohio 44136; 216-243-2800

Parent company: Central Reserve Life of North America.

Year founded: 1980.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 98% health insurance, 2% disability.

Self-insured clients/claims: Administration: 20 clients, \$5 million claims paid.

Client mix: Administration: 20 corporations. Health plans: 2,000 employees covered.

Charges: Administration: per covered employee, \$3.50-\$6.

1985 gross revenues: Not reported.

Branch offices: Sales office in Berea, Ohio.

Principal officers: Joan L. Mack, president; Frank P. Grimone, executive vp; Christian Jensen, vp; Charles Johnson, secretary.

Membership: SIIA, North East Ohio Claims Assn.

Companies specializing in property/casualty claims

than 100 corporations, more than 10 public/government entities. Auditing: more than five corporations.

Staff: More than 200 total staff members.

Charges: Administration, adjusting and auditing: varies according to preference of client.

1985 gross revenues: Not reported.

Branch offices: 110 administrative and more than 15 sales offices nationwide.

Principal officers: Robertson Mackay, president; Robert Warner and Robert McDaniel, vps.

Allied Claim Services Inc.

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

Year founded: 1959.

Services provided: 53% claims administration, 47% adjusting.

Continued on facing page

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Region served: New York, Florida.
Specialty: Property/casualty claims: 53% workers compensation, 16% general liability, 15% automobile, 11% property damage, 3% inland marine, 2% professional liability.
Self-insured clients/claims: Administration 20 clients, \$1.5 million claims paid. Adjusting: 21 clients; types of claims include workers compensation, general liability, automobile, property damage, inland marine and professional liability.
Client mix: Administration: clients include corporations, public/government entity.
Staff: 30 total staff members, seven of whom serve self-insured clients only.
Charges: Administration: per claim, flat rate, contract basis. Adjusting: time and expense.
1985 gross revenues: Not reported.
Branch offices: Administrative and sales offices in New York and Dunkirk, N.Y.; Venice, Fla.
Principal officers: Henry E.B. Dendler, chairman of the board; Gregory J. Dendler, president; Richard E. Robb, first vp; Gail G. Prange, second vp; Paul J. Nowak and Edward E. Gress, assistant vps.
Membership: National Council of Self-Insurers, New York State Self-Insurers Assn., International Assn. of Industrial Accident Boards & Commissions.

claims paid. Adjusting: 33 clients, types of claims include workers compensation. Auditing: four projects conducted.
Client mix: Administration: 62 corporations, 375 public/government entities.
Staff: 190 total staff members, all of whom serve self-insured clients only.
Charges: Administration: percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium/deposits, per claim. Adjusting and auditing: time and expense.
1985 gross revenues: Not reported.
Branch offices: Administrative and sales offices in Burlingame, Fresno, Oakland, Santa Ana and San Diego, Calif.; Seattle.
Principal officers: R. Michael Bierly, president; Bruce S. Vanner, executive vp; James Jamerson and Harry Heinen, senior vps.
Membership: California Administrative Service Organization.



Claim & Risk Control Inc.
 5136 Express Drive S., Ho brook, N.Y. 11741; 516-467-4700

Year founded: 1977.
Services provided: 60% claims administration, 30% adjusting, 10% auditing.
Region served: Nationwide.
Specialty: Property/casualty claims: 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: time and expense flat fee.
1985 gross revenues: Not reported.
Principal officers: Eugene Fleischer, president; Kathleen Arnone, vp.

Claimco
 P.O. Box 729, Long Valley, N.J. 07853; 201-832-7752
Year founded: 1982.
Services provided: 20% claims adjusting; 60% auditing; 20% other services, including consulting.
Region served: Nationwide; adjusting services provided in New Jersey, eastern Pennsylvania and metropolitan New York only.
Specialty: Property/casualty claims.
Self-insured clients/claims: Adjusting: seven clients; types of claims include commercial auto, general liability, professional liability. Auditing: 10 projects conducted.
Client mix: Adjusting: seven corporations. Auditing: ten corporations.
Staff: Six total staff members, three of whom serve self-insured clients only.
Charges: Adjusting: time and expense. Auditing: per diem, time and expense.
1985 gross revenues: Not reported.
Branch offices: Administrative and sales office in Philadelphia.
Principal officers: John M. Monahan, president; Truxton Bob Ryan and Bill Holt, 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: 30% claims administration, 15% adjusting, 5% auditing.
Region served: Nationwide.
Specialty: Property/casualty claims: 70% workers compensation, 10% general liability, 10% automobile, 5% property damage, 5% professional liability.
Self-insured clients/claims: Administration: 600 clients. Adjusting: 25 clients; types of claims include automobile, general liability, property.
Client mix: Administration: clients include corporations, public/government entities. Adjusting: 15 corporations, 10 public/government entities.
Staff: 200 total staff members, 85 of whom serve self-insured clients only.
Charges: Administration: per claim.

Adjusting: time and expense.
1985 gross revenues: \$5.1 million total, all from claims services.
Branch offices: Administrative and sales offices in Pomona and Walnut Creek, Calif.; Reno and Las Vegas, Nev. Additional administrative offices in San Diego and Sacramento, Calif.
Subsidiaries: National Panel of Select Adjusting Cos., NBA Group Inc., CDS of California and Nevada.
Principal officers: Douglas E. Hanson, president; Judith Hanson, secretary, William Lindsay, treasurer, Hil Lurie, executive vp.
Claims Management Services
 1221 Ave. of the Americas, New York, N.Y. 10020; 212-734-2871
Parent company: Marsh & McLennan Inc.
Year founded: 1977.
Services provided: 70% claims auditing; 30% other services, including advisory work for self-insureds, workers compensation qualification in all states, self-insurance claims feasibility studies.
Region served: Nationwide.
Specialty: Property/casualty claims.
Self-insured clients/claims: Auditing: 98 projects conducted.
Client mix: Auditing: 65 corporations, six public/government entities.
Staff: 35 total staff members, all of whom serve self-insured clients only.
Charges: Auditing: hourly, \$75-\$175; annual retainer; multiple-year contracts.
1985 gross revenues: Not reported.
Branch offices: Administrative and sales offices in Atlanta, Pittsburgh and Seattle. Additional administrative offices in Stamford, Conn. and Portland, Ore.
Principal officers: Robert P.J. Booher, vp/national manager; Edward L. Gallagher Jr., Gene L. Jones and Paul Valdens, vps; Elizabeth McCarthy, assistant vp.
Claims Management Services Inc.
 112-D Norcross St., P.O. Box 767818, Roswell, Ga. 30075; 404-998-7411
Year founded: 1984.

Services provided: 80% claims administration, 10% adjusting, 10% auditing.
Region served: Southeast.
Specialty: Property/casualty claims: 80% workers compensation, 10% general liability, 5% automobile, 5% professional liability.
Self-insured clients/claims: Administration: 41 clients.
Client mix: Administration: 34 corporations, five 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: time and expense, \$50-\$65 per hour. Adjusting: flat rate, \$50-\$600; time and expense, \$50 per hour. Auditing: time and expense, \$75 per hour.
1985 gross revenues: \$510,000 total.
Principal officers: Gene L. Jones, president; Thomas H. O'Steen, vp; Neill G. Stevens, secretary/treasurer.
Constitution State Service Co.
 100 Constitution Plaza, Suite 1632, Hartford, Conn. 06103; 203-277-5489
Parent company: The Travelers Corp.
Year founded: 1980.
Services provided: 65% claims administration; 5% adjusting; 5% auditing; 25% other services, including actuarial, engineering, loss control, litigation management and vehicle damage appraisal services.
Region served: Nationwide.
Specialty: Property/casualty claims: 50% workers compensation, 30% automobile, 10% general liability, 3% property damage, 3% professional liability, 3% ocean marine, 1% miscellaneous.
Self-insured clients/claims: Administration: 150 clients; \$200 million claims paid. Adjusting: 20 clients. Auditing: five projects conducted.
Client mix: Administration: 110 corporations, 35 public/government entities, five association plans.
Staff: 3,000 total staff members.
Charges: Administration and adjusting: per file, per claim, time and expense. Auditing: per file, time and expense.

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1985 gross revenues: Not reported.

Branch offices: Administrative offices nationwide. Sales offices in New York; Atlanta; Columbia, S.C.; Los Angeles; Parsippany, N.J.

Subsidiaries: Constitution Appraisal Resources, LITFAX.

Principal officers: Sheldon L. Rothbart, president/chief operating officer; Robert D. Greenberg, executive vp; Halbert M. Dufault Jr., vp-engineering; Dennis A. Petrucci, treasurer; Andrew J. Apicella, national accounts marketing director.

Crawford & Co.

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-256-0830

Year founded: 1941.

Services provided: 25% claims administration; 61% adjusting; 14% other services, including health and rehabilitation services, risk control services, risk management information systems and consulting services.

Region served: Nationwide.

Specialty: Property/casualty claims; 60% workers compensation; 40% other types of claims, including general liability,

automobile, property damage, professional liability, bonds, ocean marine and inland marine.

Self-insured clients/claims: Administration: 535 clients, \$618 million claims paid. Adjusting: 2,000 clients; types of claims include auto liability, general liability, workers compensation and property.

Client mix: Administration: 470 corporations, 25 public/government entities, 40 association plans. Adjusting: 1,800 corporations, 150 public/government entities, 50 association plans.

Staff: 4,460 total staff members.

Charges: Administration: per claim, flat rate. Adjusting: time and expense.

1985 gross revenues: \$213.8 million total, \$184 million from claims services.

Branch offices: More than 700 administrative offices throughout the U.S., Canada and Puerto Rico; regional sales offices in Chicago; Dallas; New York; Orlando, Fla.; San Francisco; Toronto; Washington, D.C.

Subsidiaries: Crawford & Co. Insurance Adjusters Ltd., Canada (claims services). Risk Sciences Group, Atlanta, San Francisco and New York (risk management information systems and risk management consulting).

Principal officers: T.G. Germany,

chief executive officer; F.L. Minix, president; P.O. Bollinger, executive vp-sales; D.R. Chapman, executive vp-finance; C.C. Lefler, executive vp-marketing.

Membership: SIIA.

e

ESIS Inc.

1600 Arch St., Philadelphia, Pa. 19103; 215-241-2100

Parent company: CIGNA Corp.

Year founded: 1955.

Services provided: 30% claims administration, 10% adjusting, 10% auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 40% workers compensation, 30% general liability, 22% automobile, 5% property damage, 3% professional liability.

Self-insured clients/claims: Administration: 1,000 clients, \$460 million claims paid.

Staff: 40 marketing and staff personnel; 3,100 claims personnel, provided by parent company.

Charges: Administration: per claim.

Adjusting: per claim. Auditing: flat fee.

1985 gross revenues: Not reported.

Branch offices: Sales offices in Atlanta, Boston, Chicago, Dallas, Detroit, Los Angeles, New York and San Francisco.

Subsidiaries: SIMCO, Boston (claims services).

Principal officers: Edward P. Holleran, president; George W. Putnam, vp; Susan Hipp-Ludwig, secretary/treasurer.

Membership: SIIA, National Council of Self-Insureds.

Employers Unity Inc.-Workers Compensation Division

P.O. Box 782, Westminster, Colo. 80030; 303-426-4843

Year founded: 1977.

Services provided: 100% claims administration.

Region served: Rocky Mountain, Pacific Northwest and West Coast.

Specialty: Property/casualty claims: 100% workers compensation.

Self-insured clients/claims: Administration: six clients, \$1.5 million claims paid.

Client mix: Administration: four corporations, two public/government entities.

Staff: 16 total staff members, five of whom serve self-insured clients only.

Charges: Administration: flat charge per claim.

1985 gross revenues: Not reported.

Branch offices: Denver; Portland, Ore.

Subsidiaries: Employers Unity Inc.-Unemployment Compensation Cost Control Services, Denver; Los Angeles; San Francisco; Tulsa, Okla.; and Portland, Ore.

Principal officers: Stephen C. Thomason, president; David C. Wood, senior vp; Norman A. Peterson, vp; Eric A. Oscarson and Gary R. Nelson, assistant vps; Cheree Calabro, manager—self-insured accounts.

Membership: Colorado Claims Assn., Colorado Self-Insurers of Workers Compensation.

f

The Fisher Associates

3465 Torrance Blvd., Suite N, Torrance, Calif. 90503; 213-540-8803

Year founded: 1982.

Services provided: 65% claims administration; 25% adjusting; 5% auditing; 5% other services, including loss control services.

Region served: Nationwide.

Specialty: Property/casualty claims: 70% professional liability, 25% product liability, 5% general liability.

Self-insured clients/claims: Administration: eight clients; \$600,000 claims paid. Adjusting: eight clients. Auditing: 11 projects conducted.

Client mix: Administration: five corporations, three public/government entities.

Staff: 11 total staff members.

Charges: Administration and adjusting: per claim, flat rate, time and expense. Auditing: time and expense.

1985 gross revenues: More than \$1 million total, more than \$950,000* from claims services.

Principal officers: Frederick J. Fisher, president; Larry Walter, senior vp; Denise Harris, secretary/treasurer.

Membership: California Assn. of Independent Adjusters, Los Angeles Claims Managers Forum.

*BI estimate.

Fleming & Associates

Foothill Executive Plaza, 1150 Foothill Blvd., Suite E, La Canada, Calif. 91011; 818-790-8714

Year founded: 1976.

Services provided: 80% claims administration; 8% auditing; 12% other services, including risk management information systems.

Region served: West.

Specialty: Property/casualty claims: 90% workers compensation, 5% general liability, 5% automobile.

Self-insured clients/claims: Administration: 38 clients, \$9.5 million claims paid. Auditing: seven projects conducted.

Client mix: Administration: clients include corporations, public/government entities, multiemployer plans. Auditing: four corporations, three public/government entities.

Staff: 21 total staff members, all of whom serve self-insured clients only.

Charges: Administration: \$165-\$280. Auditing: \$65-\$100 per hour.

1985 gross revenues: Not reported.

Branch offices: Administrative office in Salinas, Calif.

Principal officers: William Edward Fleming, president; William A. Lange, vp; P.L. Fleming, secretary; Robert N. Hoyle and Leonard Samuels, directors-claims services.

Membership: California Administrative Service Organization, California Self-Insurers Assn.

g

Gay & Taylor Inc.

2150 Country Club Road, Box 1410, Winston-Salem, N.C. 27102; 919-723-9631

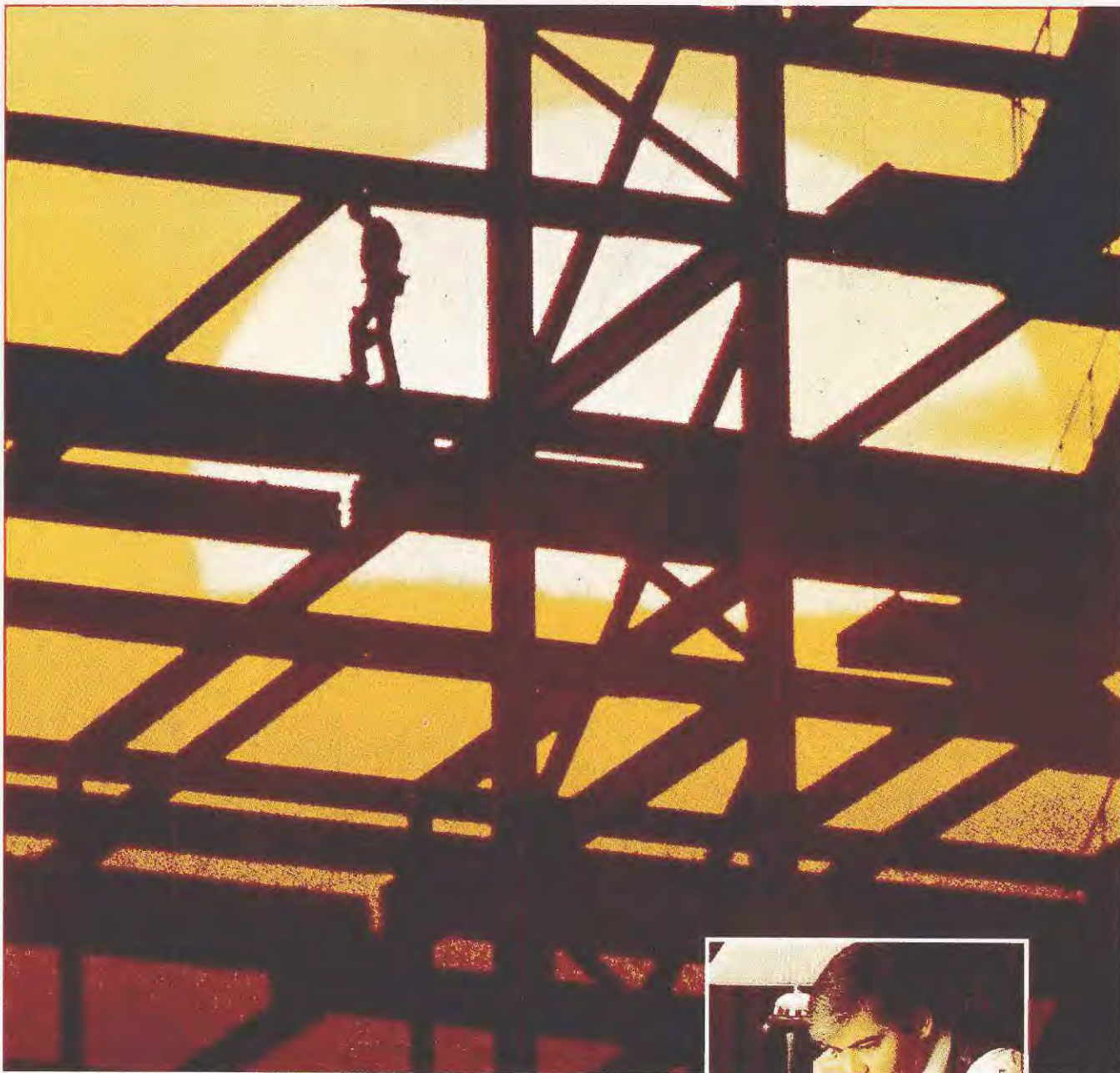
Parent company: Seibels, Bruce Group Inc.

Year founded: 1927.

Services provided: 10% claims administration, 10% adjusting, 5% auditing, 75% other services.

Region served: Alabama; Arkansas; Delaware; Washington D.C.; Florida; Georgia; Illinois; Indiana; Iowa; Kansas; Kentucky; Louisiana; Maryland; Mis-

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Our people make us better.

Continued from facing page
souri; Nebraska; North Carolina; Ohio; Oklahoma; Pennsylvania; South Carolina; Tennessee; Texas; Virginia; West Virginia; and Wisconsin.

Specialty: Property/casualty claims: 55% workers compensation, 15% automobile, 15% property damage, 10% general liability, 3% professional liability, 1% bonds, 1% inland marine.

Self-insured clients/claims: Administration: 112 clients. Auditing: 91 clients. Auditing: four projects conducted.

Client mix: Administration: clients include corporations, public/government entities. Adjusting: 91 corporations. Auditing: four corporations.

Staff: 596 total staff members, 22 of whom serve self-insured clients only.

Charges: Administration: flat rate. Auditing and auditing: time and expense.

1985 gross revenues: \$23 million total, \$3.2 million from claims services.

Branch offices: Administrative offices in Atlanta; Orlando, Fla.; Richmond, Va.; Washington, D.C.; Pittsburgh; Kansas City, Mo.

Principal officers: W.J. Browning, vice chairman; T. Bruce Tilley, president; John D. Swanson, vp-marketing; John B. Woods, vp-operations; William L. Orr, vp-finance.

The Gibbens Co. Inc.

P.O. Box 71210, Reno, Nev. 89570; 702-826-6600

Year founded: 1966.

Services provided: 98% claims administration, 2% auditing.

Region served: Nevada and Colorado.

Specialty: Property/casualty claims: 70% workers compensation, 30% state fund workers compensation.

Self-insured clients/claims: Administration: 35 clients.

Client mix: Administration: 35 corporations.

Charges: Administration: per claim, percent of payroll. Auditing: flat fee, \$40 per hour.

1985 gross revenues: Not reported.

Branch offices: Administrative and sales offices in Las Vegas, Nev.; Denver.

Principal officers: William Gibbens, David Addison.

h

HCM Claim Management Corp.

3 Entin Road, Parsippany, N.J. 07054; 201-428-6418

Parent company: UAL Inc.

Year founded: 1982.

Services provided: 90% claims administration, 10% auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 85% automobile, 10% general liability, 5% property damage.

Self-insured clients/claims: Administration: five clients, \$60 million claims paid. Auditing: four projects conducted.

Client mix: Administration: five corporations.

Staff: 155 total staff members, 100 of whom serve self-insured clients only.

Charges: Administration: per claim, flat rate, \$125-\$210. Auditing: time and expense; flat fee, \$1,000-\$5,000.

1985 gross revenues: \$8 million total, all from claims services.

Branch offices: New York; Boston; Pittsburgh; Chicago; Washington, D.C.; Dallas; Miami; Los Angeles.

Principal officers: Thomas J. Santorelli, vp; Howard Rezak, secretary; David J. Troy Jr., national account executive.

Membership: SIIA.

i

Inservco Insurance Services Inc.

P.O. Box 2361, 1900 Derry St., Harrisburg, Pa. 17105; 800-441-8046/800-282-8642 in Pennsylvania.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Year founded: 1980.

Services provided: 70% claims administration; 20% adjusting; 5% auditing; 5% other services, including loss prevention and rehabilitation services.

Region served: Pennsylvania, Virginia, North Carolina, Maryland and New Jersey.

Specialty: Property/casualty claims: 100% workers compensation.

Client mix: Administration clients

include corporations, public/government entities and association plans. Adjusting clients include association plans.

Charges: Adjusting: per claim, \$40-\$275; hourly, \$25-\$30. Auditing: hourly, \$25-\$35.

1985 gross revenues: Not reported.

Branch offices: 17 administrative offices throughout region served.

Subsidiaries: Penn National Communications (advertising agency).

Principal officers: John L. Longnaker, president; Robert L. Conrad, executive vp; Charles Magill, vp; Marlin T. Wilbeat, secretary; Kenneth Shaffer, treasurer.

Membership: SIIA, Pennsylvania Claims Assn., National Council of Self-Insurers.

Loss Control

Management Corp.

451 Hungerford Drive, Suite 208, Rockville, Md. 20850; 301-424-0800

Parent company: National Con-
Continued on next page

less ance

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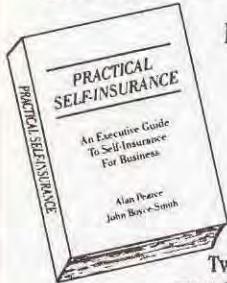
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Continued from preceding page Serv.

Year founded: 1963.
Services provided: 94% claims administration and adjusting; 83 other services, including claims monitoring of insurance companies, independent adjusting and loss control services.

Region served: Virginia, Maryland and Washington, D.C.

Specialty: Property/casualty claims: 70% workers compensation, 20% automobile, 5% general liability, 5% property damage.

Self-insured clients/claims: Administration: 12 clients.

Client mix: Administration and adjusting: three corporations, nine public/government entities.

Staff: 10 total staff members, eight of whom serve self-insured clients only.

Charges: Administration and adjusting: fixed annual fee.

1985 gross revenues: Not reported.

Principal officers: Ronald L. Kart, president; Peter G. Baldwin, vp.

Membership: SIIA, Washington Claims Assn.

N

NATLSCO (National Loss Control Service Corp.)

Route 22, Kemper Center, Long Grove, Ill. 60049-0075; 312-540-2400

Parent company: Kemper Group.
Year founded: 1968.

Services provided: 81% claims administration; 1% auditing 183 other services, including loss control services.

Region served: Nationwide.

Specialty: Property/casualty claims: 69% workers compensation, 15% general liability, 11% automobile, 5% prop-

erty damage.
Self-insured clients/claims: Administration: 109 clients. Auditing: 25 projects conducted.

Client mix: Administration: 102 corporations, four public/government entities, three association plans.

Staff: 200 total staff members, none of whom serves self-insured clients only.

Charges: Administration: percent of incurred claims, percent of payroll, percent of annual premium/deposits, per claim. Auditing: time and expense, \$55-\$75.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in Akron, Ohio; Fairfax, Va.; and 94 branch offices of parent company. Sales offices in North Quincy, Mass.; North Haven, Conn.; Summit, N.J.; New York; 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. Krafcsisin, A.D. Odom and D.F. Benevich, vps.

O

Orange Coast Adjusters

7798 Starling Drive, #306, San Diego, Calif. 92123; 619-292-6101

Year founded: 1953.

Services provided: 10% claims administration, 85% adjusting, 5% auditing.

Region served: Southern California.

Specialty: Property/casualty claims: 50% automobile, 28% property damage, 10% workers compensation, 10% general liability, 1% professional liability, 1% ocean marine.

Self-insured clients/claims: Administration: six clients. Auditing: 10 clients. Auditing: two projects conducted.

Client mix: Administration: clients include public/government entities, union-sponsored plan. Auditing: clients include corporations. Auditing: two public/government entities.

Staff: 35 total staff members, none of whom serves self-insured clients only.

Charges: Administration: 1% of total services billed at \$29 per hour. Auditing: \$29 per hour. Auditing: \$40 per hour.

1985 gross revenues: \$1 million total.

Branch offices: Administrative offices in Santa Ana, San Bernardino, Los Angeles and Long Beach, Calif.

Principal officers: Robert J. Webb, president; Lorraine Webb, vp; Kathy Plein, secretary/treasurer; Ed Kerner, executive vp; Harold Hardies, consultant.

Membership: National Assn. of Independent Adjusters, California Assn. of Independent Adjusters, International Institute of Loss Adjusters.

P

Parker Services Inc.

1800 N. Point Drive, Stevens Point, Wis. 54481; 715-346-7357

Parent company: Sentry Insurance Co.

Year founded: 1981.

Services provided: 50% claims administration; 10% adjusting; 40% other services, including loss control and industrial hygiene services.

Region served: Nationwide.

Specialty: Property/casualty claims: 40% workers compensation, 30% professional liability, 20% general liability, 10% automobile.

Self-insured clients/claims: Administration: 16 clients, \$5 million claims paid. Auditing: nine clients.

Client mix: Administration: 12 corporations, two public/government entities, two association plans.

Staff: 14 total staff members, additional staff provided by parent company.

Charges: Administration: percent of incurred claims, percent of paid claims, per claim, flat rate, time and expense. Auditing: hourly.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in major U.S. cities.

Principal officers: William Schwantes, president; Dave Entwistle, vp-marketing/sales; Kent Foster, vp-environmental health division; Tom Hein, vp-services.

R

Risk Management Service Co.

7929 Brookriver Drive, Suite 770, Dallas, Texas 75247; 214-630-3730.

Parent company: Lindsey & Newson.

Year founded: 1973.

Services provided: 75% claims administration; 15% adjusting; 5% auditing; 5% other services, including risk management consulting.

Region served: Nationwide.

Specialty: Property/casualty claims: 60% workers compensation; 15% general liability; 10% automobile; 2% property damage; 2% professional liability; 1% inland marine; 10% miscellaneous, including U.S. longshoremen's and harbor workers' compensation, Jones Act, petroleum and aviation business.

Self-insured clients/claims: Administration: 150 clients. Auditing: 200 clients. Auditing: 20 projects conducted.

Client mix: 50 corporations, 105 public/government entities, 20 association plans.

Staff: 450 employees, 150 of whom serve self-insured clients only.

Charges: Percent of incurred claims, 4%-10%; percent of paid claims, 4%-10%; percent of annual premium/deposits, 3%-8%; per claim (flat rate), \$25-\$500; retrospective adjustment.

1985 gross revenues: Not reported.

Locations: Administrative offices in Tyler and Houston, Texas; 450 claims offices.

Principal officers: Robert Irwin, president; Terry Grant, vp; Andrew Cmiel, director; James Jackson, claim manager.

Membership: SIIA, National Assn. of Independent Insurance Adjusters.

S

Self-Insurers Service Inc.

10 S. Riverside Plaza, Chicago, Ill. 60606; 312-559-2300

Parent company: Combined International Corp.

Year founded: 1956.

Services provided: Services include claims administration, adjusting and auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 93% workers compensation, 2% general liability, 2% automobile, 1% property damage, 1% professional liability, 1% disability.

Self-insured clients/claims: Administration: 105 clients, \$47 million claims paid. Auditing: one client; types of claims include workers compensation, general liability, auto liability. Auditing: six projects conducted.

Client mix: Administration: clients include corporations, public/government entities, association plans. Auditing: one corporation.

Staff: 80 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of incurred claims, 7%; percent of paid claims, 9%; percent of payroll, 2%; percent of premium, 8%-9%; per claim, 110%-200%; time and expense, \$40-\$70 per hour.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in Atlanta; Kansas City, Kan.; Las Vegas, Nev.; Los Angeles; New York; Toledo, Ohio; Santa Clara, Calif.; Reno, Nev. Sales offices in 44 locations throughout the U.S.

Subsidiaries: S.I.S. Services Inc., Nevada.

Principal officers: Ralph M. Wilson, president/chief executive officer; Herbert J. Carlson, executive vp-administration; Steven H. Pahl, vp-marketing; William Vit, vp-claims management; Kenneth M. Wzorek, vp-loss control.

Membership: Casualty Adjusters Assn.

Southern Risk Services Inc.

P.O. Box 10265, Birmingham, Ala. 35202; 205-252-9870

Parent company: McGriff, Seibels & Williams Inc.

Year founded: 1966.

Services provided: 90% claims administration; 10% other services, including loss control services.

Region served: Southeast.

Specialty: Property/casualty claims: 75% workers compensation, 10% general liability, 10% automobile, 5% property damage.

Continued on facing page

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Continued from facing page

Self-insured clients/claims: Administration: 29 clients; \$8 million claims paid.

Client mix: Administration: 19 corporations, seven public/government entities, three association plans.

Staff: 37 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of premium, 4%-8%.

1985 gross revenues: \$1.3 million total, all from claims services.

Principal officers: Lionel B. Feenster, president/treasurer; John Nixon, vp/secretary.

Membership: SPBA.

U

**Underwriters
Adjusting Co.**

15 Corporate Place S., Piscataway, N.J. 08854; 201-981-8200

Parent company: The Continental Corp.

Year founded: 1918.

Services provided: 50% claims administration, 45% adjusting, 5% auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 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. Adjusting: 500 clients; types of claims include workers compensation, general liability, automobile liability.

Staff: 3,500 total staff members.

Charges: Administration: flat rate, time and expense, percent of paid claims, percent of incurred claims, percent of payroll. Adjusting and auditing: time and expense, flat rate.

1985 gross revenues: \$170 million total, all from claims services.

Branch offices: 180 administration and sales offices nationwide.

Subsidiaries: United States Protection and Indemnity Agency Inc. (claims services).

Principal officers: R.A. Simon, chairman; D.K. Stone, executive vp; R.F. Mastroberti and C.L. Gabbert, senior vps; W.F. Bergs, vp.

**United Self Insured
Services**

5728 Major Blvd., Suite 212, Orlando, Fla.; 305-352-0374

Parent company: Brown & Brown Inc.

Year founded: 1982.

Services provided: 25% claims administration, 25% adjusting, 25% auditing, 25% other services.

Region served: Florida.

Specialty: Property/casualty claims: 75% workers compensation, 8.34% general liability, 8.33% automobile, 8.33% property damage.

Self-insured clients/claims: Administration: 10 clients, \$5 million claims paid.

Client mix: Administration: eight corporations, one public/government entity, one multiemployer plan.

Staff: 28 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of premium. Adjusting: included in administration charges. Auditing: flat hourly rate.

1985 gross revenues: \$2.5 million total; \$1.9 million* from claims services.

Subsidiaries: American Eagle Insurance Services, Orlando, Fla. (claims services).

Principal officers: Hyatt Brown, president; Kenneth E. Hill and Richard Valdez, executive vps; Jim Henderson, vp-finance.

*BI estimate.

W

Carl Warren & Co.

320 Arden Ave., Glendale, Calif. 91203 or Box 116, Glendale, Calif. 91209; 213-245-0800

Year founded: 1944.

Services provided: 60% claims administration, 40% adjusting.

Region served: Nationwide.

Specialty: Property/casualty claims: 85% general liability, 15% automobile.

Self-insured clients/claims: Administration: 200 clients.

Client mix: Administration: 50 corporations, 150 public/government entities.

Staff: 130 total staff members, 80 of

whom serve self-insured clients only.

Charges: Administration: time and expense, \$28-\$30 per hour. Adjusting: time and expense, \$28-\$30 per hour.

1985 gross revenues: \$9 million total, all from claims services.

Branch offices: Administrative offices throughout Southern California.

Principal officers: Howard Hitchcock, chairman; Jack Walker, secretary/treasurer/co-chairman; Bill Blair, president; Roy George, vp; Eric Forsberg, co-chairman.

**Scott Wetzel
Services Inc.**

500 Pacific Ave., Suite 700, Bremerton, Wash. 98310; 206-479-0200

Parent company: The Home Group Inc.

Year founded: 1941.

Services provided: 81% claims administration; 5% adjusting; 1% auditing; 13% other services, including engineering loss control and data processing.

Region served: Nationwide.

Specialty: Property/casualty claims: 70% workers compensation, 18% general liability, 10% automobile, 2% professional liability.

Self-insured clients/claims: Administration: 417 clients, \$373.3 million claims paid. Adjusting: 39 clients. Auditing: seven projects conducted.

Client mix: Administration: 384 corporations, 27 public/government entities, six association plans.

Staff: 439 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of incurred claims, 9%-12%; percent of paid claims: percent of annual deposit; flat rate. Adjusting: percent of incurred claims, 9%-12%; percent of paid claims: flat rate: time and expense. Auditing: time and expense, \$45-\$95 per hour plus expenses.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in Los Angeles; Concord, Calif.; Chicago; Salt Lake City; Tampa, Fla.; Houston; Dallas; Philadelphia; New York. Sales offices in 26 locations nationwide.

Principal officers: M.A. Soltau, president; R.B. Spratt, executive vp; T.R. Neal, executive vp-finance; K.C. Rosser and L.W. Edwards, senior vp.

Membership: SIIA, National Assn. of Safety & Claims Organizations, California Self-Insurers Assn.



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a

AMSERCO (American Mutual Corp.)

Quannapowitt Parkway, Wakefield, Mass. 01880; 617-245-6000

Parent company: American Mutual Liability Insurance Co.

Year founded: 1971.

Services provided: 99% claims administration, 1% auditing.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 70% workers compensation, 20% health insurance, 5% general liability, 5% automobile.

Self-insured clients/claims: Administration: 21 clients, \$26.5 million claims paid. Auditing: two projects conducted.

Client mix: Administration: 18 corporations, one public/government entity, two multiemployer plans.

Charges: Administration: percent of payroll. Auditing: time and expense.

1985 gross revenues: Not reported.

Branch offices: 12 administrative offices and 63 sales offices nationwide.

Principal officers: Carl M. DeFranco, vp.

Membership: SIIA.

Adjustco Inc.

220 White Plains Road, Tarrytown, N.Y. 10591; 914-332-4747

Parent company: Frank B. Hall & Co. Inc.

Year founded: 1981.

Services provided: 62% claims administration; 22% adjusting; 3% auditing; 13% other services, including litigation management, rehabilitation, hospital bill audits and other health care cost control services, risk management information systems.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 49% workers compensation, 25% health insurance, 12% general liability, 8% disability, 2% automobile, 2% property damage, 1% inland marine, 0.5% professional liability, 0.5% life.

Self-insured clients/claims: Administration: 12,663 clients; \$302.4 million claims paid. Adjusting: 55 clients; types of claims include general liability, automobile, workers compensation and property damage. Auditing: 41 projects conducted.

Client mix: Administration: Clients include corporations, public/government entities, multiemployer plans, union-sponsored plans, association plans. Adjusting: 42 corporations, 13 public/government entities.

Staff: 1,100 total staff members, 880 of whom serve self-insured clients only.

Charges: Administration: percent of annual premium/deposits, percent of incurred claims, percent of paid claims, time and expense. Auditing: time and expense, percent of incurred claims, percent of paid claims, percent of payroll. Auditing: time and expense, percent of incurred claims, percent of paid claims, percent of payroll.

1985 gross revenues: \$52.1 million total, \$45.3 million from claims services.

Branch offices: 89 sales and administration offices nationwide.

Principal officers: Thomas V. Hallett, chairman/president/chief executive officer; Leonard E. Churnetski, Forest I. Hughes, Robert W. Lowry and Terence J. O'Hara, senior vps.

Membership: SIIA.

Alexsis Inc.

41000 W. Seven Mile Road, Northville, Mich. 48167; 313-348-2202

Parent company: Alexander & Alexander Services Inc.

Year founded: 1932.

Services provided: 70% claims administration; 5% auditing; 25% other services, including loss control and alternative funding.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 75% workers compensation, 10% general liability, 9% automobile, 5% professional liability, 1% health insurance.

Self-insured clients/claims: Administration: 1,500 clients, \$472 million claims paid.

Client mix: Administration: clients include corporations, public/government entities, association plans.

Staff: 670 total staff members, all of whom serve self-insured clients only.

Charges: Administration: varies.

1985 gross revenues: \$38.6 million total, \$36 million from claims services.

Branch offices: 41 administrative and 37 sales offices nationwide.

Subsidiaries: Corporate Service Inc., Claim Co., Summit Consulting Inc. (claims services).

Principal officers: John A. Malasky, national director; Joseph Giampetro, Ernest C. Fackler III and Michael J. Verlinden, executive vps; Tom Petcoff, president-Summit Consulting Inc.

b

Babb Inc.

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

Year founded: 1929.

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

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 85% health insurance, 15% disability.

Self-insured clients/claims: Administration: 100 clients, \$5.5 million claims paid.

Client mix: Administration: 100 corporations. Health plans: 20,000 employees covered, 42,000 dependents covered.

Staff: 80 total staff members, 25 of whom serve self-insured clients only.

Charges: Administration: fee based upon benefits provided in plan.

1985 gross revenues: \$4 million total, \$800,000 from claims services.

Branch offices: Sales office in Wayne, Pa.

Subsidiaries: Providing claims services: Babb Health Care Administration Services Inc. Providing other services: Higham Whitridge Inc., special risk insurance.

Principal officers: Ronald B. Livingston, chairman/president; William M. Steele, vice chairman; Chester Sanderson, treasurer.

Membership: SIIA, National Qic-Claim Assn. of Independent Health Care Plan Administrators.

BeneChek Inc.

1301 York Road, Suite 808, Lutherville, Md. 21093; 301-321-6294

Year founded: 1984.

Services provided: 75% claims administration, 25% adjusting.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 50% workers compensation, 40% health insurance, 2.5% general liability, 2.5% automobile, 2.5% property damage, 2.5% professional liability.

Self-insured clients/claims: Administration: 63 clients, \$5 million claims paid. Adjusting: 10 clients; claims adjusted include workers compensation, medical.

Client mix: Administration: clients include corporations. Adjusting: 10 multiemployer plans.

Staff: Six total staff members, all serving self-insured clients only.

Charges: Administration: per employee per month, \$4-\$7. Adjusting: annual contract basis.

1985 gross revenues: \$300,000 total, all from claims services.

Principal officers: Richard B. Asher, president; John Magress, vp/director-operations; Calvin Kreigh, secretary/treasurer; Richard C. Goff, chairman.

Membership: National Qic-Claim Assn. of Independent Health Care Plan Administrators.

Brown & Brown Inc.

126 Volusia Ave., P.O. Drawer 1712, Daytona Beach, Fla. 32015; 904-252-9601

Year founded: 1939.

Services provided: 20% claims administration; 80% other services, including benefits consulting, property/casualty consulting, HMO management.

Region served: Nationwide.

Continued on facing page

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The Complete Solution

Continued from facing page

Specialty: Both property/casualty and employee benefits/group insurance: 64% workers compensation, 34% health insurance, 2% disability.

Self-insured clients/claims: Administration: 11 clients, \$29.3 million claims paid.

Client mix: Administration: seven corporations, one public/government entity, three multiemployer plans.

Staff: 300 total staff members, 35 of whom serve self-insured clients only.

Charges: Administration: per employee, per claim.

1985 gross revenues: \$18 million total, \$3.5 million from claims activities.

Branch offices: Administrative and sales office in Orlando, Fla. Additional sales offices in Tampa, Miami, West Palm Beach, Fort Myers and Jacksonville, Fla.

Principal officers: J. Hyatt Brown, president; Kenneth E. Hill, executive vp; Edward G. Brewer and Robert Thomas III, senior vps; Jim W. Henderson, vp/chief financial officer.

C

Creative Risk Management Corp.

34820 Harper Ave., Mount Clemens, Mich. 48043; 313-792-6355

Year founded: 1971.

Services provided: 65% claims administration, adjusting and auditing; 35% other services, including safety engineering and insurance placement.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 52% workers compensation, 20% health insurance, 18% general liability, 6% automobile, 2.5% property damage, 1.5% inland marine.

Self-insured clients/claims: Administration and adjusting: 110 clients; \$31.3 million claims paid. Auditing: 12 projects conducted.

Client mix: Administration and adjusting: clients include corporations, public/government entities, association plans. Auditing: nine corporations, three public/government entities.

Staff: 71 total staff members, 62 of whom serve self-insured clients only.

Charges: Administration: percent of annual premium or payroll, per covered employee. Adjusting: per claim, time and expense. Auditing: time and expense.

1985 gross revenues: Not reported.

Branch offices: Administrative office in Columbus, Ohio.

Principal officers: James W. Duff, president; W.T. Platt and Thomas D. Mather, senior vps; Lisabeth S. Vernier, vp; Dennis G. Clark, controller.

Membership: SIA, Self Funding Institute of Michigan.

e

Emett & Chandler Self-Insurance Services Inc.

17870 Sky Park Circle, Irvine, Calif. 92714; 714-261-1900

Parent company: Emett & Chandler Cos. Inc.

Year founded: 1933.

Services provided: 79% claims administration; 1% adjusting; 20% other services, including computer and safety services.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 75% workers compensation, 17% health insurance, 4% general liability, 2% automobile, 1.5% property damage, 0.5% professional liability.

Self-insured clients/claims: Administration: 578 clients, \$119 million claims paid. Adjusting: 200 clients; types of claims include workers compensation and liability.

Client mix: Administration: 495 corporations, 77 public/government entities, six multiemployer plans.

Staff: 195 total staff members, 180 of whom serve self-insured clients only.

Charges: Administration: flat fee. Adjusting: \$36 per hour.

1985 gross revenues: Not reported.

Branch offices: Administrative and sales office in New York. Additional administrative offices in San Diego, Union City and Bakersfield, Calif.; Buffalo and Syracuse, N.Y.; Des Plaines, Ill.; Pittsburgh; Milwaukee; Troy, Mich.

Subsidiaries: Laverack & Haines Inc. (claims services); Diversified Adjustment Services (claims adjusting); Kautz Illinois Brokers Inc.

Principal officers: Michael L. Po-

land, president; William F. Poland, executive vp; Dan W. Huggins, president-Midwest region; Ronnie A. Kessler, senior vp; Donald D. Rae, vp.

Membership: SIIA, California Administrative Service Organization, National Assn. of Safety & Claims Organizations, New York State Self-Insurers Assn.

Employee Benefit Claims Inc./Employee Benefit Administration Co.

6950 Wayzata Blvd., Minneapolis, Minn. 55426; 612-546-4353

Year founded: 1974.

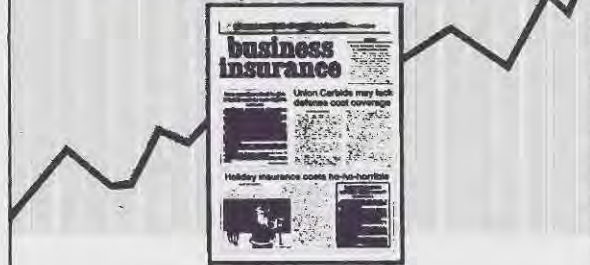
Services provided: 91% claims administration, 2% adjusting, 7% auditing.

Region served: Nationwide service provided by Employee Benefit Claims Inc.; service in Minnesota and Oklahoma provided by Employee Benefit Administration Co.

Specialty: Both property/casualty and employee benefits/group insurance: 91% health insurance, 9% workers compensation.

Self-insured clients/claims: Administration: more than 2,300 clients; Continued on next page

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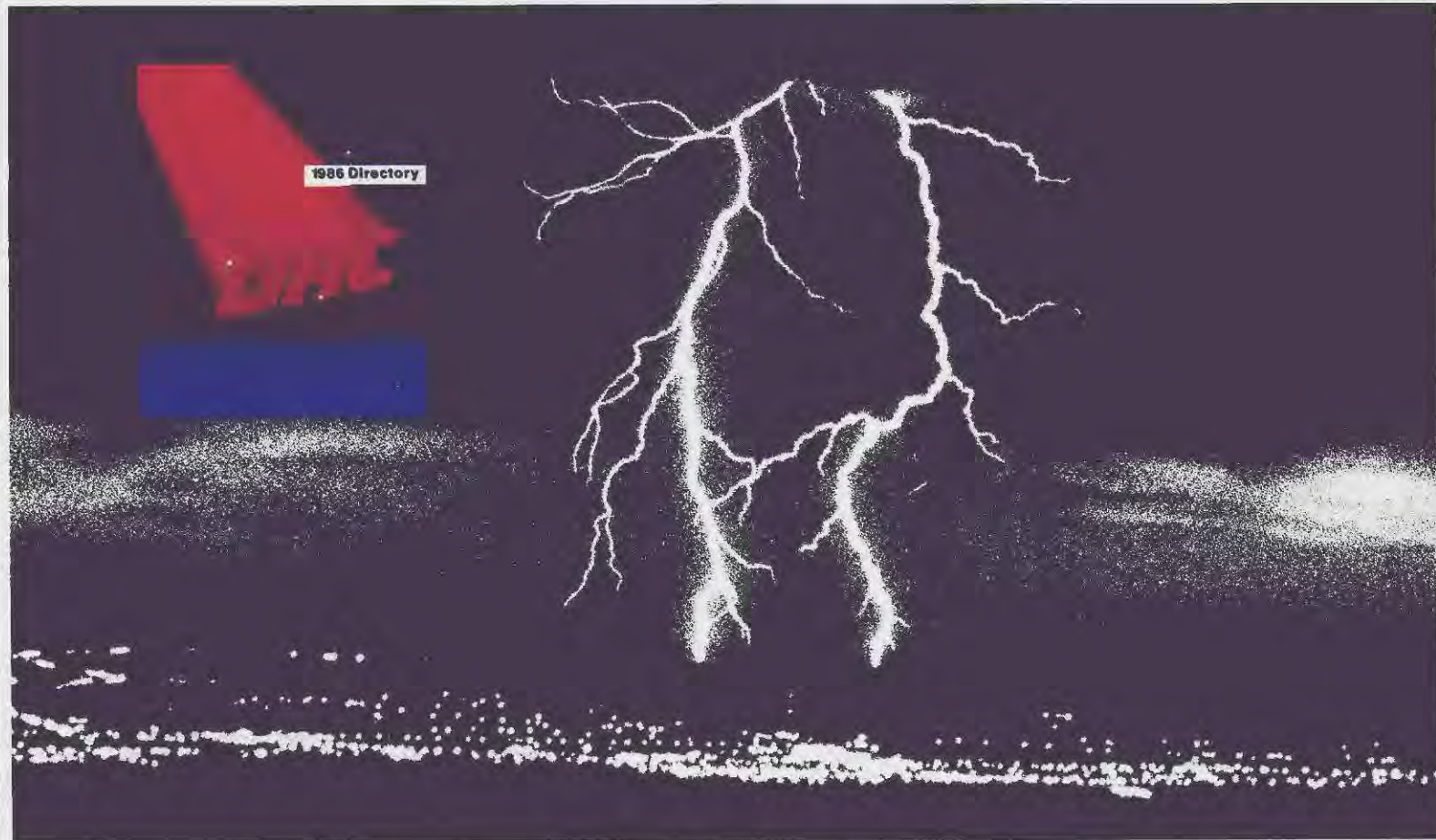
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Continued from preceding page
\$350 million claims paid. Adjusting: four clients; types of claims include health, workers compensation.

Client mix: Administration: 800 corporations, 1,500 public/government entities, 13 multiemployer plans, four Taft-Hartley plans, 10 union-sponsored plans, 28 association plans. Health plans: 470,000 total employees covered, 330,000 dependents covered.

Staff: 430 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of paid claims, 3%-5%; per capita; time and expense. Auditing: percent of paid claims; time and expense, senior field adjuster, \$50/hour. Auditing: flat fee, percent of paid claims.

1985 gross revenues: \$28 million total, \$26 million from claims services.

Branch offices: Sales and administration offices in Chicago; Cleveland; Pittsburgh and Erie, Pa.; Miami and Orlando, Fla.; Oklahoma City and Tulsa, Okla.; Dallas, Austin, El Paso and Houston, Texas; Phoenix, Ariz.; Los Angeles, San Francisco, Fresno and Costa Mesa, Calif.; Spokane and Seattle, Wash.; Billings, Mont.; Sioux Falls, S.D.

Subsidiaries: Providing claims services: Employee Benefit Plans of Oklahoma, Tulsa; Equitable Benefit Plans of Florida Inc., Miami; Employee Benefit Administration Co., Minneapolis; Equitable Benefit Insurance Services Inc., Calif. Providing other services: Ridge-dale Surgery Center, Minneapolis (free-standing surgical center); United

Risk Services Inc., Minneapolis (insurance mass-marketing).

Principal officers: Employee Benefit Claims Inc.: Richard J. Dunlap, president; Michael Bedessem, controller; Henry Helgen, general counsel; Thomas Toussaint, chief underwriter. Employee Benefit Administration Co.: Ernest Kallgren, president; Ron Holbach, claims manager; John Bedessem, secretary/treasurer.

Membership: SPBA.

f

FCS Administrators Inc.

2400 Baseline Road, P.O. Box 308, Grand Island, N.Y. 14072; 716-773-1142

Year founded: 1984.

Services provided: 100% claims administration.

Region served: Northeast.

Specialty: Both property/casualty and employee benefits/group insurance: 54% health insurance, 46% workers compensation.

Self-insured clients/claims: Administration: 36 clients, \$11.4 million claim paid.

Client mix: Administration: 26 corporations, nine public/government entities, one association plan. Health plans: 8,100 employees covered, 18,600 dependents covered.

Staff: 21 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee for health claims, percent of standard premium for workers compensation claims.

1985 gross revenues: \$660,000 total, all from claims services.

Branch offices: Administrative office in Springfield, Pa.

Principal officers: Hollis E. Boss, president; Larry Thompson, vp.

Membership: SPBA.

g

GAB Business Services Inc.

Linden Plaza, 9 Campus Drive, Parsippany, N.J. 07054-4476; 201-993-3400

Parent company: SGS North America Inc.

Year founded: 1885.

Services provided: 91.5% claims administration, 7.5% adjusting, 1% auditing.

Region served: Nationwide.

Specialty: Both property/casualty claims and employee benefits/group insurance: 51% workers compensation; 38% general liability; 4% health insurance; 7% miscellaneous, including auto, property damage, professional liability and marine.

Self-insured clients/claims: Administration: 1,127 clients, \$524 million claims paid. Adjusting: 150 clients, types of claims include workers compensation and general liability. Auditing: 18 projects conducted.

Client mix: Administration: 958 corporations, 62 public/government entities, 107 association plans. Adjusting: clients include corporations, public/government entities. Auditing: six corporations, five public/government entities.

Staff: 4,330 total staff members.

Charges: Administration and adjusting: percent of incurred claims, fee per claim, percent of premium, time and expense, flat fee. Auditing: bid per specification, time and expense.

1985 gross revenues: \$200 million total, all from claims services.

Branch offices: 650 administrative offices nationwide. Sales offices in New

York; Philadelphia; Dallas; Little Rock, Ark.; Wichita, Kan.; Salt Lake City; Los Angeles; Boston; Orlando, Fla.; Seattle; Houston; Richmond, Va.; Atlanta; San Francisco; Dallas; Chicago; London.

Subsidiaries: ITS Inc., Resource Management Services, INS Investigations Bureau Inc., Intermodal Marine Surveys Ltd. of Canada (claims services).

Principal officers: G. Cantley, chairman; J.P. Holloway, president; R.F. Roland, W. Schellinger and H.W. Scholl, senior vps; A. Peters, assistant vp.

Gallagher Bassett Services Inc.

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

Parent company: Arthur J. Gallagher & Co.

Year founded: 1962.

Services provided: 86% claims administration; 1% auditing; 13% other services, such as loss control, management information and property appraisals.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 37% workers compensation, 34% health insurance, 16% general liability, 7% property damage, 4% automobile, 1% professional liability, 1% disability.

Self-insured clients/claims: Administration: 551 clients; \$370 million claims paid. Auditing: six projects conducted.

Client mix: Administration: 289 corporations, 238 public/government entities, 24 association plans.

Staff: 582 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per claim, \$45 to \$250; per employee; time and expense, \$25-\$85/hour; percent of premium. Auditing: time and expense, per project.

1985 gross revenues: \$25.6 million total, \$22.3 million from claims services.

Branch offices: 66 administration offices and 15 sales offices nationwide.

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 Counsel of Self-Insureds.

Gates, McDonald & Co.

P.O. Box 1944, 1 Nationwide Plaza, Columbus, Ohio 43216; 614-249-7211/800-848-0317

Parent company: Nationwide Insurance Co.

Year founded: 1929.

Services provided: 100% claims administration, adjusting and auditing.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 51% unemployment claims/tax management, 46% workers compensation, 3% health insurance.

Self-insured clients/claims: Administration: more than 850 clients, \$140 million claims paid.

Client mix: Administration: more than 724 corporations, 110 public/government entities, 16 association plans.

Staff: 670 total staff members, 200 of whom serve self-insured clients only.

Charges: Administration: per claim. Auditing: included in administration charges. Auditing: time and expense.

1985 gross revenues: Not reported.

Branch offices: 45 offices nationwide.

Principal officers: J.A. Gulick, president; R.H. Hoyt, vp-marketing; D.M. Palmer, vp-workers compensation; D.J. Sternisha, vp-unemployment compensation; W.B. Shelton, vp-finance/treasurer; Homer Beard, vp-administrative services.

Membership: SIIA, various state claims organizations.

Group Employee Benefits Administrator

1801 E. Columbus Drive, P.O. Box 3216, East Chicago, Ind. 46312; 219-397-6980/312-734-1806

Year founded: 1985.

Services provided: 90% claims administration; 10% other services, including stop-loss coverage.

Region served: Indiana, Illinois, Minnesota, Mississippi, Pennsylvania, New Jersey.

Specialty: Both property/casualty and employee benefits/group insurance: 75% health insurance, 15% workers compensation, 10% disability.

Self-insured clients/claims: Ad-

ministration: five clients.

Client mix: Administration: three corporations, two public/government entities. Health plans: 1,840 employees covered, 2,760 dependents covered.

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

Charges: Administration: monthly, \$10,500 flat fee.

1985 gross revenues: \$125,000 total.

Branch offices: Sales office in South Bend, Ind.

Principal officers: Elmer F. Layden Jr., president; Delores Layden, vp; Lauretta Meldahl, secretary/treasurer.

Membership: National QicClaim Assn. of Independent Health Care Plan Administrators.

h

Hewitt, Coleman & Associates Inc.

P.O. Box 3665, Greenville, S.C. 29608; 803-242-4350

Parent company: KMI/Continental Inc.

Year founded: 1923.

Services provided: 65% claims administration; 35% other services, including loss control services, insurance commissions, accounting services for pools.

Region served: Southeast and Oklahoma.

Specialty: Both property/casualty and employee benefits/group insurance: 74% workers compensation, 25% health insurance, 1% general liability.

Self-insured clients/claims: Administration: 90 clients; \$45 million claims paid.

Client mix: Administration: 55 corporations, 15 public/government entities, 20 association plans.

Staff: 145 total staff members, all assigned to self-insured clients only.

Charges: Administration: percent of premium, 4%-6%.

1985 gross revenues: \$6 million total, \$3.9 million from claims services.

Branch offices: Administrative and sales offices in Richmond, Va.; Raleigh, N.C.; Orlando, Fla.; Atlanta; Jackson, Miss.; Oklahoma City.

Principal officers: James G. Lane, president; E.J. Kaminski, senior vp; William T. Whitley Jr., Ronald K. Bridges and Fred M. Misenheimer Jr., vps.

Membership: National Assn. of Safety & Claims Organizations.

Heyenrath & Associates

1142 Manhattan Ave., Suite C.P. 240, Manhattan Beach, Calif. 90266; 213-546-1108

Year founded: 1980.

Services provided: 100% claims auditing.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 60% workers compensation, 20% general liability, 10% automobile, 5% property damage, 5% health insurance.

Self-insured clients/claims: Auditing: 15 projects conducted.

Client mix: Auditing: clients include corporations, public/government entities, multiemployer plans.

Staff: Three total staff members.

Charges: Auditing: per hour, \$50-\$100; fixed price per project.

1985 gross revenues: Not reported.

Branch offices: Administrative office in Spokane, Wash.

Principal officers: Leo Heyenrath, senior partner.

Homeland Industrial Corp.

100 Homeland Court, P.O. Box 5969, San Jose, Calif. 95150; 408-293-9000

Parent company: Homeland International Corp.

Year founded: 1980.

Services provided: 60% claims administration, 40% other services.

Region served: West and Southwest.

Specialty: Both property/casualty and employee benefits/group insurance: 75% workers compensation, 15% automobile, 5% general liability, 5% property damage.

Self-insured clients/claims: Administration: 15 clients, \$7.5 million claims paid.

Client mix: Administration: nine corporations, six public/government entities.

Staff: 93 total staff members, 15 of whom serve self-insured clients only.

Charges: Administration: flat fee.

1985 gross revenues: Not reported.

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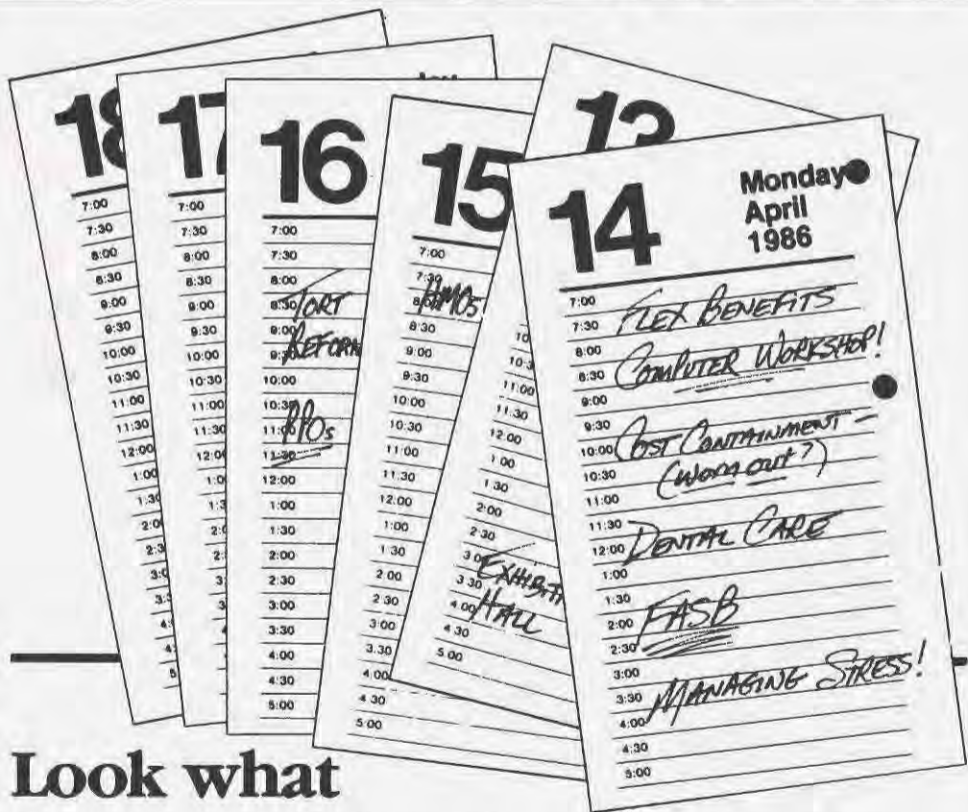
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Continued from facing page

Branch offices: Administrative and sales offices in Sacramento, Calif. Additional sales office in Orange County, Calif.

Principal officers: David S. Williams, president; Michael G. Herberger, executive vp.

Membership: California Self-Insurers Assn., California Administrative Service Organization.

j

James Benefits/Fred S. James & Co. Inc.

2614 South, 1935 West, Salt Lake City, Utah 84119; 801-973-7300/1285 Ave. of the Americas, New York, N.Y. 10019; 212-333-8900

Parent company: Sedgwick Group P.L.C.

Year founded: 1858.

Services provided: Include claims administration, auditing and other services.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 81.7% health insurance, 9.2% workers compensation, 3.6% flex compensation, 2.7% disability, 1.8% pensions, 0.7% general liability, 0.3% automobile.

Self-insured clients/claims: Administration: 2,900 clients, \$780 million claims paid. Auditing: 45 projects conducted.

Client mix: Administration: 2,495 corporations, 300 public/government entities, 15 Taft-Hartley plans, 70 association plans. Health plans: 1.3 million employees covered, 2.4 million dependents covered.

Staff: 1,553 total staff members, 1,023 of whom serve self-insured clients only.

Charges: Administration: per covered employee, per claim, percent of paid claims, flat fee, percent of premium. Auditing: time and expense, flat fee, by the project.

1985 gross revenues: James Benefits: \$57 million total, \$29 million from claims services.

Branch offices: James Benefits: 14 administrative and 48 sales offices nationwide. Fred S. James & Co. Inc.: 38 administrative and 80 sales offices nationwide.

Principal officers: James Benefits: W. Terry Nofsinger, president; David H. Olson, executive vp-marketing; Carol D. Cox, executive vp/regional director; Keith F. Kinghorn and Charles A. Schoenster, executive vps/regional benefits directors. Fred S. James & Co. Inc.: Richard M. Page, president/chief executive officer; Robert C. Nevins, executive vp/chief operating officer; Lawrence W. Burkhardt, executive vp.

Membership: SIIA, National Council of Self-Insurers, All State Self-Insurance Assn.

Johns Eastern Co. Inc.

330 S. Pineapple Ave., Suite 201, P.O. Box 4175, Sarasota, Fla. 33578; 813-957-3041

Year founded: 1946.

Services provided: 15% claims administration, 74% adjusting, 1% auditing, 10% other services.

Region served: Florida; Virginia; Washington, D.C.; Maryland; Delaware; Pennsylvania; New Jersey.

Specialty: Both property/casualty and employee benefits/group insurance: 70% workers compensation, 10% general liability, 10% automobile, 5% property damage, 5% professional liability.

Self-insured clients/claims: Administration: 18 clients; \$2.3 million claims paid. Adjusting: five clients; types of claims include workers compensation, professional liability, automobile, general liability. Auditing: one project conducted.

Client mix: Administration: five corporations, 13 public/government entities. Adjusting: five corporations. Auditing: one corporation.

Staff: 110 total staff members.

Charges: Administration: percent of premium, 3%-5%. Adjusting: percent of premium, 3%-10%. Auditing: \$75/hour.

1985 gross revenues: \$5.05 million total, \$4.55 million* from claims services.

Branch offices: Administrative and sales offices in Sarasota, Miami, Fort Lauderdale, West Palm Beach, Orlando, Lakeland, Tampa, St. Petersburg/Clearwater and Jacksonville, Fla.; Washington, D.C.; Baltimore; Philadelphia.

Subsidiaries: Beltway Auto Appraisal, Maryland; West Coast Auto Ap-

praisal, Florida (automobile appraisal services).

Principal officers: D.L. Johns, president; K.M. Johns III, executive vp; N.A. Sensinger and A.L. Ladd, vps/regional managers; K.V. Keller, controller.

Membership: National Assn. of Independent Insurance Adjusters; Claims Interest Section of Society of Chartered Property/Casualty Underwriters.

*BI estimate.

Jones, Hill & Mercer Insurance

P.O. Box 9966, Savannah, Ga. 31412; 912-236-1551

Year founded: 1885.

Services provided: 85% claims administration; 15% other services, including commissions.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 80% health insurance, 10% workers compensation, 10% disability.

Self-insured clients/claims: Administration: 46 clients, \$53.5 million claims paid.

Client mix: Administration: 38 corporations, eight public/government en-

ties.

Staff: 40 total staff members, 39 of whom serve self-insured clients only.

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

1985 gross revenues: More than \$3.53 million* total, more than \$3 million from claims services.

Branch offices: Administrative and sales office in Atlanta.

Subsidiaries: Health Management Services, Atlanta and Savannah, Ga.

Principal officers: Cecil C. Byers and W. Roger Holden, partners.

Membership: SPBA, SIIA, Georgia Self-Insurers Organization; American Society of Safety Engineers, National QicClaim Assn. of Independent Health Care Plan Administrators.

*BI estimate.

k

Keenan & Associates

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

Year founded: 1972.

Continued on next page

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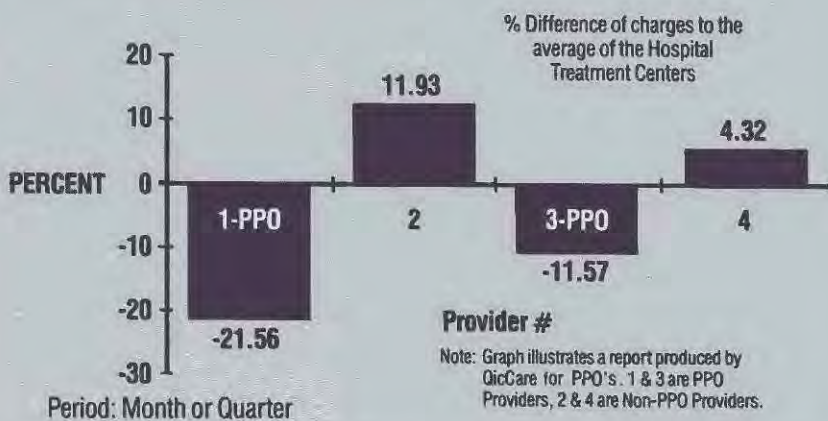
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Continued from preceding page

Services provided: 30% claims administration; 70% other services, including brokerage, benefit consulting, health care services, risk management and financial planning.

Region served: California.

Specialty: Both property/casualty and employee benefits/group insurance: 90% workers compensation, 5% automobile, 3% property damage, 2% general liability.

Self-insured clients/claims: Administration: 557 clients; \$25 million claims paid.

Client mix: Administration: five corporations, 552 public/government entities.

Staff: 160 total staff members, 60 of whom serve self-insured clients only.

Charges: Administration: flat rate.

1985 gross revenues: \$9.7 million total, \$2.9 million* from claims services.

Branch offices: Administrative offices in Torrance, Santa Ana, Riverside, Fresno, San Jose, Sacramento and Chico, Calif.; additional sales offices in San Diego, San Rafael and Thousand Oaks, Calif.

Principal officers: John R. Keenan, president; Richard C. Phillips, executive vp; John Kuykendall, Fred Johnson, Eileen Raney and Murt Munson, senior vps.

Membership: California Administrative Service Organization.

*BI estimate.

I

LJR Insurance Services Inc.

2200 Powell St., Suite 400, Emeryville, Calif. 94608; 415-547-3110

Year founded: 1973.

Services provided: 70% claims administration, 30% adjusting.

Region served: California, Hawaii, Oregon and Arizona.

Specialty: Both property/casualty and employee benefits/group insurance: 30% workers compensation, 25% general liability, 25% automobile, 20% health insurance.

Self-insured clients/claims: Administration: 165 clients; \$67 million claims paid.

Client mix: Administration: 88 corporations, 77 public/government entities.

Staff: 242 total staff members, 163 of whom serve self-insured clients only.

Branch offices: San Francisco, Los Angeles and Sacramento, Calif.; Phoenix; Portland, Ore.; Honolulu, Hawaii.

Subsidiaries: Pacific Administrative Services.

Principal officers: Leonard J. Russo, chief executive officer; Edward Pinger, executive vp-claims administration division; Hallie Mitchell, executive vp-adjusting company division; Jack Holton, chief financial officer; Todd Anderson, vp-Pacific Administrative Services.

Membership: SIIA.

M

MRM/Multi-Risk Management Inc.

350 N. Clark, Chicago, Ill. 60610; 312-670-2100

Year founded: 1976.

Services provided: 85% claims administration; 15% other services, including consulting.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 51% professional liability, 22% health insurance, 20% workers compensation, 7% general liability.

Self-insured clients/claims: Administration: 135 clients, \$42 million claims paid.

Client mix: Administration: clients include corporations, association plans.

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

Charges: Administration: flat fee.

1985 gross revenues: Approximately \$1.5 million total, approximately \$1.2 million from claims services.

Principal officers: Michael Burack, president; Jean Foss and Barbara Westermann, vps; Amy Cohen, secretary/treasurer.

Management Services Inc.

115 N. Neil, Suite 409, Champaign, Ill. 61820; 217-351-9233

Year founded: 1977.

Services provided: 80% claims administration, 5% auditing, 15% other services.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 70% health insurance, 20% workers compensation, 2% general liability, 2% automobile, 2% property damage, 2% professional liability, 2% miscellaneous.

Self-insured clients/claims: Administration: 300 clients, \$30 million claims paid. Auditing: five projects conducted.

Client mix: Administration: clients include corporations, public/government entities, union-sponsored plans, association plans. Health plans: 20,000 employees covered, 25,000 dependents covered.

Staff: 60 total staff members, 30 of whom serve self-insured clients only.

Charges: Administration: per employee per month. Auditing: flat fee.

1985 gross revenues: Not reported.

Branch offices: Administrative and sales offices in Danville, Oak Brook and Peoria, Ill.; St. Louis.

Principal officers: Gary Schirmer, president; Sam Cannon, Robert Cowgill and Richard Wickert, vps.

Membership: SIIA, Self-Insurance Institute of Illinois, National QicClaim Assn. of Independent Health Care Plan Administrators.

The McElroy-Minister Co.

141 E. Town St., Columbus, Ohio 43215; 614-228-5565

Year founded: 1875.

Services provided: 32% claims administration; 68% other services, including brokerage services.

Region served: Nationwide for employee benefits/group insurance; Ohio and West Virginia for workers compensation.

Specialty: Both property/casualty and employee benefits/group insurance: 92% health insurance, 7% workers compensation, 1% disability.

Self-insured clients/claims: Administration: 92 clients, \$38.1 million claims paid.

Client mix: Administration: 89 corporations, one Taft-Hartley plan, two union-sponsored plans. Health plans: 12,000 employees covered, 15,000 dependents covered.

Staff: 105 total staff members, 40 of whom serve self-insured clients only.

Charges: Administration: \$3-\$6 monthly per employee for employee benefits/group insurance, per claim for workers compensation.

1985 gross revenues: \$5.2 million total, \$1.7 million from claims services.

Principal officers: H. Thorp Minister, chairman; J.C. Glandon, vice chairman; Keith A. Pierce, president; James R. Creek, executive vp-property/casualty; William R. Gillam, executive vp-group plans.

Michigan Claim Service Inc.

7201 W. Saginaw, Suite 100, P.O. Box 19069, Lansing, Mich. 48901-9069; 517-321-5565

Year founded: 1952.

Services provided: 10% claims administration; 60% adjusting; 20% auditing; 10% other services, including carry-over for excess insurance and reinsurance.

Region served: Nationwide for claims administration; Michigan, Ohio, Wisconsin, Louisiana and Mississippi for other services.

Specialty: Both property/casualty and employee benefits/group insurance: 65.72% property damage, 13.85% automobile, 11.28% general liability, 6.47% workers compensation, 1.47% professional liability, 1.17% disability, 0.04% bonds.

Self-insured clients/claims: Administration: 20 clients. Adjusting: 35 clients; types of claims include workers compensation, general liability, professional liability, automobile, property damage. Auditing: four projects conducted.

Client mix: Administration: 12 corporations, eight public/government entities.

Staff: 176 total staff members, 12 of whom serve self-insured clients only.

Charges: Administration: time and expense, \$35-\$75. Adjusting: time and expense, \$25-\$75. Auditing: time and expense, \$50-\$125.

1985 gross revenues: Not reported.

Branch offices: 23 sales offices in Michigan.

Subsidiaries: Adjusting Services Unlimited, Wisconsin Claim Service, Michigan Claim Service of Ohio.

Principal officers: R.J. Young, president; T.M. Kelly, executive vp; C.C. Shotwell, secretary/treasurer; R.A. Hadley, vp-special risks.

Membership: National Assn. of Independent Insurance Adjusters.

N

The NBA Group Inc.

1225 Franklin Ave., Garden City, N.Y. 11530; 516-747-7177

Year founded: 1982.

Services provided: 100% claims administration, adjusting and auditing.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 85% health insurance, 10% life, 5% workers compensation.

Self-insured clients/claims: Administration: 95 clients, \$8 million claims paid. Auditing: 45 clients. Auditing: 150 projects conducted.

Client mix: Administration: clients include corporations, multiemployer plans, association plans.

Staff: 28 total staff members, all assigned to serving self-insured clients.

Charges: Administration: per covered employee, \$4-\$12. Adjusting and auditing: time and expense.

1985 gross revenues: Not reported.

Branch offices: Sales offices in Ohio, California, Nevada, Pennsylvania.

Principal officers: Roger M. Slotkin, president; Michael Kooper,

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Douglas Hanson, David Cantlon and Ellen Volpe, vps.

Membership: SPBA, SIIA.

P

PJR Cos.

Box 324, Blue Bell, Pa. 19422; 215-643-1320

Year founded: 1969.

Services provided: 80% claims administration; 20% other services, including placing insurance programs.

Region served: Mid-Atlantic states

Specialty: Both property/casualty and employee benefits/group insurance: 83% health insurance, 7% flex compensation, 5% workers compensation, 5% disability.

Self-insured clients/claims: Administration: 125 clients, \$38 million claims paid.

Client mix: Administration: 108 corporations, six public/government entities, two multiemployer plans, six Taft-Hartley plans, three association plans. Health insurance: 20,500 employees covered, more than 40,000 dependents covered.

Staff: 42 total staff members, 35 of whom serve self-insured clients only.

Charges: Administration: per capita, 75 cents to \$9.50 per month.

1985 gross revenues: \$1.9 million total, \$1.5 million from claims services.

Branch offices: Washington, D.C.; Baltimore; Pittsburgh; Wilmington, Del.; Parsippany, N.J.; West Chester and Spring House, Pa.

Subsidiaries: Independent Benefit Plans Inc. (flexible benefit plans administration and coordination of PPOs); Delaware Valley Administrators & Consultants (mass-marketing administration).

Principal officers: Paul J. Roman, William W. Wills, Dennis P. Fuller, Roger L. Pergola and Roger H. Perry.

Membership: SPBA.

Palange & Associates Inc.

160 State St., Suite 500, Boston, Mass. 02109; 617-542-5700

Year founded: 1980.

Services provided: 15% claims administration, 85% auditing.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 60% workers compensation, 15% general liability, 15% health insurance, 10% automobile.

Self-insured clients/claims: Auditing: 35 projects conducted.

Client mix: Administration: three corporations. Auditing: 10 corporations.

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

Charges: Administration: time and expense.

1985 gross revenues: More than \$600,000 total, all from claims services.

Principal officers: Stephen R. Palange, president; Norman C. Tardif, executive vp; Joseph J. Yablonski, assistant vp; David W. Ives and Michele N. Alexanian, secretaries.

Membership: SIIA.

Penn General Service Corp.

177 Milk St., Boston, Mass. 02109; 617-542-5200

Parent company: Republic Hogg Robinson Inc.

Year founded: 1978.

Services provided: 50% claims administration; 50% other services, including program management, workers compensation loss prevention, health care cost management.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits group insurance: 50% health insurance, 45% workers compensation, 5% disability.

Self-insured clients/claims: Administration: 1,275 clients, \$200 million claims paid.

Client mix: Administration: 574 corporations, 191 public/government entities, 510 association plans.

Staff: 175 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of payroll, percent of annual premium, per claim, flat rate.

1985 gross revenues: Not reported.

Branch offices: Administrative offices in Los Angeles; Miami; Caribou, Falmouth and Jackman, Maine; Springfield, Mass.; Cadillac and Southfield, Mich.; Austin, Lubbock and Irving, Texas. 29 sales offices nationwide.

Subsidiaries: Pension Planning Co.

Continued on facing page

Continued from facing page
Inc., Group Plan Consultants (pension planning services).

Principal officers: Charles E. Keller, president/chief executive officer; William J. Nietschmann, Richard P. Shea and Richard Wos, senior vps; Donald Benyas, president-PGS of Michigan.

Membership: SPBA.

R

Rasmussen Agency Inc.

60 Evergreen Place, East Orange, N.J. 07018; 201-675-3940

Year founded: 1975.

Services provided: 86% claims administration; 4% auditing; 10% other services, including insurance brokering.

Region served: New Jersey, Pennsylvania, Maryland, Virginia and Indiana.

Specialty: Both property/casualty and employee benefits/group insurance: 75% workers compensation, 10% general liability, 10% automobile, 5% health insurance.

Self-insured clients/claims: Administration: 211 clients, \$42.2 million claims paid. Auditing: nine projects conducted.

Client mix: Administration: 209 public/government entities, one union-sponsored plan, one association plan.

Staff: 139 total staff members, 128 of whom serve self-insured clients only.

Charges: Administration: percent of premium, 7%-10%; per claim, \$75-\$180. Auditing: time and expense, \$75 per hour.

1985 gross revenues: \$6.3 million total, \$5.4 million from claim services.

Branch offices: Administrative and sales offices in Broomall, Pa. and Richmond, Va. Additional administrative office in Atlantic City, N.J.

Principal officers: Richard H. Rasmussen, president; Robert F. Hughes, senior vp-finance; C. David Martin, se-

nior vp-marketing; Lawrence E. Small, senior vp-self-insured operations; Anthony J. Constantino, senior vp-claims.

Membership: SPBA, SIIA, National Assn. of Claims & Safety Organizations.

S

Self Insured Risk Services Inc.

24370 Northwestern Highway, Southfield, Mich. 48075; 313-354-9580

Parent company: Meadowbrook Inc.

Year founded: 1980.

Services provided: 85% claims administration, 10% adjusting, 5% auditing.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 25% workers compensation, 18% general liability, 18% health insurance, 10% automobile, 10% property damage, 8% professional liability, 4% disability, 3% inland marine, 2% bonds, 2% life.

Self-insured clients/claims: Administration: 28 clients, \$9.4 million claims paid. Auditing: two clients; types of claims include workers compensation and general liability. Auditing: one project conducted.

Client mix: Administration: clients include corporations, public/government entity, multiemployer plans, association plans.

Staff: 32 total staff members, all of whom serve self-insured clients.

Charges: Administration and adjusting: percent of premium, time and expense, flat fee. Auditing: time and expense.

1985 gross revenues: Not reported.

Branch offices: Administrative office in Grand Rapids, Mich.

Principal officers: Michael P. Murawski, president; Robert Engle, Thomas Tucker and Anne L. Loverde, vps; Lee Kelly, treasurer.

Membership: SPBA, Michigan Self-Insurers Assn.

T

Total Group Services Inc./ Total Compensation Services Ltd.

500 Cascade West Parkway, Grand Rapids, Mich. 49506; 616-942-9780

Year founded: 1974.

Services provided: 83% claims administration; 2% auditing; 15% other services, including workers compensation loss control and agency commissions.

Region served: Michigan and Ohio.

Specialty: Both property/casualty and employee benefits/group insurance: 70% health insurance, 30% workers compensation.

Self-insured clients/claims: Administration: 142 clients, \$50 million claims paid.

Client mix: Administration: clients include corporations, public/government entities, association plans.

Staff: 61 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month and flat fee. Auditing: flat fee.

1985 gross revenues: \$3.5 million total, \$3 million from claims services.

Branch offices: Administrative and sales office in Dayton, Ohio; additional sales office in Lansing, Mich.

Principal officers: R. Harvey Nolen, president; John C. McClain, vp-marketing; Thomas C. Daga, vp-claims; Robert Cole, vp-workers compensation marketing; Richard P. Langland, vp-management information systems.

Membership: SPBA, SIIA.

U

Underwriters Safety & Claims Inc.

11405 Park Road, P.O. Box 23790,

Anchorage, Ky. 40223; 502-244-1343

Year founded: 1941.

Services provided: 50% claims administration, 5% adjusting, 5% auditing, 40% other services.

Region served: Southeast and Appalachia.

Specialty: Both property/casualty and employee benefits/group insurance: 60% workers compensation, 35% health insurance, 5% disability.

Self-insured clients/claims: Administration: 105 clients, \$21 million claims paid. Auditing: 105 clients. Auditing: six projects conducted.

Client mix: Administration: 102 corporations, three public/government entities. Health plans: 31,000 employees covered.

Staff: 103 total staff members, 57 of whom serve self-insured clients only.

Charges: Administration: percent of paid claims, percent of payroll, percent of annual premium/deposit, per claim, per covered employee. Auditing: percent of paid claims, percent of payroll, per claim, per covered employee. Auditing: flat fee.

1985 gross revenues: Not reported.

Branch offices: Administrative and sales offices in Louisville, Ky. Additional administrative offices in Paintsville, Ky.; Marion, Ill.; Norton, Va.; Pittsburgh; Knoxville and Nashville, Tenn.

Principal officers: Bruce L. Ferguson, president; Bruce W. Ferguson, senior vp; Scott C. Ferguson, vp-finance; Jack D. Stewart, vp-employee benefits; Gary A. Mongilutz, vp-underwriting; Gary G. Gilmour, vp-claims.

Membership: SIIA.

W

Wausau Insurance Cos.-Risk Management Services Division

2000 Westwood Drive, Wausau,

Wis. 54401; 715-845-5211

Parent company: Nationwide Insurance Cos.

Year founded: 1911.

Services provided: 70% claims administration, 25% adjusting, 5% auditing.

Region served: Nationwide.

Specialty: Both property/casualty and employee benefits/group insurance: 66% health insurance, 17% workers compensation, 8% professional liability, 4% general liability, 3% automobile, 2% property damage.

Self-insured clients/claims: Administration: 118 clients, \$95 million claims paid. Auditing: 12 clients; types of claims include general liability, products, auto liability. Auditing: four projects conducted.

Client mix: Administration: 111 corporations, four public/government entities, one multiemployer plan, two association plans. Auditing: 10 corporations, two public/government entities. Auditing: four corporations. Health plans: 750,000 employees covered, 1.6 million dependents covered.

Staff: 6,000 total staff members, 125 of whom are assigned to serving self-insured clients only.

Charges: Administration: per claims, percent of incurred claims, percent of paid losses, percent of payroll, percent of premium. Auditing and auditing: time and expense, \$25-\$55.

1985 gross revenues: \$7.5 million total, all from claims services.

Branch offices: 27 administrative offices and 150 sales offices nationwide.

Subsidiaries: Countrywide Services Corp., St. Louis (product liability claims management).

Principal officers: Paul A. Donald, chairman of the board; Lee J. Weinberger, president/chief executive officer; Leslie J. Baumer, executive vp-insurance operations; Thomas Kryshak, executive vp-financial operations; Lowell Tornow, executive vp-field operations.

Tortuga prepares to open

Continued from page 1

place, so that the coverage offered by Tortuga would complete the \$100 million in underlying limits contemplated by A.C.E.

Hallmark has so far lined up "more than \$50 million" from commercial insurers, but is "running out of gas," he reported.

Hallmark—which formed its captive, H.C. Insurance Co., in Vermont in 1984—has become a Reiss client in order to join Tortuga, and is considering participating in two other Reiss-managed pools: Hopewell International Insurance Ltd. of Bermuda for property insurance and United Insurance Co. of Cayman for liability insurance, Mr. Heydinger added.

Other Tortuga participants—many of which were already Reiss captive management clients—include Gulf & Western Industries Inc., Weyerhaeuser Co., Revco Drug Stores Inc., Archer-Daniels-Midland, Celanese Corp., Eaton Corp. and Aluminum Co. of America.

Gulf & Western and Weyerhaeuser are also sponsors of A.C.E.

Other companies considering participation include American Cyanamid Co. (also an A.C.E. sponsor) and Kellogg Co.

With \$150,000 worth of Tortuga stock purchased by each of 15 investors—the minimum number of participants needed for Tortuga to get off the ground—the insurer's capital currently totals \$2.25 million.

If the number of Tortuga participants increases to 25, the capital base would increase to \$3.75 million.

In addition to the capital contribution, Tortuga policyholders will pay a deposit equal to five years' premium for the \$25 million in coverage. While Tortuga will initially earn this premium at a rate of 20% each year, it may absorb the premium at a faster rate if needed to pay losses.

Tortuga expects to receive about \$30 million in premium deposits from its initial group of members, and may have \$40 million to \$50 million in deposits by the end of its first year of operation, Mr. Torpey said.

On renewal of their coverage each year, policyholders are expected to replenish their premium deposits with amounts equal to the premiums earned by Tortuga the previous year, plus or minus adjustments stemming from underwriting review of the policyholders' risks.

If a policyholder sold off a high-risk division, for example, its renewal premium would presumably be adjusted downward.

Tortuga's board of directors may also assess policyholders up to an additional five years'

premium if the money is needed to pay claims, generating as much as an additional \$40 million to \$50 million in the first year of operation under current projections.

While the available limit of liability is now \$25 million per occurrence and annual aggregate, this could increase as the number of participants increases or as commercial reinsurance is found for Tortuga's business, according to an outline of Tortuga's operations prepared by Reiss.

The attachment point will "typically" be excess of \$50 million, though it might be higher or lower depending on the risk.

In the absence of stop-loss reinsurance—which would protect Tortuga against the possibility of several large claims being filed in a single year—Tortuga policies will also include a group aggregate limit, the outline notes. In the insurer's first year of operation, the group limit will be \$50 million, though this limit may be increased later if more than 25 participants are found.

Captive subsidiaries of Tortuga members will reinsure 47.5% of each risk Tortuga writes—net of commercial reinsurance—under a quota-share reinsurance treaty. Each captive will take an equal share of risks ceded under the treaty, the outline notes.

Tortuga has a commitment from three commercial reinsurers to assume a 20% quota share of Tortuga's business.

Mr. Torpey, however, would not identify the commercial reinsurers involved, but confirmed that it is "reasonable to expect" some participation by Swiss Reinsurance Group, a longtime reinsurer of Reiss insurance ventures.

Assuming 20% of Tortuga's business is reinsured commercially and that participating captives then reinsure 47.5% of the remaining 80%, this would translate to a maximum obligation for each captive of \$475,000 per claim and \$950,000 annual aggregate if 20 captives participate, Mr. Torpey explained.

Tortuga will retain premium deposits, but will cede annual written premiums to participating captives on a quarterly basis. Captives will receive 95% of Tortuga's annual written premium, net of premiums ceded to commercial reinsurers. Since most of the premiums will be ceded to the captives, Tortuga will cover administrative expenses with its ceding commissions—which will amount to a maximum 20%.

The captives will pay 47.5% of each loss—again, net of commercial reinsurance—and Tortuga will pay the remaining 52.5%.

Because Tortuga's resources at the outset

will be limited to its paid-in capital, ceding commissions and investment income, any losses would force Tortuga to absorb premium from the five-year unearned premium deposit fund at a rate faster than the anticipated 20% per year.

Tortuga can assess participating companies to replenish the unearned premium deposit fund.

Tortuga's premium payment and reinsurance provisions are intended to equalize the risks borne by low-risk and high-risk participants, thus creating an incentive for lower-risk companies to become members.

The Reiss outline notes, for example, that the 52.5% of each loss paid by Tortuga will be funded unequally by the participants based on their deposit premiums, which will vary depending on the nature of the risk each company presents to Tortuga.

The remaining 47.5% of each loss will be funded equally by the participating captives. However, since the captives evenly share in 95% of Tortuga's annual written premiums, captives whose parents paid relatively small premium deposits (that is, lower risk participants) will get a proportionately greater share of reinsurance premiums than captives whose parents paid higher deposit premiums.

"The low-risk guy takes more out in premium paid to the captive," Mr. Torpey explained.

Tortuga's structure differs significantly from that of A.C.E. Tortuga—with a relatively low initial capital requirement—relies on the capacity of captive participants and on its five-year deposit premium and assessment features, which one Tortuga member described as "standby capital."

"It's thinly capitalized intentionally," Mr. Torpey said of Tortuga. "We thought it was unnecessary to draw capital into an insurance company and out of the hands of the participants."

By contrast, A.C.E.—which was designed to function without reinsurance if necessary—relies on its relatively high capital requirement of \$5 million to \$10 million per sponsor. A.C.E. also requires non-sponsor policyholders to buy A.C.E. common stock in amounts equal to 100% to 200% of the first year's premium, depending on the type of risk being submitted.

The policy forms used by the two insurers also differ.

Tortuga's policy—still in the final drafting stages—is, like A.C.E.'s, a claims-made form offering coverage retroactive to the inception date of the first claims-made policy.

However, Tortuga's policy contains an optional one-year discovery period for reporting claims after the policy's cancellation or expiration. Tortuga will charge a maximum additional premium of 200% of a policyholder's annual premium for the extended reporting period coverage, said Mr. Torpey.

Mr. Torpey added that if a Tortuga participant cancels its coverage midterm, the participant's captive must remain a Tortuga reinsurer until the renewal date of the captives' quota-share treaty.

The A.C.E. form includes an "open-ended" discovery provision for reporting claims after the cancellation or expiration of a policy.

Unlike A.C.E., Tortuga will not write directors and officers liability insurance, though Mr. Torpey said that 10 or 11 of Tortuga's members are interested in the possibility of forming a separate D&O pool.

But, the forms are similar in several respects.

Both the Tortuga and A.C.E. forms exclude other professional liability risks, gradual pollution, asbestos-related exposures, war risks, aircraft product liability and nuclear risks.

Both forms also cover sudden and accidental pollution risks under their own individual definitions of "sudden and accidental."

Both the Tortuga and A.C.E. forms contain clauses mandating arbitration to resolve any coverage disputes.

And, both A.C.E. and Tortuga include defense costs within policy limits and cover punitive damages to the extent that state laws allow such coverage.

Tortuga participants say they aren't concerned about reinsuring others' risks in their captives, provided that the risks are properly underwritten and that adequate premiums are charged.

"I'm not greatly concerned about the quality of the business coming in," said Thomas A. Duffield, vp-risk and insurance management for Archer-Daniels-Midland. "The Reiss group particularly has done a good job of overseeing the quality of the risks that are insured."

"We understood what our exposure is and found it acceptable," said Mr. Heydinger of Hallmark, whose captive has not insured third-party risks previously.

Mr. Torpey also cited security as the reason membership in Tortuga is open only to parent companies with Reiss-managed captives.

"It's necessary for us to monitor the security of the program. We have to make sure every captive participant has the necessary unencumbered surplus," he said.

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Firms find different solutions to exodus of outside directors

By STEVE TARAVELLA

The list of companies where outside directors are resigning because their companies don't have directors and officers liability insurance is growing.

Some companies lost their insurance at renewal or were canceled by their insurer and couldn't find replacement coverage. Others simply refused to pay the drastically higher premiums quoted by insurers.

Many companies continue to look for new D&O insurance, while some have given up and are seeking other ways to attract outside directors or at least get outside advice on running their businesses.

Last month, Dental World Center Inc. in Garden City, N.Y., lost seven of its nine directors, two of whom were also officers of the company, because it could not replace its expiring D&O insurance, according to President Richard Bernstein.

Dental World's D&O policy with a \$500,000 limit was not renewed Dec. 27 by Midland Insurance Co., which no longer writes D&O coverage. Broker Directors & Officers Insurance Concepts Inc. in Livingston, N.J., is still seeking replacement coverage.

Meanwhile, the five former outside directors have agreed to serve on a board of advisers to the company for a year, Mr. Bernstein says.

The shift is more than just one of semantics, he explains. The advisers no longer vote or make financial decisions affecting the company, but are available for consultation.

The advisers agreed to serve out of a genuine interest they have in seeing the company grow, Mr. Bernstein explains. He notes that while they receive no remuneration now, the company probably will compensate them later, either with cash or stock.

Mr. Bernstein, who organized the new arrangement on Christmas Day, two days before Midland's coverage expired, says this is the ideal way for Dental World to benefit from the expertise of its directors—who include a stockbroker, accountant and university professor—without opening them up to personal liability exposures.

A similar plan is being considered by G.D. Ritz's Inc., a fast-food restaurant chain based in Columbus, Ohio, and operating in 14 states.

The three outside directors who resigned from Ritz's in November may agree to serve as consultants until replacement D&O coverage can be arranged, reports Chairman Graydon Webb.

Under such a plan, all voting power would be held by company management, he says. And, the consultants would not be compensated; Ritz's directors had been paid \$250 per meeting, plus expenses.

But the directors would only serve as advisers until new D&O insurance can be found. Two brokers are still on the prowl for replacement coverage: Kientz & Co. and AMC Risk Management Agency Inc., both in Columbus.

The three directors left Ritz's when a Chubb Corp. unit did not renew the company's D&O policy last November. Their exit left Ritz's with a board of four—two outside and two inside directors. It has since taken on an additional inside director.

Of the three that left, one was a college professor, one an attorney and one was employed by a large Ohio pension fund. To prevent being named in litigation against Ritz's, the pension fund and the law firm required the two directors to resign when replacement coverage was not found, Mr. Webb says.

At South Texas Drilling & Exploration Inc. in San Antonio, Texas, three outside directors resigned from a five-member board last September when the oil and gas service company could not replace a canceled \$5 million D&O policy, says William Hibbetts, vp, controller and one of the two remaining inside directors.

American Casualty Co. of Reading, Pa., a unit of CNA Financial Corp., canceled the coverage because of the policyholder's deteriorating financial performance, Mr. Hibbetts says. The firm has reported annual losses for the past four years.

The company has since filled one of the vacant spots and now has three inside directors, all of whom are also officers, but still has no D&O insurance, Mr. Hibbetts says.

Swensen's Inc., a Phoenix, Ariz.-based ice cream parlor franchiser that operates and franchises ice cream parlors in the United States and 14 other countries, watched three of its outside directors walk away from its five-member board in October because of a lack of D&O coverage. Swensen's has been working with longtime broker Marsh & McLennan Inc. in San Francisco and others to find replacement coverage, "but we haven't had much luck," says Chairman Karl Eller.

Mr. Eller is one of only two Swensen directors today; the other is President Patrick J. Doughty. The men are trying to lure others to the board despite the absence of D&O protection, Mr. Eller says.

Steelmaker Continental Steel Corp. of Kokomo,

Ind., lost seven of its outside directors Sept. 23, 1985, when its D&O insurance expired and no replacement coverage was found. The resignations, coupled with one a week earlier, left only four directors: one employee and three outside directors.

The company's coverage was to expire June 23, but its insurer, which did not quote a renewal rate, granted a 90-day extension to find other coverage, says Richard Egge, secretary/treasurer.

Through broker Marsh & McLennan Inc. in Indianapolis, Continental Steel could find only one interested insurer, who wanted 300% more in premium for "substantially reduced" coverage, Mr. Egge says. The company had never filed a D&O claim since taking out the coverage in 1978.

Continental Steel balked at the price and chose to go bare, Mr. Egge says.

Continental Steel has since entered Chapter 11 bankruptcy proceedings, citing the failure of its modernization plan, the high cost of operations and the heavy burden of its pension plan.

But, Mr. Egge says the bankruptcy filing was not the reason insurers shied away; the company did not seek bankruptcy protection until Nov. 25.

But a Chapter 11 filing was a factor in Sykes Datatronics Inc.'s lack of D&O insurance.

Sykes, a data entry, communication and storage products company in Rochester, N.Y., lost its D&O insurance at renewal on Aug. 31, 1985, two weeks after the company filed for Chapter 11 bankruptcy.

Five of its outside directors resigned Sept. 1, 1985, leaving only two, says President Ronald Borges.

Despite having found no coverage since, the company has filled four of the vacancies with three outside directors and one employee.

Mr. Borges acknowledges that operating bare "puts everybody on the board at greater risk," but says their exposure might not be as great as it seems.

The three outside directors who recently came aboard are all former Sykes employees without great personal wealth. Mr. Borges expects this will deter potential suits.

"We've thrown our hands up," he says of the time-consuming search for replacement coverage. "We have too many other things to take care of."

Sykes had \$10 million in D&O insurance: \$2 million with Chubb, \$3 million excess of \$2 million with Midland, and \$5 million excess of \$5 million with New England Insurance Co., Sykes says. The latter is a Boston affiliate of the Hartford Group.

The primary layer with Chubb was placed by Allyn Small Gosling Inc. in Rochester and the two excess layers were placed by M&M in Rochester.

Still doing battle in the insurance market, however, is Transidyne General Corp., a manufacturer of blood collection devices in Ann Arbor, Mich.

Three of the company's five outside directors resigned on Dec. 2 after Federal Insurance Co. would not renew its \$1 million D&O policy, says John Ackley, president and chairman.

Transidyne enlisted three brokers to find a replacement. Two gave up, but one—Wallberg Co. Inc. of Pleasantville, N.Y.—is still searching.

The coverage with Federal, a Chubb Corp. unit, had been arranged by broker Rosenthal Group International in New Rochelle, N.Y.

Transidyne is also still scouting for director replacements. It hopes to have a board of four or five by mid-February, Mr. Ackley says. Currently, there is only Mr. Ackley and one outside director.

But Mr. Ackley realizes attracting outside directors will be difficult without D&O insurance. "Why would anyone want to serve a public company and just open himself up to lawsuits?" he asks.

To compensate for the lack of insurance, Transidyne may offer "substantial" stock options or warrants to lure talented outside directors, he says.

Control Data Corp., the Minneapolis-based computer and financial services company, lost nine outside directors late last year after the company decided not to renew the D&O insurance it had purchased from National Union Fire Insurance Co. of Pittsburgh, Pa., a spokesman says.

National Union, an American International Group Inc. unit, wanted such a high renewal premium that Control Data decided "it wasn't worthwhile," the spokesman said.

Verna Corp., an oil and gas drilling contractor in Houston, lost four of the five outside directors that served on its seven-member board in May when it could not find insurance D&O insurance, says Cliff Shedd, financial vp.

The one-year, \$2 million policy was issued by Midland in November 1984 with a six-month review provision; last April, Midland exercised its option to cancel the coverage and left the D&O marketplace.

Broker Fred S. James & Co. Inc. in Houston was unable to find replacement coverage, Mr. Shedd reports, but says James may begin searching again once Verna has completed financial restructuring.

D&O coverage

Continued from page 1

"If you can't get insurance, good people will leave," adds NACD Chairman Robert K. Mueller.

Companies' lack of D&O coverage forced 20% more outside directors to resign from U.S. corporate boards in 1985 than in 1984, Mr. Nash estimates.

At The Wyatt's Co.'s D&O Symposium in Fort Lauderdale, Fla., earlier this month, almost half of the 70 people present raised their hands when asked if they had personal knowledge of an outside director resigning because his or her company could not maintain D&O coverage, reports Warren D. Brockmeier, vp-risk management services at Wyatt in Chicago.

The resignations are striking various industries in all regions of the country, at both publicly and closely held businesses, observers say.

Among the public companies losing outside directors because they lost D&O insurance are dental offices manager Dental World Center Inc.; fast-food restaurant chain G.D. Ritz's Inc.; oil and gas concern South Texas Drilling & Exploration Inc.; dessert shop King Swensen's Inc.; steelmaker Continental Steel Corp.; computer manufacturer Sykes Datatronics Inc.; computer and financial services concern Control Data Corp.; medical supplier Transidyne General Corp.; and oil and gas drilling contractor Verna Corp. (see related story).

Inside directors, however, rarely resign their positions in the absence of insurance, since they are almost always officers of the company and would have to leave their jobs.

D&O insurance is one of the most difficult types of insurance to purchase today. Few insurers are interested in underwriting what they consider a highly risky product, and several insurers that might have stayed in the marketplace had to pull out after losing their reinsurance protection.

Even the D&O insurance policies that are written today afford far less protection than they did a year ago (*BI*, July 22, July 29, Oct. 7, Oct. 28, 1985; Sept. 3, 1984).

"Four pages will tell you what it doesn't cover, and you're lucky if one-quarter page will tell you what it does cover," Mr. Nash complains.

Newly revised D&O policies now often exclude coverage for claims filed by a regulatory agency or the corporate policyholder and claims involving the directors' decisions in corporate takeover attempts.

Regardless of the insurance that may or may not be in place, many businesses agree to reimburse their directors for legal expenses and actual or punitive damage awards incurred in directors and officers liability suits.

But outside directors appear unwilling to rely on these promises.

That is because the agreements are only as strong as the companies behind them, observers say. If the company encounters financial difficulty, enters bankruptcy proceedings or merges with a company that doesn't feel obligated to honor the promise, the director would be forced to bring legal action to recoup expenses.

Also, the indemnification agreement will not respond in the case of a successful shareholder derivative action, in which the director is ordered to pay certain monies to the company, Mr. Brockmeier says.

In a derivative action, a shareholder sues the company's directors on behalf of the company.

NACD, a non-profit, educational organization, is trying to fill the D&O coverage gap and deter outside directors from resigning their board position by organizing an insurance facility that would offer up to \$10 million in D&O coverage to its outside director members.

Continued on next page

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Continued from previous page

Broker Alexander & Alexander Services Inc. in New York hopes to have a market available by April or May, said John Foley, vp and national director of financial products group. Mr. Foley said the program reflects a "revolutionary approach to the coverage," but he declined to discuss details while A&A is seeking underwriter support.

A&A recently gave the plan "on a scale of 10, a 9.7" chance of going through, Mr. Nash says.

Premiums for the coverage would be a "tremendous savings" over commercial rates paid by the companies on whose boards the directors serve, Mr. Nash says.

However, Mr. Foley says that because of the unusual rating plan in the new program, it is not possible to project premiums.

NACD also is surveying its membership and state insurance regulators to determine how widespread the resignations really are.

A four-page questionnaire was developed by a nine-member panel chaired by Mr. Mueller, who also is chairman of Arthur D. Little Inc. in Cambridge, Mass.

Depending on what the responses to the 2,000 questionnaires circulated reveal about the severity of the problem, NACD might take two approaches, Mr. Nash says.

First, it might propose federal legislation to cap the liability of outside directors. Second, it might ask the state courts to impose penalties against plaintiffs' attorneys who initiate unwarranted or frivolous lawsuits.

The Federal Rules of Civil Procedure already empower federal judges to levy fines against attorneys in these instances. Two years ago, Chief Justice Warren Burger encouraged judges to make more frequent use of this authority (BI, Feb. 20, 1984).

After surveying the list of companies where outside directors have recently resigned, Mr. Nash observed, "If it's happening here, how many more is it happening at that we just don't know about?"

Experts feel certain that resignations other than these cited have taken place, but that they have occurred quietly to avoid attention. Numerous such resignations are suspected to have occurred at financial institutions and closely held businesses.

Both NACD's Mr. Nash, a professional director, and Mr. Mueller, who has served on about 30 different boards at various times, say the rash of resignations threatens the integrity of U.S. business, particularly since the boards hardest hit are believed to be those of young, developing businesses that could best benefit from expert guidance.

"The small, growing companies who could really utilize this expertise and can't afford it are going to lose a lot of talent; they could be severely harmed," Mr. Nash says.

Mr. Nash speaks from firsthand experience. He recently considered resigning his spot on the board of a century-old Ohio firm when the company was notified that its D&O insurance would be canceled.

He decided to remain on the board only after Ohio insurance regulators intervened by prohibiting arbitrary premium hikes or cancellations.

Mr. Nash suspects that if he had left, the firm's four other outside directors also would have resigned, leaving the company in the hands of just one individual, its chief executive officer.

Resignations by outside directors in the wake of lost D&O insurance, however, merely reflect the difficulties facing corporate governance on a larger scale.

Directors today face tougher decisions and are held to increasingly higher legal standards. They may now have to contend with a takeover offer, whereas previously they may only have had to determine stock dividends, notes Her-

bert Wander, a Chicago lawyer and an outside director of Telephone & Data Systems Inc. of Chicago.

"It doesn't pay for the \$20,000 or \$15,000 in fees they get," he says.

Outside directors at major corporations can draw up to \$50,000 annually, those at medium-sized businesses might take in \$12,000-\$18,000, and those at small businesses may only take in fees of \$6,000, notes Mr. Nash.

One way to lure outside directors to boards lacking D&O protection would be to increase the director's fee, perhaps doubling it, suggests George Baker, an outside director of both Reliance Insurance Co. and Reliance Insurance Group.

This would compensate for a director's additional risk and time commitments, he explains. And, it would have little negative impact on the company, since the fee increase would be in lieu of D&O premiums, he adds. He suspects offers of increased compensation will become more prevalent.



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Financial institutions 536
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Pension insurance

Continued from page 2
business and hasn't fully funded its pension plans, Ms. Utgoff said.

"As a society, we've made a decision to guarantee workers' pension benefits. We want to consider giving employer's the option of selecting the insurer," Ms. Utgoff pointed out.

If commercial insurers were permitted to compete with PBGC, however, the PBGC would have to switch from a flat premium for each pension plan participant to a risk-related premium in which the premium is determined upon the financial stability of each pension plan.

While passage of the PBGC legislation is the agency's immediate concern, it isn't too soon to begin discussion about privatization of the PBGC insurance program, Ms. Utgoff said.

In fact, a special PBGC task force, set up by former Executive Director Charles Tharp, has been studying the issue for more than a year, but it has not yet made final recommendations.

Ms. Utgoff says there are several options to the current PBGC system.

One option is to allow employers to choose between the PBGC and an approved commercial insurer to insure their pension obligations.

Or, the PBGC might become the insurer of last resort for those employers unable to purchase commercial insurance to guarantee their pension obligations.

"Obviously, there are lots of options for private insurance," Ms. Utgoff said.

While the Reagan administration has not made an official proposal, some experts say opening the pension benefit guarantee insur-

'Insurers don't like to insure risks that are under the control of the insured,' says Fred Rumack of Buck Consultants Inc.

ance market to private insurance companies fits in well with the White House's goal of transferring more federal programs to the private sector.

For example, the administration has recommended the termination of the federal government's crime insurance program and is discussing whether to end the U.S. Postal Service's monopoly on first-class mail delivery.

Outside government, there is much grumbling about the PBGC program from employers with well-funded pension plans, who resent paying the same premium as companies with poorly funded plans.

They believe the PBGC program really isn't insurance but a social tax paid by employers with healthy pension plans to subsidize benefits promised by weak pension plans. All employers, regardless of the financial condition of their pension plans, pay the same annual premium: \$2.60 per plan participant.

But experts, questioning whether the PBGC program really can be considered insurance, are skeptical on whether insurers would jump in—if asked—to compete with the PBGC as the guarantor of workers' pension benefits.

They question if guaranteeing pension benefits is, in fact, an insurable event, noting

the termination of a plan is an event that the employer decides.

"Insurers don't like to insure risks that are under the control of the insured," pointed out Fred Rumack, director of taxes and legal services at Buck Consultants Inc. in New York.

"This files in the nature of insurance. Termination of a pension plan is a voluntary—not a fortuitous—event. I have tremendous problems with the idea. I'm at a loss to explain how it could work in practice," Mr. Rumack added.

Without significant changes in rules covering pension terminations, "The insurance industry would not touch this with a 10-foot pole," predicted former U.S. Rep. John Erlenborn, R-Ill., a partner with the law firm of Seyfarth, Shaw, Fairweather & Donaldson in Washington.

"Right now, guaranteeing pension benefits (in the event of termination) is an uninsurable risk," added Lawrence Bader, a managing director at William M. Mercer-Meidinger Inc. in New York.

Others say commercial insurers would guarantee pension benefits, but only in exchange for more control over their potential exposures.

"I would think insurers would want a voice in funding decisions and benefit improvements," said a major East Coast insurer. "I'm not sure employers and unions would like that."

Insurers say they probably would be willing to write coverage for companies with well-funded pension plans—those who would least need insurance.

But, financially troubled companies with underfunded pension plans would find coverage expensive and in some cases unavailable.

"The problem is that those companies that

most need insurance wouldn't be able to afford it," said Philip Briggs, vice chairman at Metropolitan Life Insurance Co. in New York.

And it is doubtful whether Congress would pass legislation to allow private insurers to siphon off the good risks—employers with well-funded pension plans—and leave the PBGC as an insurer of last resort.

"I don't think Congress would be amenable to privatizing the good risks while retaining all the bad risks for the PBGC," said Dallas Salisbury, president of the Employee Benefit Research Institute, a Washington-based benefits think tank.

Even insuring the more desirable risks could be a daunting task, insurers say.

For example, calculating a termination insurance premium would be difficult for final-pay pension plans, in which benefits are based on a worker's highest average salary over a number of years with an employer, usually his or her last five years.

"Inflation can play havoc with final average-pay plans," notes Metropolitan's Mr. Briggs. Salaries can shoot up, producing higher than expected benefits. In such a situation, a well-funded plan can become underfunded, he said.

Some insurers question if there would be sufficient commercial insurance capacity to guarantee pension benefits against the risk of plan termination.

"There is a real concern about capacity. It would take enormous resources to provide coverage," said a spokesman for Aetna Life & Casualty Co. in Hartford, Conn.

And, at a time when insurers are reporting operating losses and cutting back on coverages, it is doubtful they would want to take on new risks, said Theresa Stuchiner, a partner with Kwasha Lipton in Fort Lee, N.J. ■

Tort reform coalition

Continued from page 2
country.

• Establish a federal liaison to the White House, the Justice Department, Congress and other governmental agencies.

Although ATRA has just been established, it already is drawing criticism from one consumer advocate.

J. Robert Hunter, president of the National Insurance Consumer Organization in Alexandria, Va., said ATRA first should compile data to see if changes in the legal system are needed.

"I'm not against tort reform, but the first order of business should be to get data," Mr. Hunter said.

But Mr. Coyne said there is no doubt that there are massive problems with the civil justice system.

"It is a problem when companies say they can't get insurance coverage or are hit with outrageous awards. Tort reform and public education are the keys to solving the problem," he said.

Mr. Coyne also emphasized that ATRA is not a rival to another major business group—The Washington-based Product Liability Alliance—that also is seeking tort reform.

Mr. Coyne notes that the Product Liability Alliance's mission is battling for enactment of a uniform federal product liability law.

"We are not just focusing on product liability. We are dealing with tort liability in its broadest sense" seeking legal changes in such areas as medical malpractice and professional liability, Mr. Coyne said.

In addition, he said, ATRA's primary focus will be legal reform at the state level; the Product Liability Alliance is concentrating its lobbying efforts at the federal level.

Mr. Coyne noted that coalitions lobbying for product liability reform legislation at the state level withered during the early 1980s after scoring some modest legislative successes.

But ATRA will succeed where other coalitions have failed because of the breadth of its membership, Mr. Coyne predicted.

"Virtually every profession is represented in this coalition. That coalition is our power and force," he said.

Trade groups on ATRA's 12-member steering committee include: American Assn. of Community and Junior Colleges; American Business Conference; American Consulting Engineers Council; American Institute of Architects; American Legislative Exchange Council; American Society of Assn. of Executives; American Recreation Coalition; American Trucking Assns.; American Transport Assn. of America; National Assn. for Child Care Management; National Federation of Independent Business; National Paint and Coatings Assn.

The other members are the Alliance of American Insurers; the American Automotive Leasing Assn.; the American Medical Assn.; the American Pulpwood Assn.; Associated Specialty Contractors; the General Aviation Manufacturers Assn.; the Hazardous Materials Advisory Council; the Mechanical Contractors Assn.; the National Assn. of Plumbing, Heating, Cooling Contractors; the National Coalition for Litigation Cost Containment; the National Electrical Contractors Assn.; and the National LP Gas Assn.

Mr. Coyne hopes that several hundred companies and trade groups will join ATRA.

ATRA's offices are located at 214 Massachusetts Ave., N.E., Suite 400, Washington, D.C. 20002; 202-547-7916. ■

Nurse-midwives to form insurer

WASHINGTON—An organization representing 2,500 certified nurse-midwives plans to establish a mutual insurance company to provide medical malpractice insurance for its members.

The board of the American College of Nurse-Midwives recently approved formation of the insurer. The ACNM hopes to have the program operating by April 1, before programs sponsored by related nursing organizations that cover some ACNM members expire.

Details of the program are still being worked out, including how the insurer will be capitalized, where it will be domiciled and how much coverage it will offer, said Susan A. Yates, president of the Washington-based ACNM.

The ACNM had sponsored a malpractice insurance program until last year, when Mutual Fire, Marine & Inland Insurance Co. of Philadelphia decided in May not to renew the ACNM's program, according to Ms. Yates (BI, June 24, 1985).

The insurer dropped the coverage because of a lack of reinsurance support, not because of association members' loss history, Ms. Yates said. Only 6% of all nurse-midwives have been named as defendants in malpractice suits, a low percentage for health care professionals, she explained.

Under the Mutual Fire program, nurse-midwives paid from \$80 to \$1,100 annually for coverage limits of \$1 million per occurrence and \$3 million annual aggregate. The organization hopes that premiums charged by the mutual insurer will be less than \$2,000 per policyholder, Ms. Yates said.

Nurse-midwives whose malpractice coverage was canceled by Mutual Fire have either gone bare or have found replacement coverage through programs sponsored by other professional organizations or through hospitals with which individual nurse-midwives are affiliated.

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update

Insurer asks for supervision

Continued from page 2

ratings of three other St. Regis Group members to Not Assigned from Contingent A-plus because of the amount of reinsurance they place with unrated reinsurers.

Rulings protect state officials

WASHINGTON—Plaintiffs cannot sue state and local officials in federal court for negligence under the due process clause of the 14th Amendment, following two U.S. Supreme Court rulings last week.

The high court said in the rulings that state officials' negligent conduct resulting in injuries to prisoners did not violate those prisoners' constitutional rights under the 14th Amendment.

In one case, the prisoner sought damages against the state charging officials negligently failed to protect him from another inmate. In the other case, the prisoner injured his back and ankle when he slipped on a pillow left on a staircase by a sheriff's deputy.

It's now highly unlikely that persons will be able to bring negligence claims against any state officials in federal court on the basis that they were deprived of their constitutional rights under the 14th Amendment's due process clause, attorneys agree.

Fireman's Fund posts '85 loss

NOVATO, Calif.—Fireman's Fund Corp. reported a consolidated net loss of \$44 million for 1985, but posted preliminary consolidated net income of \$23 million for the fourth quarter.

The company's announcement last week marked the first time Fireman's Fund reported earnings since its shares became independently traded in October.

The 1985 consolidated loss compared with a 1984 net loss of \$6 million. The fourth-quarter gain compared with a loss of \$13 million in the corresponding period of 1984.

Results for both years exclude results of life insurance operations that were sold to American Express Co. in August.

Fireman's Fund's property/casualty earned premiums increased 0.7% in 1985 to \$2.9 billion, while earned premiums in the fourth quarter rose 5.3% to \$719 million.

Fireman's Fund's combined ratio rose to 123.5% in 1985 from 121.1% in 1984. However, its fourth-quarter 1985 combined ratio stood at 115.0%, down from 124.3% in the fourth quarter of 1984.

Claims-made form

Continued from page 1

"We realize that this is about the best ISO is going to do, and with a number of key states falling in line, we don't think our energies are best spent in trying to convince regulators to reject the claims-made form," RIMS President P. Richard Hackenburg said in an interview last week.

The most recent revisions to the claims-made form provide separate aggregate limits for certain claims when the optional supplemental tail coverage endorsement is purchased; require insurers to provide policyholders with certain claims data on request; and guarantee that supplemental tail coverage be offered to policyholders whose coverage is canceled for non-payment of premium.

These revisions were made in response to model claims-made policy language adopted by the National Assn. of Insurance Commissioners at its winter meeting last month (BI, Dec. 23, 1985).

Since the revisions were announced Jan. 14, Alabama and Kentucky have approved the claims-made form, according to ISO, while regulators in Illinois and Connecticut have publicly said they will approve the revised form shortly.

Regulators in four other states told *Business Insurance* last week they expect to approve the form based on the latest revisions filed by ISO.

But, RIMS made clear in its seven-page statement that it does not endorse the claims-made CGL form.

The occurrence form is the "proper vehicle" for the transfer of risk for the majority of the insurance-buying public, RIMS said in the statement.

"Over the long term, RIMS will hold both ISO and insurers to their promise of continued viability of the occurrence form," the association said.

RIMS specifically objected to ISO President Daniel J. McNamara's statement that the latest revisions to the claims-made form "eliminate any rational reservations" about the use of the form.

"All risk managers should have strong reservations about the claims-made form and take appropriate measures to protect their employer's interests," the RIMS statement said.

Jon Harkavey, director of governmental affairs for RIMS, said specifically that risk managers should:

- Be aware of potential gaps in coverage under the claims-made form.
- Be sure to comply with all deadlines for reporting incidents and claims.
- Attempt to negotiate the cost of supplemental tail coverage at policy inception.

While withdrawing its opposition to the claims-made CGL, RIMS criticized ISO's strategy in seeking regulatory acceptance of the new policy forms—a reference to ISO's repeated incremental adjustment of the claims-made form made in the face of growing opposition to the proposal.

"The industry introduced a totally unacceptable and one-sided product, making as few piecemeal changes as it felt it could get away with in order to win the approval of state insurance departments," RIMS said.

"RIMS would have preferred that a more equitable CGL claims-made policy form would have been introduced by the insurance industry at the outset," the association added.

RIMS also noted that, notwithstanding its new position of not opposing the form, individual RIMS chapters and members are free to take any position on the claims-made form they choose.

'The industry introduced a totally unacceptable and one-sided product, making as few piecemeal changes as it felt it could get away with in order to win the approval of state insurance departments,' the RIMS statement says.

While withdrawing opposition to the claims-made form, RIMS' statement calls for more revisions to the form.

RIMS suggests that ISO develop a mechanism to price the optional supplemental tail coverage prior to a policy's inception.

Currently, insurers would be permitted to charge up to 200% of the original policy premium for supplemental tail coverage, but the exact price would not be determined until the end of the policy period.

Without a pricing mechanism for the supplemental tail coverage prior to policy inception, RIMS said, "the insurer will undoubtedly be subject to more stringent regulations on cancellation or non-renewal and (to) potential judicial determinations that such cancellation or non-renewal is in bad faith."

The supplemental tail coverage, as newly revised, allows a policyholder to purchase coverage that will equal 100% of the expiring policy's aggregate limits.

These limits can be applied only to claims involving incidents reported 60 days after the expiration of the policy period, and not to claims involving incidents reported during the policy period or within 60 days of its expiration.

However, the coverage also can be applied to claims filed more than five years after the policy expires for incidents reported during the policy period or within 60 days of expiration.

Claims for incidents reported within 60 days of the expiration of the policy are otherwise covered under the claims-made policy's automatic five-year tail coverage, subject to the policy's aggregate limits.

RIMS also blasted ISO's total exclusion of pollution liability coverage from both the occurrence and claims-made commercial general liability forms. A more responsible approach would be to carefully word the policy to include coverage for sudden and accidental pollution, RIMS said.

ISO has maintained that a total exclusion of pollution liability from the forms is necessary because courts will misinterpret any coverage for sudden and accidental pollution to provide coverage for gradual pollution.

But RIMS says there is no evidence to demonstrate the proclivity of the courts to misinterpret sudden and accidental pollution coverage, and that any such judicial decisions are more likely the result of poor policy drafting.

"RIMS believes the burden is on ISO to explain why such coverage cannot be included within its CGL policy form or why it will not draft such coverage provisions," the statement said.

While not specifically asking ISO to change the coverage trigger of its claims-made form, which requires the filing of a claim against a policyholder to activate coverage, RIMS warned that the claims-made form will prompt the same type of coverage disputes between insurers, and insurers and their policyholders, as have resulted from the traditional occurrence trigger.

The claims-made CGL form developed by The St. Paul Cos. Inc., which is triggered by the reporting of an incident by the policyholder to the insurer, will result in less litigation over the trigger of coverage, RIMS said.

The RIMS statement staunchly opposes ISO's plan to amend both the claims-made and occurrence

CGL policy forms to include a portion of defense costs within the aggregate policy limits beginning July 1.

"Insurers have won significant concessions in the new CGL which will be borne by insurance consumers and which may ultimately impact society as a whole," the RIMS statement said.

RIMS urged ISO to withdraw the proposal entirely and "not pursue a strategy through which we have a multistate auction to discover what percentage of defense cost limits the regulatory community will accept."

ISO announced in late June that it would file amendments to its claims-made and occurrence forms to include all defense costs within policy limits.

But, in response to widespread objections, ISO said last month that its so-called defense cost-containment amendment would include defense costs within policy limits only after defense costs reached 50% of the policy's aggregate limits. And, ISO said it would file two endorsements: one permitting insurers to include all defense costs within policy limits, and another providing defense cost coverage equaling 300% of policy limits.

Since then, ISO has responded to a request made in December by insurance commissioners to delay filing the defense cost-containment amendment until at least Feb. 15, the tentative date for completion of an NAIC study of the issue.

RIMS pledged in its statement to work with ISO to educate RIMS members about the claims-made form.

"We believe that with the modifications ISO has come out with, it is now time to get on with the business of educating the business community on the new form and time to put the insurance availability problem in the forefront of our thoughts," commented Mr. Hackenburg, who is staff vp-risk management at Allegheny International Inc. in Pittsburgh.

RIMS also addressed the insurance availability problem in its statement, noting that it also will work to encourage the development of alternative risk financing mechanisms "that will serve the needs of businesses, local governments and institutions deserted by the insurance marketplace."

RIMS is now surveying its members about their insurance needs and is compiling information about available group captives and pools. RIMS plans to use the survey results to match the needs of its members with existing alternative risk financing mechanisms.

RIMS also said it would work with the insurance industry to lobby for reforms in the civil justice system.

"In this vital task, the insurance industry will have the complete and total support of the Risk & Insurance Management Society," the statement concluded.

RIMS launched in May a major lobbying effort to convince insurance regulators to disapprove ISO's claims-made CGL form on the grounds that it was deceptive and unfair to policyholders.

By year-end, RIMS had the upper hand over ISO in its battle of persuasion. Regulators in 14 states had rejected the claims-made form, refusing to allow its use in their jurisdictions (BI, Jan. 13).

In response, ISO made the latest revisions, which were filed with state insurance departments last week.

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British Issues

21 Jan Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	
					High	Low
Comml Union	236	NM	16.9	7.1	243—236	
Genl Accident	715	32.5	31.4	4.4	730—715	
Gdn Royal Exch	761	66.2	38.6	5.1	785—761	
Royal	785	49.1	35.0	4.5	803—785	
Sun Alliance	545	30.8	23.6	4.3	560—545	

Brokers	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	
					High	Low
CE Heath	663	8.6	37.5	5.6	677—663	
Hogg Robinson	277	11.3	13.4	4.8	282—269	
JH Minst	248	11.3	11.4	4.6	251—245	
Sedg Grp	350	15.2	17.1	4.9	362—350	
Stew Wrightson	722	13.9	32.8	4.6	735—712	
Willis Faber	432	22.2	23.6	2.7	443—412	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Belmont Park fire

Continued from page 2

Horsemen's Benevolent & Protective Assn., a group of thoroughbred owners. The coverage is written by Motors Insurance Co. in Detroit and brokered through Mullins & Associates in Annandale, Va., and Rhulen.

Ms. Barkley pointed out that the aggregate value of the thoroughbreds will likely exceed the limits of the HBPA coverage, which she termed "the disaster policy."

Estimates of the horses' value vary widely. The New York Racing Assn., which operates Belmont Park and two other thoroughbred tracks in the state, released a statement shortly after the fire estimating the horses' value at between \$500,000 and \$5 million.

But Martin Lieberman, senior vp and attorney for the NYRA, said last week that the association had authorized "no estimates of the value of the horses" and would not speculate on the figure.

Owen J. O'Brien, security director for the NYRA, said the value of the horses would probably total between \$1 million and \$2 million. However, he cautioned that the horses' worth "is difficult to estimate. Some of them hadn't run yet and we're talking about potential value. We don't have any accurate figures yet."

Ms. Barkley said payments under the HBPA policy will probably be distributed to

the horse owners on a percentage basis after the total value of the animals has been set.

The few owners that did purchased individual mortality policies for their horses may also be able to recover some payment under the HBPA coverage if the individual policies do not fully cover the value of their horses, according to Ms. Barkley.

"If the horse owner had other insurance, this policy would pay only if the horse were underinsured," she said.

"The difficulty is the limit is only a half-million. It is likely that it won't cover everything," Ms. Barkley said. She explained the policy also insures the owners' tack—which includes gear like saddles and blankets—that was also destroyed by the blaze.

Horse owners will not be able to recover their losses from the NYRA, which owned the barn.

John Keenan, vp of operations for the NYRA, said the horse owners signed an agreement with the association freeing the NYRA from liability if the animals were injured or killed while stabled at Belmont.

"The trainers accept the space that we provide, with the written understanding that the safety of the horses is their responsibility," said Mr. Keenan.

The fire that destroyed Barn 48 caused an estimated \$1 million in property damage, according to NYRA's Mr. Lieberman.

The racing association has only "partial

property insurance" to cover the damage, Mr. Lieberman said. He would not identify the insurer but said the coverage was written on a replacement value basis.

"We don't know the total cost to replace the building, but we're estimating it at about \$1 million," he said. "It's of no concern to anyone but the NYRA."

An investigation into the cause of the blaze by the Nassau County fire marshal was continuing last week.

"There is no indication that it is going to be declared a suspicious fire," Mr. O'Brien said.

He pointed out that sprinklers in the barn were damaged and not functioning at the time of the fire, though repairs were underway and would have been completed shortly after the accident.

Normally, the pipes leading to the barn's sprinkler heads are empty, Mr. O'Brien explained, noting that water that is stored underground is "held back by the air in the pipes."

In the event of a fire, the heat will melt seals on the sprinkler heads, and water will be released from the heads 30 seconds later.

But the day before the fire, a leak had allowed water to fill the pipes and trigger an alarm at the track's security office, Mr. O'Brien said.

During repairs, the system was drained and "that was the condition it was in at the time of the fire," he said.

American Family

American Family Corp. has announced a 4-3 stock split and an increase in cash dividends.

The purpose of the stock split is to broaden public interest in American Family's stock by reducing the market price per share.

A cash dividend of 10 cents per share of common stock will be paid to all shares on March 1, including the additional shares created by the stock split, thus effecting an 11.1% increase in dividends. The dividend is payable to shareholders of record Feb. 7.

Frank B. Hall

Frank B. Hall & Co. Inc. said last week that it has arranged \$125 million in loans "to retire short-term indebtedness" and to increase its working capital. Some \$75 million was borrowed through a revolving credit agreement and \$50 million is under a term loan agreement with a group of five banks.

HealthAmerica Corp.

HealthAmerica Corp., a publicly held operator of health maintenance organizations, says it expects to report 1985 earnings of 50 cents per share, compared with 1984 earnings of 58 cents per share.

"We are hardly ecstatic about these results, but at the same time are quite encouraged by the progress we have made in recent months in implementing systems to better control our medical costs," said Philip N. Bredesen, HealthAmerica's chairman and chief executive officer.

"Final enrollment as of Jan. 1, 1986, should be about 880,000 compared to 527,000 on Jan. 1, 1985, a 67% increase," Mr. Bredesen added. "Exclusive of the acquisitions in Indianapolis and Fort Wayne, Ind., enrollment growth is in excess of 50%."

The company also said earnings per share in the fourth quarter totaled 8 cents, compared with 14 cents in the fourth quarter of 1984.

Lawrence replies to Nader criticism

Continued from page 2

Mr. Lawrence noted that the financial crisis facing the insurance industry today extends worldwide. For example, he said, the U.S. insurance industry is reporting a pretax operating loss of \$5.5 billion for 1985, while the British insurance companies' underwriting losses for 1984 totaled 2.2 billion pounds (\$1.7 billion at current exchange rates). And, Japanese insurers lost an equivalent of \$276 million on international reinsurance in 1984.

"Are all these the figures of an accountant's fertile imagination?" Mr. Lawrence asked rhetorically.

The crisis is taking its toll on Lloyd's, he said, noting that for 1982, the year that just closed under Lloyd's three-year accounting system, Lloyd's general liability underwriting loss was more than 425 million pounds (\$599 million), "the vast majority in U.S. dollar business."

"Faced with those figures, what would any prudent businessman do? Quite simply, he would ask, 'Why should any underwriter continue to underwrite this business?' And many names at Lloyd's are asking that very question today," he said.

"No one in a free country can be forced to underwrite business he does not wish to. Why jeopardize an otherwise profitable operation by continuing with general liability insurance?"

But, Mr. Lawrence continued, Lloyd's underwriters have not simply walked away from U.S. general liability business.

"The fact is that underwriters have not done this," he said. "They have struggled long and hard to quote terms that will, on the one hand, give their clients something they can live with and, on the other, will allow them to justify to their skeptical names their decision to continue with this business."

Mr. Lawrence also noted that Lloyd's underwriters are committed to writing general liability business on a claims-made form.

Although some underwriters will write business following the old ISO occurrence form this year because of delays in obtaining approval

for the new claims-made commercial liability form, Lloyd's will support only the claims-made form in 1987.

"Underwriters are not trying to dictate how you should run your business here in the U.S.," he said. "However, they have their own businesses to run in London, and I believe the position is now such that they have no option."

"It is no longer the 11th hour; it is midnight. Every underwriter is entitled to his own view, but in my opinion, any who continues to write the heavy U.S. casualty book—be it on a direct or reinsurance basis—on the old occurrence form is acting irresponsibly."

While Lloyd's will change the form on which it writes U.S. casualty risks, Lloyd's is and will remain a strong supporter of U.S. business, Mr. Lawrence noted. In 1984, nearly 70% of Lloyd's premium volume was paid in U.S. dollars.

In addition, Mr. Lawrence said, Lloyd's maintains a U.S. Trust Fund in New York with deposits representing its U.S. premium volume; at the end of 1985, the fund stood at \$5.8 billion.

And, he said, over the 15 years ending in 1984, Lloyd's underwriters paid the second-largest amount in U.S. income taxes of all property/casualty insurers.

"Another insinuation made about Lloyd's that we are running wild around the States, in an unregulated fashion, without making available audited financial information," Mr. Lawrence said.

"This situation never existed," he said, noting that Lloyd's meets all the necessary U.S. regulatory requirements.

Each year, Lloyd's files audited financial statements with the U.S. Treasury Department, the National Assn. of Insurance Commissioners and many state insurance departments, he said.

"Never has the Underwriting Room at Lloyd's been so busy—with existing policyholders seeking to place more of their business in Lloyd's and new policyholders seeking capacity coupled with first-class security," he said, adding, "Much of the increased activity and interest I have referred to has come from the United States."

BI Industry Stock Report

January 22, 1986 1/16/86 thru 1/22/86

Brokers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)			
Alexander & Alexander Svcs	NYSE 32.88	1.2	0.0	1.00	3.0	32.88	32.63	322.9			
Baldwin & Lyons Inc	OTC 74.00	-1.3	16.3	0.80	1.1	77.00*	73.50	20.0			
Corroon & Black Corp	NYSE 56.00	-2.6	75.7	1.00	1.8	58.00	56.00	26.0			
Crump E H Cos Inc	OTC 22.75	-1.1	24.5	0.25	1.1	23.38	22.75	27.6			
Eaest & Chandler Cos Inc	OTC 17.75	-4.1	30.6	0.00	0.0	18.50	17.75	15.6			
Gallagher Arthur J & Co	OTC 51.00	-2.9	25.0	0.28	0.5	52.00	51.00	13.0			
Hall Frank B & Co Inc	NYSE 26.25	-4.1	0.0	0.00	0.0	27.38	26.25	208.1			
Marsh & McLennan Cox Inc	NYSE 86.50	3.0	20.6	2.70	3.1	87.13*	85.25	259.9			
Poe & Assoc Inc	OTC 14.00	3.7	0.0	0.80	5.7	14.00	13.50	6.6			
AGENTS/BROKERS				AVERAGE	154.9			1.8			
Conglomerates & Holding Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)			
American Express(Fireman's Fd)	NYSE 51.00	-1.7	16.3	1.36	2.7	52.75	51.00	3,084.6			
Anderson Clayton(Ranger/PanAm)	NYSE 54.13	-6.5	37.6	1.32	2.4	57.50	54.13	122.5			
Araco Inc	NYSE 9.38	-2.6	0.0	0.00	0.0	9.75	9.38	506.9			
Berkley W R Corp	OTC 35.75	5.1	111.7	0.32	0.9	36.50*	34.00	284.9			
CIENA Corp	NYSE 65.38	-0.4	31.7	2.60	4.0	66.25	65.13	666.6			
CNA Finl Corp (CNA)	NYSE 62.50	1.8	19.5	0.00	0.0	62.50	61.00	147.6			
General Re Corp	NYSE 103.88	2.3	112.9	1.56	1.5	104.00	102.50	316.8			
ITT (Hartford Group)	NYSE 36.75	-3.9	11.5	1.00	2.7	38.25	36.75	1,763.8			
Sears Roebuck & Co. (Allstate)	NYSE 36.88	-2.3	10.3	1.76	4.8	38.13	36.88	2,169.7			
Teledyne Inc (Argonaut)	NYSE 309.88	-2.3	6.6	0.00	0.0	315.75	306.50	180.1			
TRANSAMERICA CORP (Occidental & Fred S. James)				NYSE 32.00	-5.5	15.5	1.68	5.3	34.00	32.00	348.3
CONGLOMERATES/HOLDING COS.				AVERAGE	12.2			1.5			
Insurers	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)			
Aetna Life & Cas Co	NYSE 53.00	-0.5	19.9	2.64	5.0	53.50	53.00	1,728.3			
American General Corp	NYSE 35.25	-2.8	10.7	1.00	2.8	36.13	35.25	1,080.2			
Amer'n Heritage Life Invst Co	NYSE 40.00	-6.2	11.3	1.20	3.0	42.63	40.00	66.2			
American Ind'y Finl Corp	OTC 20.25	0.6	0.0	0.12	5.5	20.50	20.25	40.8			
American Intl Group Inc	NYSE 108.00	0.0	26.9	0.44	0.4	108.00	106.00	1,145.5			
Aneco Reins Ltd	OTC 0.88	0.0	0.0	0.00	0.0	0.88	0.88	11.0			
Avaco Corp	NYSE 38.00	-0.7	15.1	0.60	1.6	38.63*	38.00	5.7			
Business Reins Assurn Co Amer	OTC 29.13	-1.3	8.2	1.04	3.6	29.50	29.00	50.9			
CHUBB CORP				NYSE 60.00	1.7	21.7	1.56	2.6	60.00*	58.50	324.5
COMBINED INTL CORP				NYSE 51.75	-0.5	9.4	2.16	4.2	52.00	51.50	177.4
CONTINENTAL CORP				NYSE 44.25	-3.0	21.9	2.60	5.9	45.88	44.25	398.3
CROWN LIFE INS CO				OTC 254.00	-0.4	15.3	0.00	0.0	255.00*	254.00	22.1
DURHAM CORP				OTC 44.00	7.3	8.1	1.28	2.9	44.50*	41.00	32.4
FARMERS GROUP INC				OTC 67.50	-0.6	11.4	1.76	2.6	69.00	67.50	546.5
FIREMAN FD CORP				NYSE 32.63	-1.1	0.0	0.30	0.9	33.25	31.75	804.0
FREMONT GEN CORP				OTC 27.25	-2.7	0.0	0.48	1.8	28.63	27.25	892.4
GREAT WEST LIFE ASSURN CO				OTC 480.00	-2.0	12.3	1.60	0.3	490.00*	480.00	0.0
HOME GROUP INC				AMEX 24.13	-3.5	0.2	0.00	0.0	24.75	23.88	383.6
HANOVER INS CO				OTC 54.50	1.4	56.8	0.54	1.0	54.75*	54.00	28.3
HARTFORD STEAM BOILER INSPN				OTC 63.50	-0.8	15.0	2.00	3.1	64.50	63.50	23.8
KANS CITY LIFE INS				OTC 29.75	-0.8	11.7	0.87	2.9	30.00	29.75	12.1
KEAPER CORP				OTC 74.00	2.8	21.3	1.80	2.4	74.00*	73.50	573.0
LIBERTY CORP S C				NYSE 33.88	1.9	14.7	0.72	2.1	33.88	33.38	10.1
LINCOLN NATL CORP IND				NYSE 55.25	0.2	13.0	2.00	3.6	56.25*	55.25	521.8
MISSION INS GROUP INC				OTC 2.75	0.0	0.0	0.00	0.0	2.75	2.75	630.5
MONUMENTAL CORP				OTC 35.00	-2.4	11.9	1.40	4.0	35.88	35.00	32.8
NAC RE CORP				OTC 33.25	-7.3	26.4	0.00	0.0	35.00	33.25	37.3
NOBEL INS LTD				OTC 16.75	4.4	19.4	0.25	1.7	15.75*	14.75	221.2
NORTHWESTERN NATL LIFE INS				OTC 26.88	4.4	7.0	0.80	3.0	27.50	26.75	331.7
OLIO GAS CORP				OTC 69.50	0.4	25.4	2.80	4.0	70.25	69.50	102.8
OLD REP INTL CORP				OTC 37.38	1.0	10.1	0.74	2.0	37.38	36.75	172.8
ORION CAP CORP				NYSE 29.38	-8.2	0.0	0.76	2.6	32.00	29.13	852.3
PROTECTIVE CORP				OTC 21.75	-3.3	8.1	0.66	3.0	22.50	21.75	57.0
PROVIDENT LIFE & ACC INS CO				OTC 26.63	-3.6	7.2	0.76	2.9	27.75	26.63	189.5
ST PAUL COS INC				OTC 79.25	-1.1	0.0	3.00	3.8	82.13	79.25	245.6
SAFECO CORP				OTC 45.75	-3.4	16.2	1.60	3.5	47.25	45.75	227.4
SRI CORP				OTC 16.63	0.8	554.2	0.80	4.8	16.75	16.25	123.5
SELB'S BRUCE GROUP INC				OTC 19.25	2.7	4.0	0.80	4.2	19.38	19.00	111.2
STEAMSHIP GROUP INC				OTC 5.38	-2.3	0.0	0.05	0.9	5.63	5.38	101.6
TOKIO MARINE & FIRE INS CO				OTC 211.00	-1.2	39.7	1.05	0.5	211.00	210.00	5.0
TORCHMARK CORP				NYSE 24.38	-1.5	9.6	0.60	2.5	25.00	24.38	621.9
TRAVELERS CORP				NYSE 46.00							

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