Administrators' directory . . . Page 28

Self-insurance/financial services . . . Page 3

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update

AFIA purchase agreement 'fine tuned,' CIGNA says

PHILADELPHIA—CIGNA Corp. expects to close its purchase of AFIA Worldwide Insurance Jan. 31 with some "fine tuning" of the purchase agreement, says CIGNA International President David W. Schrempf.

"With the fine tuning, we feel we have adequate protection," said Mr. Schrempf, referring to the possibility that losses on AFIA's current business could exceed reserves. AFIA has re-

Continued on next page

Aftershocks continue to rock Fireman's Fund

By RHONDA L. RUNDLE

The aftershocks of last month's management upheaval at Fireman's Fund Insurance Cos. continue to rock the Novato, Calif.,-based subsidiary of American Express Co.

James J. Meenaghan, 45, president of the multiline insurance company, recently submitted his resignation effective March 1, according to a Fireman's Fund spokesman. Mr. Meenaghan retained his title, but not his authority, in the wake of the management restructuring by American Express.

The shake-up also bumped Chairman and Chief Executive Officer Edwin F. Cutler, 59, to chairman of the insurer's executive committee. Vice Chairman O.D. Oliphant, 63, had previously planned to retire at the end of 1983.

American Express President Sanford I. Weill, 51, has taken on the additional responsibilities of chairman and chief executive of Fireman's Fund. William M. McCormick, 43, formerly head of another American Express unit, becomes chief executive of the insurer's U.S. property and liability insurance operations.

Mr. McCormick already has taken up the leadership reins at the insurance company and is conducting a thorough review of internal organization and operations.

"The situation is very fluid with lots of meetings going on—no one knows where they may end up right now," said the spokesman. He was reluctant to discuss the current responsibilities of corporate officers because they are changing so quickly.

By the time a new management team is unveiled—which is expected by the end of February—Fireman's Fund will scarcely resemble the company it was just 13 months ago when Myron Du Bain, now president and chief executive of San Francisco-based Amfac Inc., was still at the helm.

Even before the December shake-up, three out of five executive vps—Jack S. Hupp, Charles R. Rinehart and H. Max Dickerson—had left the company during the year.

"I had no idea in the world that what happened would happen and I don't think anyone else expected it," says Mr. Hupp. "The company always operated essentially autonomously from American Express."

Continued on page 73

A vote for the banks

Most risk managers want insurance restrictions lifted

By KATHRYN J. McINTYRE

Almost 2 to 1, risk managers think bank holding companies should be allowed to own insurance companies, creating more competition among providers of insurance products.

By a slightly smaller margin, they also think bank holding companies should be permitted to own insurance brokers or agents, also creating more competition.

	Yes	No
Allow bank-holding companies to own insurers	65%	31%
Allow bank-holding companies to own insurance agencies	61%	39%
Consolidate purchasing of all financial products and services	24%	67%

Source: *BI* survey

Few risk managers expect bank-affiliated brokers to forge better deals or bank-affiliated insurers to offer better products. And, few risk managers expect their companies to integrate the purchase of insurance and other financial services such as borrowing and capital raising from one financial services organization if bank holding companies were to enter the insurance business.

These are the results of the first 1984 survey of the *Business Insurance* Risk Management Board, which includes 52 risk managers who have volunteered to respond to four surveys during the year. One board member did not complete this survey, however, saying he lacked definite opinions on the issues.

The other 51 board members split 33 "yes" to 16 "no" on the question of permitting bank holding companies to own insurance companies. Two did not comment.

Four board members switched their votes to "no" on allowing bank holding companies to own insurance agencies or brokerages, for 20 opposed and 31 in favor.

But, only 27 of these 31 risk managers think the affiliated agent should be available on the bank's premises to place insurance for bank customers.

And, when it comes to banks themselves underwriting insurance or placing insurance, fewer risk managers support deregulation. Only 27 risk managers said banks should be allowed to broker insurance and only 22 said banks should be allowed to underwrite insurance.

Currently, federal law prohibits most bank holding companies from buying insurance companies or insurance agencies, a prohibition that would be lifted under pending legislation. And, some states are considering deregulating bank products (see stories, pages 22 and 24).

Those supporting the repeal of restrictions on bank holding companies' insurance activities

Continued on page 72

Include investments in ratemaking: NAIC panel

By LEN STRAZEWSKI

AUSTIN, Texas—Regulator-approved rates that guarantee insurers an underwriting profit in addition to investment income and capital gains lead only to excessive insurance company profits, not financial security, says a new draft report from the National Assn. of Insurance Commissioners.

The exposure draft of the NAIC Investment Income Task Force report, released for industry comment last month, analyzes the traditional state ratemaking guidelines that guarantee insurers 5% underwriting profit for property/casualty insurance and 2.5% underwriting profit for workers compensation.

Although several states have adopted open or competitive rating laws that allow insurers to set and use their own rates, a majority of states still require regulatory approval for insurer rate changes, the report points out. And since the early 1900s, state regulators have generally approved rates designed to guarantee a substantial underwriting profit margin.

While these guaranteed profit margins were once considered fair and reasonable, the NAIC task force, chaired by William P. Davies of the Texas State Board of Insurance, says that high investment income yields make the standards outdated and inappropriate as regulatory guidelines.

"If insurers were to actually earn 5% of premiums in addition to investment income, their total rate of return on net worth after taxes would be approximately 25%," the study concludes. "At this point in time, such a return would clearly be excessive.

"How then does the use of a 5% profit margin assure that insurance rates will be reasonable? The answer is that it does not."

The draft report recommends that regulators abandon underwriting profit margin as the sole measure of insurer profitability and develop a new "actual rate of return" ratemaking model that also takes into consideration both anticipated net investment income yields, likely capital gains and the influence of the insurance industry's financial leverage.

And instead of guaranteeing that rates lead to an underwriting profit, regulators should follow the lead of the present competitive insurance marketplace and use ratemaking systems that calculate negative underwriting returns offset by positive investment income returns.

"As investment rates of return and leverage (ratio of assets to net worth) have increased in recent years, investment income has grown dramatically as a percentage of the industry's net worth and, as a result the margin of profit needed from underwriting, has declined sharply," the report points out.

Continued on page 71

NEWSPAPER

INSIDE:

Insurance coverage for bush fires debated
Page 2

AIG's Greenberg says market turning
Page 2

update

CIGNA renegotiates AFIA deal

Continued from previous page
served $235 million for losses relating to business written in London after paying $200 million in losses already.

Previously, CIGNA said that it would purchase $100 million of reinsurance to cover losses exceeding reserves and that AFIA members had agreed to pay up to another $50 million above the reinsurance (*BI*, Dec. 26, 1983). Observers speculate that the fine tuning refers, in part, to an even larger commitment from selling AFIA shareholders to cover future losses exceeding the reinsurance.

Mr. Schrempf declined to say more than "we don't consider the changes (in the agreement) to have material value," meaning that their value is less than 3% to 5% of the contract price of $215 million.

The selling AFIA shareholders would not comment.

Separately, CIGNA announced that Ralph S. Saul will step down as chairman April 25 and that CIGNA President and Chief Executive Officer Robert D. Kilpatrick will assume the additional post.

Manville wins on two key points

NEW YORK—Manville Corp. can continue to press its petition for reorganization under federal bankruptcy laws and also can address the rights of future asbestos disease claimants, a bankruptcy judge ruled last week.

In two long-awaited decisions, Judge Burton R. Lifland refused to throw out Manville's reorganization petition and also agreed to appoint someone to represent future claimants who were exposed to Manville products but have not yet manifested diseases.

He rejected objections of plaintiffs' attorneys that the company's petition should be dismissed because it was filed in bad faith.

Judge Lifland said also that the interests of future claimants are the "central focus" of Manville's reorganization and must be considered. Plaintiffs' attorneys say they will appeal.

The ruling is the first recognition that future claims of asbestos victims can be included in the bankruptcy proceedings. Judges in bankruptcies by UNR Industries Inc. of Chicago and Amatex Corp. of Norristown, Pa., would not appoint representatives.

Oceanus taken off approved list

WASHINGTON—Operators of non-tanker vessels that travel in U.S. territorial waters must switch their pollution liability insurance coverage from Oceanus Mutual Underwriting Assn. (Bermuda) Ltd. to an approved insurer by Feb. 21, the U.S. Coast Guard says.

Last year, the Coast Guard issued a similar edict to tanker operators belonging to Oceanus' property and indemnity club (*BI*, Nov. 21).

"This is a normal purge by the U.S. Coast Guard and is not just against us. The Coast Guard does this regularly," said an Oceanus spokesman. But, the Transportation Department in a release concerning the notice to non-tanker operators said, "The Coast Guard's action was taken because Oceanus failed to demonstrate that its financial condition qualifies it for continued approval as an underwriter in the program and because Oceanus has not maintained acceptable reinsurance coverage for its risks of non-tanker vessels."

Illinois high court affirms ruling

SPRINGFIELD, Ill.—A third-party may sue an employer for contributing to a worker's injury, according to a recent opinion of the Illinois Supreme Court. However, the justices refused to determine the amount of contribution.

In the case, Doyle vs. Rhodes, the high court ruled that the driver of a car that struck a highway flagman may sue the flagman's employer, charging contributory negligence. The amount of contribution, however, must be determined by evidence presented to the trial court, the Supreme Court said.

Flagman Charles L. Doyle sued driver Kathleen C. Rhodes seeking recovery for injuries he received while at work for Rein, Schultz & Dahl, a Rockford, Ill., contractor. Ms. Rhodes then filed a complaint against the contractor, but it sought immunity citing the exclusive remedy provision in the state's Workers' Compensation Act (*BI*, Feb. 14, 1983). Barring a rehearing, the case will go back to trial court, where Ms. Rhodes will ask for 100% contribution, said Harold Turner, her Rockford-based attorney.

Ambassador sale canceled

NEW YORK—American Plan Corp. and Ambassador Group Inc. said last week they have rescinded their acquisition agreement.

The two insurance holding companies announced late last year that American Plan would acquire 83% of Ambassador and its two financially ailing insurers—Ambassador Insurance Co. of Vermont and Horizon Insurance Co. of New York—for $19 million. Both insurers are now in voluntary receivership (*BI*, Nov. 28, 1983).

American Plan said the agreement had been subject to an actuarial and accounting analysis of the Ambassador holding company and that Ambassador did not meet the established financial criteria.

index

Classifieds	70
Insurance services guide	72
Letters	8
Opinions	8
Perspectives	41
Speaking out	42
Spotlight report	3
Ticker	73

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Insurers want broker to pay claims for Australian fires

By STACY SHAPIRO

LONDON—Sparks are flying in London High Court over who should pay the more than $100 million in potential claims against an Australian electric utility for last year's massive bush fires.

The attorney for the Southern Electricity Commission of Victoria's primary liability underwriter says the insurer is refusing to pay the claims because facts were not disclosed and/or were misrepresented when the liability coverage for the utility was placed in 1982.

Instead, attorney Gordon Pollack declared in court last week, the SECV's brokers—Sedgwick Ltd. and Sedgwick International Ltd.—should pay the losses.

Mr. Pollack told the court that Sedgwick was "wholly unscrupulous" when it placed the SECV's coverage, adding that it "edited" vital information from the SECV's loss statistics.

Michael Waller, a Sedgwick attorney, answered back, "Allegations of non-disclosure have been a pastime for underwriters in commercial court." The underwriters are just trying to "be released from a bargain when a loss occurs," he said.

The SECV's counsel, John Steyn, did not join the exchange between the underwriter's and broker's lawyers, but he told the court in his opening statement that Sedgwick should pay the claims if the court rules the brokers misrepresented the risk.

He added that the SECV supplied all information for Sedgwick to properly place the coverage.

The dispute over the SECV's coverage for the bush fires encompasses five lawsuits involving nearly 40 insurance companies, four Lloyd's of London syndicates, the SECV and the two affiliates of Sedgwick Group P.L.C., Britain's largest brokerage.

Three layers of insurers are denying coverage for the claims, alleging that the SECV's past loss experience was misrepresented and not disclosed to them before they accepted the risk.

Also, the insurers are disputing coverage under a policy exclusion that says that no claim will be paid if there is "deliberate, conscious or intentional disregard (by the SECV). . . .for the need to take all reasonable steps to prevent injury or damage."

The SECV's $57.5 million Australian ($52.3 million in U.S. currency) coverage consisted of:

- A primary layer of $2.5 million Australian ($2.275 million U.S.) per occurrence excess of a $2.5 million retention written by Gerling Konzern Allgemeine Versicherungs A.G. of West Germany, which does business in Great Britain as Gerling-Konzern General Insurance Co.
- A first excess layer of $5 million Australian ($4.55 million U.S.) excess of $5 million led by Lloyd's syndicates managed by J.H. Minet Agencies Ltd. and Fenchurch Underwriting Agencies Ltd. This layer includes two other Lloyd's syndicates and 10 other insurers from around the world.
- A second excess layer of $50 million Australian ($45.5 million U.S.) excess of $10 million led by Insurance Corp. of Ireland Ltd. with many other insurers participating. This layer is actually an industrial special risks property policy with a third-party liability endorsement.

Michael Turner, the attorney for the insurers on this layer, said in court this coverage also contains a clause whereby they do not have to pay claims if Gerling, the primary insurer, doesn't pay.

The disputed claims stem from one of the worst disasters to hit Victoria, a state located in the southeast corner of Australia.

Continued on page 69

Greenberg sees rate rebound

By RHONDA L. RUNDLE

LOS ANGELES—Insurance rates are starting to head upward again after five years of price-cutting, declares Maurice H. Greenberg, president and chief executive officer of New York-based American International Group Inc.

Mr. Greenberg

"We are seeing the increases at AIG in all casualty lines," Mr. Greenberg reports. Property insurance is slower to respond, but he says the company sees glimmerings of increases in these lines as well.

The long-awaited turnaround was launched at year-end 1983 when "the reinsurance markets wrenched within a week," he says. He expects the tightening to impact insurance markets around the world in 1984, "although some areas are leading and others are lagging."

London underwriters are leading the upturn, which is being strongly felt in the New York market, an AIG spokesman said.

Mr. Greenberg made his remarks last week during a luncheon meeting of the Los Angeles Society of Financial Analysts. His trip to the West Coast was made in part to discuss the changing market conditions with AIG staff members in Los Angeles and San Francisco.

Mr. Greenberg said he expects that 1983 insurer results will break all industry records for poor performance. Underwriting losses will total about $12 billion and the industry's combined ratio, a measure of underwriting profitability when it is less than 100%, will hit 112%.

"The fourth quarter will be horrible," he predicted. The freeze in December will rack up losses of $600 million to $700 million, making the catastrophe as severe as Hurricane Alicia, which hit the Texas Coast last August (*BI*, Jan. 23).

It is well-known that the industry is underreserved to pay future losses, Mr. Greenberg added. And, "Many companies will use the fourth quarter to fatten reserves."

He suggested that loss reserve sales are "pretty much used up" as a device for improving financial statements.

Although rates will be heading up during 1984, so will losses, observed Mr. Greenberg, adding that most of the industry will experience a negative cash flow. On the upside, rising stock prices could boost industry equity.

Mr. Greenberg called the five-year cycle of rate-cut-

Continued on page 71

Global Marine denies liability for workers lost in sinking

By STEVE TARAVELLA

HOUSTON—Global Marine Inc. says it is not liable for the deaths of 81 men aboard one of its drilling ships that sunk off the coast of China last October.

But, should a U.S. District Court in Houston rule that the company is liable for the workers' deaths, Global Marine claims its liability should be limited to $4.3 million under an 1851 federal law, says Ronald C. Baron, the company's risk manager.

Survivors of at least 10 of the men aboard the Glomar Java Sea are suing Houston-based Global Marine for more than $33 million in compensatory and punitive damages, alleging the company was negligent and knowingly operated the vessel in an unseaworthy manner.

Global Marine, though, claims it responded properly to the accident, which occurred in typhoon-like conditions.

Global Marine is believed to have $250 million in liability insurance, with a $250,000 deductible. The coverage is spread over at least five layers, the first $5 million of which is in the American market, sources say.

Mr. Baron would not discuss details of Global Marine's coverage.

The Glomar Java Sea, leased to Atlantic Richfield Co. at the time of the accident, was struck by severe weather in late October about 60 miles south of China's Hainan Island and later found 300 feet below the surface (*BI*, Nov. 7, 1983).

A Coast Guard inquiry into the cause of the sinking should be completed in about a week, Mr. Baron says.

Seamen do not normally fall under the aegis of state workers compensation systems. If the shipowner is not declared negligent and if the vessel is declared seaworthy, survivors generally do not receive compensation from the government or their employers, according to a government spokesman.

But if it's determined that the ship sank because it was operated in an unseaworthy manner or the shipowner was otherwise negligent, the shipowner or operator can be sued for negligence under the Federal Employer Act of 1920—commonly known as the Jones Act—which sets no limit on compensation for workers' deaths.

Continued on page 70

Self-insurance

26% of property/casualty market self-funded: Study

By LEN STRAZEWSKI

HARTFORD, Conn.—Corporate self-funding of property/casualty risks, including the use of captives, continues to grow and represents at least 26% of the real U.S. commercial insurance marketplace, according to Conning & Co., a financial analysis and consulting company.

And, despite the property/casualty price competition that generally has lowered rates throughout the industry, the real commercial insurance marketplace has grown substantially in the past four years to a total of about $69 billion, researchers say.

The real commercial insurance marketplace, as defined by Conning, includes all commercial premiums collected by admitted and surplus lines insurers, premiums paid to captive insurance companies and dollars committed to self-insured risks.

Conning recently completed an update of its landmark 1980 study of the market shares of commercial insurance and self-insurance.

While the analysis is not yet complete or available to Conning subscribers, tentative findings indicate that the steady expansion of self-funding predicted in 1980 continued on target through 1983, General Partner Robert Brian notes.

In 1980, based upon a survey of 800 U.S. risk managers and insurance industry statistics, Conning estimated that the real insurance market totaled more than $58 billion.

Of that total, admitted commercial insurers garnered approximately 74% of the total market, excess/surplus lines insurers underwrote about 4%, self-insurance comprised 15% and captive insurance companies underwrote 7%.

The study noted that the real commercial insurance market had been growing at a rate of about 16% a year, due to the dramatic expansion of captives and self-insurance. Commercial insurers had estimated their market was growing at a rate of 13%.

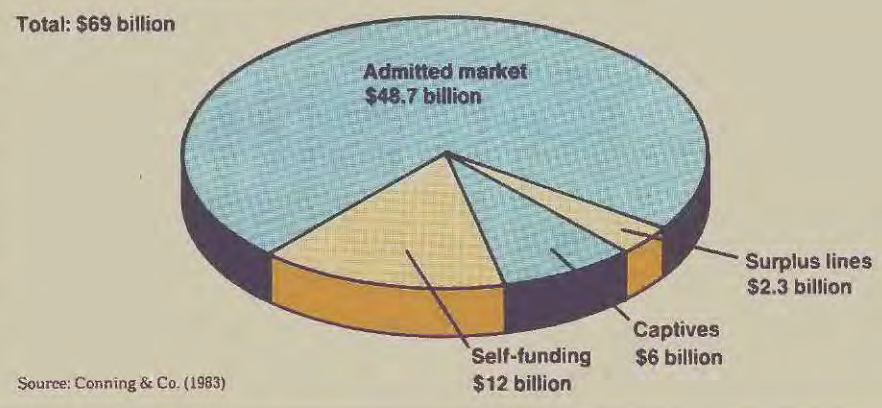
Conning also estimated that by the end of 1984, the growth of the real insurance market would slow somewhat due to price competition, but the relative market share of captives and self-insurance would increase.

Specifically, Conning predicted that admitted commercial insurers would garner about 66% of the total marketplace by the end of this year, excess/surplus insurers about 6%, self-insurers about 18% and captives about 10%.

The new figures indicate that in most cases the predictions seem to be accurate. Although the total insurance marketplace has increased a total of only 19% over the last four years, to $69 billion in 1983 from $58 billion in 1979. the relative market shares of self-insurance and captive insurance companies continued to increase at the expense of admitted commercial insurers and excess/surplus insurers.

Continued on page 16

Funding commercial risks



Source: Conning & Co. (1983)

Administrators see more growth ahead

By CAROL CAIN

The largest claims administrators that cater to self-insurers expect to increase their volume of business by an average of more than 20% in the next year.

The combination of more sophisticated data processing/computer systems and experienced staff will be the key to the anticipated growth, they say.

Most expect the continued growth in the number of employers self-funding health and workers compensation claims to naturally increase their business. However, some workers compensation administrators also are generating new business by expanding into health benefit claims (see story, page 10).

The largest administrators of employee health care claims for self-insurers handle millions of claims annually, according to information supplied to *Business Insurance* by the administrators. In comparison, the largest administrators of workers compensation claims usually handle an average of fewer than 500,000 claims annually (see chart).

From the more than 100 claims firms listed in this year's annual directories (beginning on page 28), *Business Insurance* has identified the administrators that handle the largest number of claims for self-insurers—five specializing in workers compensation and five specializing in health plans. Although all offer similar services, each emphasizes different strengths.

On the employee health benefits side, U.S. Administrators Inc. in Los Angeles is the largest and its president, Samuel X. Kaplan, is a recognized voice in the claims administration industry.

"Our clients look to us to manage the health care system. . . .If you don't manage it, you can't control it," Mr. Kaplan said.

He believes that U.S. Administrators is the only firm, be it an insurer or an independent claims administrator, that has put together the system and the professional staff to track the practice pattern of providers. "One of the problems of the cost of health care is that it's a fee-driven system. That's erroneous; it's a utilization system," Mr. Kaplan said.

Continued on next page

Largest claims administrators serving self-insurers

Specializing in workers compensation

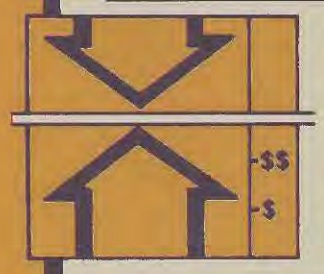
Company (parent)	Claims administered for self-insurers	Work comp business	Employees	Locations
Gallagher Bassett Insurance Service (Arthur J. Gallagher & Co.)	450,000	45%	460	64
Scott Wetzel Services Inc. (The Home Group Inc.)	165,000	70%	450	27
Alexsis Inc. (Alexander & Alexander Inc.)	144,000	65%	475	26
Adjustco (Frank B. Hall & Co. Inc.)	122,188	60%	963	80
R.L. Kautz & Co. (Emett & Chandler Cos. Inc.)	110,400	63%	221	11

Specializing in health plans

Company (parent)	Claims administered for self-insurers	Health plan business	Employees	Locations
U.S. Administrators Inc.	12.6 million	99%	492	5
James Benefits/ Fred S. James & Co. Inc. (Transamerica Corp.)	2.9 million	72%	800	50
Employee Benefit Claims Inc.	2 million	90%	300	21
Executive & Employee Benefit Plans Inc.	600,000	100%	150	6
Glen Slaughter & Associates	500,000	100%	250	6

Source: *BI* survey

Claims sting stop-loss insurers



Health care inflation is causing more claims to pierce self-insured employers' retentions, hurting stop-loss underwriters who say they are unable to quickly pass along the extra costs to self-insurers. See story, page 18.

Banks' battle to sell, underwrite insurance shifts to Washington

A recent Federal Reserve Board decision leaves it up to Congress—rather than individual states—to decide whether banks should be allowed to act as insurers and agents, though few expect fast action in an election year. Meanwhile, bank holding companies are still pushing for deregulation laws in state legislatures. See stories, pages 22 and 24.

What would happen if banks were allowed to enter the insurance business? Would bankers tie loan approvals to insurance sales, as many fear? An insurance company executive explains the issues and risk management and brokerage representatives give their points of view in the Perspective section, starting on page 41.

Top administrators

Continued from previous page

Those who don't track utilization can never get ahead of the game, he explained.

At U.S. Administrators and other leading health claims administrators, cost-containment measures, like hospital bill audits, are the backbone of the service.

"We find that of all the hospital bills that we have received, there are errors on 100% of them. So we do a review on all of them," Mr. Kaplan said, noting that in its Los Angeles office alone, there are nine registered nurses on the professional review staff.

To process the estimated 12.6 million claims generated in 1983 by its 92 self-insured clients, U.S. Administrators employed 492 people, of which 379 are administrators.

Three major insurers "have made a pass" at U.S. Administrators recently in an effort to acquire it, but Mr. Kaplan wants to remain independent.

"And we are projecting for the next five years an annual compounded growth rate of 60%," he said of his 22-year-old company, which has four offices in the United States and one in Canada.

Some 99% of U.S. Administrators' business is in the health benefits area, with 0.5% in workers compensation and 0.5% in prepaid legal and pension services.

Also projecting more growth is James Benefits, a subsidiary of Fred S. James & Co. Inc. in New York. James ranks second in BI's list of leading benefit claims administrators.

James has been growing at about a 20% annual rate for the past 10 years, said E. Drew Crowley, senior vp in research and development, and he predicts similar growth this year. Part of the growth is due to mergers, especially the purchase of Galbraith & Green Inc. in 1980.

In fact, James often is still referred to as Galbraith & Green, whose base of operation was in Salt Lake City, and the data base hardware for James Benefits is located there still, Mr. Crowley said.

James believes it's a leader in the market because it processes both workers compensation and benefit claims in the same data base.

"What we're finding is that there are too many occasions when on-the-job injuries are also (filed) for health care benefits," he said.

To stay on top of this situation, James Benefits compares claims every night, looking for duplications by date, provider, diagnosis, procedure or just by the way the claim comes in. For example, if the administrator receives a photocopy of the bill instead of the original, that's a clue it might be a duplication, Mr. Crowley said.

"We believe we're saving a small percentage this way. . .but that's where our business is today," he said, noting that the company processes 12,000 claims daily.

"We also have the ability to place in-house terminals with our clients to allow them to pay on our system with direct wire," he said.

James reported administering 2.9 million claims for 1,190 self-insurers in 1983. It caters to a self-insurer's special needs by using the self-insurer's logo on worksheets, checks and other material, "so the employees think it's their own program, not a third-party adminstrator," Mr. Crowley said.

Some 72% of James Benefits' business is generated from health claims, but about 15% of its business involves work comp claims. Other areas include property damage, 3%; bonds, 3%; professional liability, 2%; and general liability, automobile, ocean marine, inland marine and pension, 1% each.

The firm employs 800 people in 50 locations.

Employee Benefit Claims Inc. in Minneapolis also does a portion of its business in workers compensation—10%—but the remaining 90% involves administering health claims.

The 10-year-old company ranks third among health plan claim administrators, according to *BI's* survey, handling more than 2 million claims in 1983 for its 1,500 self-insured clients.

"We attempt to provide the best possible claims service on a personalized basis," said Executive Vp Christopher J. Dunlap.

The firm's examiners are "well-versed" in their jobs and talk directly with the clients. "We believe in good communication between the client and the administrator," Mr. Dunlap said.

Employee Benefit Claims, which employs more than 300 people, serves its clients from 21 locations nationwide and says it keeps its clients once it signs them on.

"We produce one heck of a good service," Mr. Dunlap said, noting that the client attrition rate is less than 1% annually.

For 1984, he predicts the firm will increase revenues by 50%.

The two administrators holding the fourth and fifth spots each handle health claims exclusively.

Executive & Employee Benefit Plans Inc. in Columbus, Ohio, ranks fourth, administering 600,000 claims in 1983 for its exclusively self-insured clients.

The company was started in 1959 and considers itself the oldest firm that specializes in administering health care claims for self-insurers, said C. Jeffrey Wintersteller, executive vp.

"We invented it," he said.

The company has grown steadily since its beginning, and President Richard Perkins sees growth of 20% to 25% this year, even though the company now finds that its competition has tripled.

"There are a zillion administrators all over," Mr. Wintersteller said, adding that they all won't survive.

"You will have a lot of attrition and buy-ups. That's an avenue for us," he said, explaining that his company has grown without an acquisition up to now.

The company also designs claims software, sells it to clients, trains them how to use it and then ties it in with the main data system at Executive & Employee Benefit Plans.

But one of its major success factors is the personnel, Mr. Wintersteller said.

"Everybody has an employee benefit background. We have CLUs and CEBSs," he noted.

The firm employs 150 people and has six offices, most of which are based in Ohio.

Holding the fifth position is Glen Slaughter & Associates, a 19-year-old firm based in Oakland, Calif.

In 1983, Slaughter & Associates administered 500,000 claims for its 40 self-insured clients. It employs 250 persons and has six offices based in Western states.

"We don't actively solicit clients; it's just based on our reputation," said President Gerry Thibault. He noted that employees are conscious of saving money for the client and use standard cost-containment measures as part of the company's built-in services.

"We're not particularly different from other (administrators). We have a very modern, updated, on-line system, but I don't think clients would come to us just for that. It's our service," Mr. Thibault said.

Service also is stressed by the five largest administrators that specialize in processing workers compensation claims for self-insurers.

On top of the list is Gallagher Bassett Insurance Service in Rolling Meadows, Ill., a subsidiary of broker Arthur J. Gallagher & Co.

Gallagher Bassett administered more than 450,000 claims in 1983,

Continued on page 6

Armco Insurance Management, Ltd.

A superior blend of captive management and alternative risk financing services.

The right combination of...
- Experience in forming and managing captives
- Strength in the insurance industry
- Knowledgeable personnel
- And timely and efficient services

A profitable mix of...
- Captive and external risk fund facilities
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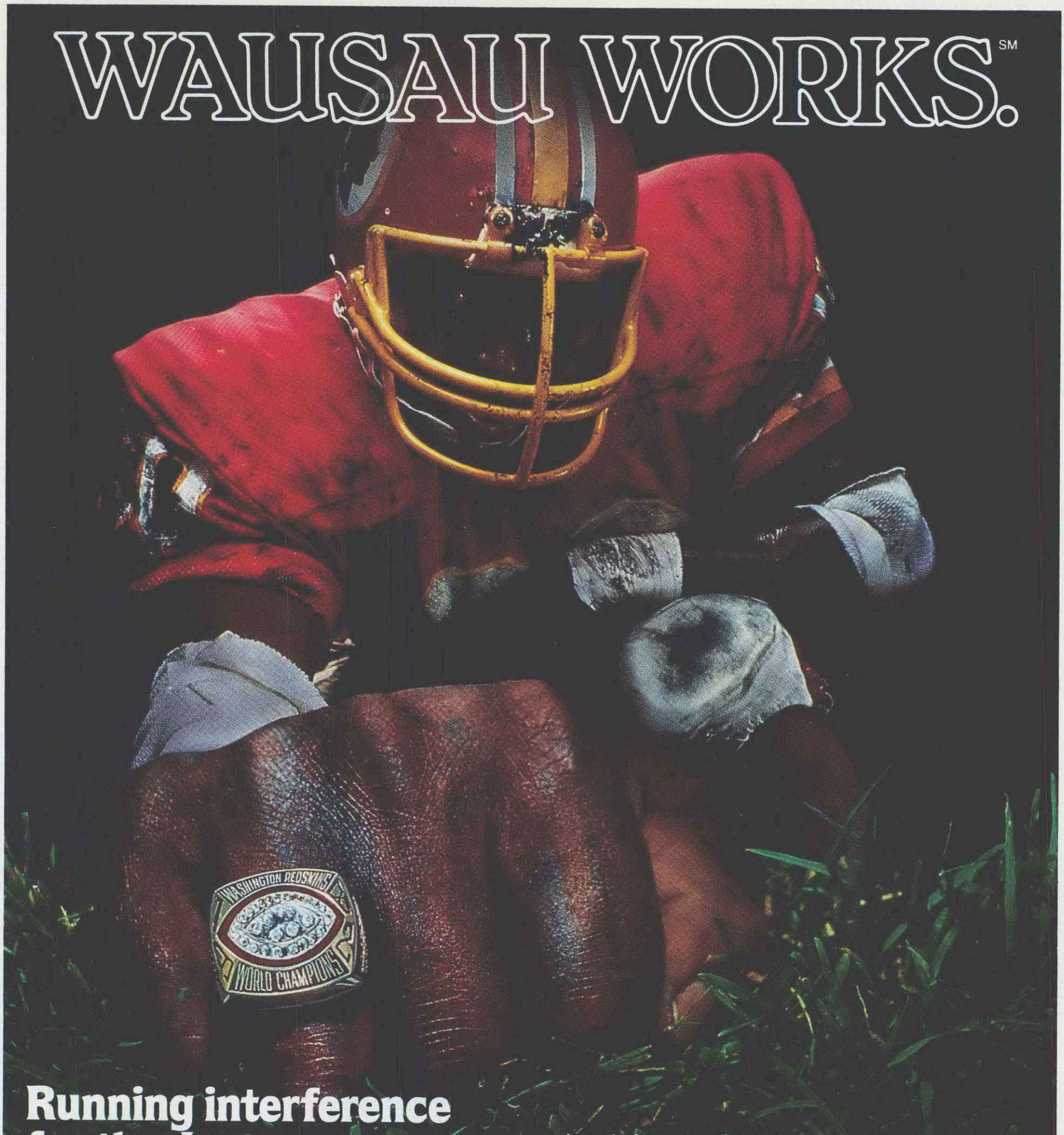


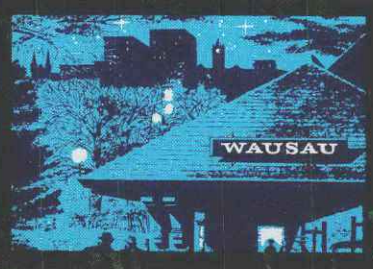
Running interference for the Jostens team.

Jostens, a leading manufacturer of recognition products, including official Super Bowl rings and 1984 Olympic medals, has grown consistently for 26 consecutive years, and now has facilities all across the U.S. and Canada. With over 6,000 employees. Yet it succeeds in administering all of its insurance and risk management programs with only two people, headed by Risk Manager Gerald Ciardelli.

Mr. Ciardelli provides some background. "We appointed Wausau back when it became apparent that we needed loss-prevention help in such areas as industrial hygiene and audiometric testing. And we knew Wausau had full-service offices near each of our manufacturing locations.

"Since then, I've been very pleased with the service Wausau has brought to us. When problems arise, they can be handled locally. And quickly. Anyone who has our emphasis on full service at the plant level would *have* to be pleased."

And *we're* pleased to be helping with Jostens' gains.



WAUSAU INSURANCE COMPANIES

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opinions

Don't covet a barren pasture

WE DETECT SOME turf protecting from risk managers responding to our recent survey on the prospect of banks and bank holding companies getting into the insurance business (see story, page 1).

While two-thirds of the risk managers responding to our survey say they think bank holding companies should be permitted to own insurance companies and insurance agencies or brokerages, far fewer seem at all excited about the new products and prospects for new product distribution that could follow.

Less than half the board expressed interest in a risk-financing product from a bank that combines conventional bank credit with conventional catastrophe insurance. We'd expect any risk manager to at least be interested in a new risk-financing product.

Almost two-thirds of the respondents also voted for maintaining the status quo in purchasing financial products and services: buying insurance from an insurance company, insurance broking from an insurance broker and banking services from a bank. And less than a quarter of the respondents said they would want to integrate the purchase of insurance products and services with the other financial services purchased by their companies. We note that some respondents presented persuasive arguments, pointing out the benefits of purchasing services on an unbundled basis, but we were surprised how strongly the board members favored maintaining the insurance marketplace as is.

Even more revealing is that only about one-third of the respondents see a prospect for the risk manager's position to be elevated should companies take advantage of one-stop shopping if and when it becomes available from newly diversified bank holding companies.

Changes in the insurance marketplace brought about by the entry of banks and bank holding companies into the business are certainly years away and it's difficult to predict what the changes will be. We do predict that imaginative, aggressive and creative risk managers will be able to capitalize on these changes to the advantage of their employers and their careers. Risk managers content with the status quo, however, could find they are the ones whose roles are diminished in a changed marketplace.

letters

Some 'new' ideas have popped up before

To the editor: The article appearing in the Jan. 16 issue, "Firms basing health deductibles on pay," is more a case of reinventing the wheel than presenting a new concept.

Merely stating that "the idea of indexing deductibles and limits on medical expenses by salary is fairly new. . . ." does not make it so. Actually, the idea has been around for some time. Granted, methods of application may vary; however, the principle is old enough for whiskers.

More than 20 years ago The Bankers Life Insurance Co. of Des Moines, Iowa, a pioneer in group medical and hospital coverage, offered to its employer/policyholders a plan that provided basic coverage at scheduled amounts with a major medical cap.

In between the exhaustion of basic benefits and the application of major medical, a corridor of expense was borne by the covered employee. This corridor was established as a percentage of monthly salary, thus eliminating the inequities that can occur by using fixed-dollar subscriber payment based on broad salary ranges.

The manifest virtues of the plan were the ease of administration and the equity of treatment. All employees were the same in the eyes of the policy for the ordinary and customary medical needs that most persons or families require.

In the event of substantial or catastrophic expense, those employees best able to pay shouldered a great load before the stop-loss feature of the major medical took effect. At that point, protection against the financial disaster that can occur at any income level due to the prohibitive cost of medical care again applied equally to all.

What could be more equalitarian than that?

I should further comment that it was this same company that conceived the idea of the variable annuity, with a working model, long before fellow actuaries could even visualize how such a creature would possibly work.

F. William Button
House Counsel
Darin & Armstrong
Southfield, Mich.

When will the words stop and action begin?

To the editor: Every year about this time we read in various insurance periodicals that rates should harden on both direct and reinsurance business for almost all types of business.

Surely the time has come for words to be put into action! With the industry facing such a major problem as asbestosis, should we not be putting the house in order? If major insurance companies do not start to uphold the basic principles of underwriting profit, then perhaps the end of the insurance marketplace as we know it could be in sight. Other financial institutions would no doubt be only too pleased to come in and fill the vacuum.

Stacy Shapiro in her article "Insurance Market Hardening in London" (*BI*, Jan. 9) quoted a Lloyd's underwriter as saying, "The days when the broker just plunked down a slip in front of an underwriter and said 'Sign' are no longer here." Any self-respecting insurance company or Lloyd's syndicate should fire an underwriter who underwrote under these circumstances.

Strong action and guidance is required from senior management. When will the words stop and the action begin?

S.W. Adamson
Assistant Manager
Trinity Square Services Ltd.
London

A special service mark

To the editor: In "Good Communications is Key to Successful FSA Program" (*BI*, Jan. 9), the word "Benefacts" is used to describe employee benefit fact sheets distributed by Armco Inc. to its employees.

Benefacts is the registered service mark of Benefacts Inc. and is to be used only with proper identification of that registration. This is to protect our name and identify our product. The "sheets" referred to in the article were not produced by Benefacts Inc.

David A. McGovern Jr.
Senior Vp and
Director of Marketing
Benefacts Inc.
Baltimore

Basing care on the ability to pay

To the editor: I read your editorial in the Jan. 16 issue regarding salary-indexed deductibles for health care. I wish to take issue with your statement that this seems to imply that those who make more will have greater health care expenses. That seems to me to be a totally misleading statement. What it does say is that those with higher pay should be able to pay more of their medical care, no matter how much or how little they use.

It really has nothing to do with consumption, but rather with ability to pay. Your examples are all aimed at proving your point of view and reflect a biased approach to the subject. When you speak of a fair system, I know of none that is fair to everyone, so it appears to me that you must look for the most equitable system of all, even though it will never be fair to everyone.

D.A. Reutzel
Treasurer
URM Stores Inc.
Spokane, Wash.

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claims, but 15% of its business is health claims; 15% miscellaneous; 3% general liability; 2% professional liability; 1% automobile; and 1% property damage. ■

March 15, 1850 Insurance Report

Insurance company to use premium deposit system.

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There was a day when premium deposit made a lot of sense. After all, in 1850, building capacity for our customers was a real priority.

But times change. Companies need simpler, more economical, more efficient ways of dealing with their premium payments.

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'Big Three' distinct from remainder of claims market

There are three anomalies in the claims administration market—often referred to as "The Big Three."

GAB Business Services Inc., Crawford & Co. and Underwriters Adjusting Co. are the largest property/casualty claims administrators based on their gross revenues, generated mostly from claims adjusting for insurance companies.

But many of the independent administrators—or those that specialize in administering claims for self-insurers rather than adjusting claims for insurers—discount the three as competition.

Because the three don't specialize in serving self-insurers of workers compensation risks, they were excluded from the *Business Insurance* ranking of the largest administrators of self-insurers' work comp risks on page 3. But their position in the market can't be ignored.

GAB Business Services Inc. in New York, a subsidiary of UAL Inc., is the largest claims adjuster/administrator in terms of gross revenues, reporting $165 million in 1983. This year it is handling the claims for Transamerica Corp. for the Summer Olympics in Los Angeles.

The Big Three

Company (parent)	1983 gross revenues	Claims administered for self-insurers[2]
GAB Business Services Inc.	$165 million	165,000
Crawford & Co.	$164 million[1]	154,000[3]
Underwriters Adjusting Co. (Continental Corp.)	$143 million	200,000

[1] *BI* estimate
[2] Includes workers comp and other property/casualty claims
[3] First nine months of 1982

Source: *BI* survey

But Crawford & Co. in Atlanta, which reported gross revenues of $125 million for the first nine months of 1983, is a close second. It is estimated its gross revenues for all of 1983 will total $164 million.

"Between the two of us, it's like Visa and MasterCard. It's hard to see the distinct difference," said Paul Dougherty, senior vp of GAB.

In third place is Underwriters Adjusting Co., based in Piscataway, N.J. The Continental Corp. subsidiary reported gross revenues of $143 million in 1983.

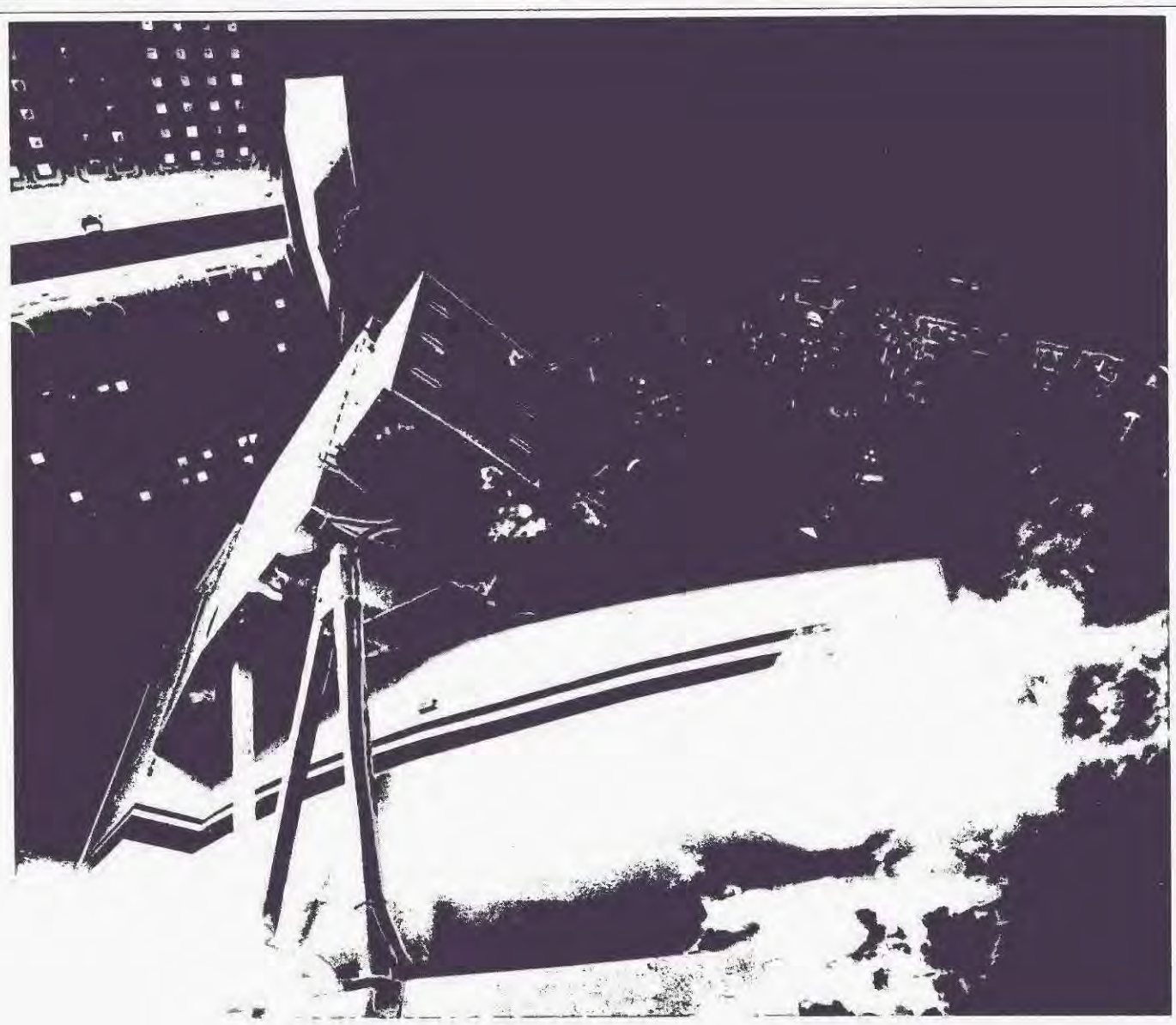
All three companies have a nationwide presence, but less than 30% of their business involves administering work comp claims, and even less involves self-insurers.

Crawford reported in 1982 (the latest available figures) that 30% of its business involved work comp claims. It administered 154,000 claims for self-insurers in the same period, but could not identify how many of those were workers comp claims.

UAC said 23% of its workload in 1983 involved workers compensation claims. It administered 200,000 claims for self-insurers in 1983, of which between 50,000 and 75,000 were workers compensation claims.

And GAB reported that about 15% of its business involves workers compensation claims. It administered about 75,000 work comp claims for self-insurers last year.

Only GAB reports involvement—3% of its business—in the health claims area.



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Buyers want sophisticated claims service

By CAROL CAIN

Risk and benefit managers are taking a leading role in molding the claims administration market, and the key players in the market are shaping up, management consultants say.

The key players include both insurers, which administer claims for policyholders and as an unbundled service, and claims administrators, both independent and those associated with insurers or brokerages.

The administrators have about 10% of the workers compensation and health benefits claims business, while the 10 largest insurers and Blue Cross & Blue Shield Assn. share almost equally the other 90%, says Samuel X. Kaplan, president of U.S. Administrators Inc. in Los Angeles, the largest independent health plan administrator in the country (see chart, page 3).

But, the administrators are carving out a larger niche in the overall market because more and more risk and benefit managers that insure their risks in the commercial market want to buy the services they need on an unbundled basis or are turning to self-insurance, several administrators say.

"Instead of the old system, where you bought an insurance policy and they agreed to investigate claims, pay claims, keep records—today, corporations are saying: 'If we are self-insured, we want to pick (who provides certain services).' Or in other cases, where there are high deductibles: 'We want to control our claims,'" said Felix Kloman, president of Risk Planning Group, a consulting firm in Darien, Conn.

"The key is the risk manager. . .who is far more sophisticated than in the past. As a result, there is a far broader range of services—a menu from which a risk manager can pick," Mr. Kloman explained.

"For those in the (administration) business, it provides an opportunity to create new services, to fill niches," he said.

What the corporate risk manager is beginning to look for is not only better cost but substantially higher quality, Mr. Kloman said.

"Risk managers are setting up standards of accountability for claims managers and other outside organizations," he said.

"The trend to unbundle really continues at a fever pitch. . .(but) risk managers still want good claims services," said Thomas V. Hallett, president and chief executive officer of Adjustco in Tarrytown, N.Y., the 3-year-old adminis-

Continued on page 12

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Extortionists and kidnappers are basically mentally unstable. An inexperienced response to such mentalities can lead to complications that create a life-threatening situation.

FACTS

According to the FBI statistics, in 1981 there were over 200 domestic kidnappings. This record may be incomplete because all kidnapping acts are not a violation of Federal law. There were in excess of 4,700 extortion attempts in the U.S. and over 235 violations of the Hobbs Act.

SERVICE IS PRIMARY

When that critical phone call comes, it must be handled by *experts* who have experience in dealing with extortionists and kidnappers. Most underwriters of K/R policies do not have the resources to supply you with this specialized domestic assistance. This renders their "broad coverage policy" inadequate when you need this specialized *service*.

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Buyers want more

Continued from page 10
tration subsidiary of broker Frank B. Hall & Co. Inc.

This take-charge attitude by risk and benefit managers fits in with the entrepeneurial characteristics of most administrators, whose hallmark is tailoring their services for the client.

"Insurers have one system for all, but administrators can tailor their services. . .(for instance) they do a better job by having medical professionals on staff for claim utilization review," said Hadley Ford, senior vp with Booz-Allen & Hamilton Inc., management consultants in New York.

"And insurance companies are not in the position to turn down the screws on doctors and hospitals; administrators can," he said.

Administrators also are seeing more and more employers with micro- and minicomputers that want to process their owns claims, but also want to feed into the administrator's larger data base to compare costs, said E. Drew Crowley, senior vp in research and development with James Benefits a subsidiary of broker Fred S. James & Co. Inc. in New York.

"Your (corporate) do-it-yourselfer will be a trend in the next five years. . .and we're going to go after that market," Mr. Crowley said.

Executive & Employee Benefit Plans Inc. in Columbus, Ohio, also is monitoring this trend. "We have new marketing strategies thrusting right now," said C. Jeffrey Wintersteller, executive vp.

Executive & Employee Benefit Plans develops software, implements it at the employer's locations, trains the employer's personnel and then links the data with the main data base, he said.

But some employers want their administrator to handle all the computer work. That's where companies like James Benefits come in.

"Some administrators specialize in workers comp or benefits because of the separate data bases, but James has both on the same system. We can look for duplications when injured workers turn in claims for both," Mr. Crowley said.

Smaller administrators might not have the computer capabilities to conduct such a check and it may cost them dearly down the road, warns one administrator.

It's going to be those administrators with the right people and equipment that will be able to move into the 1990s, predicts Charles B. Jackson, president and chief executive officer of American Benefit Plan Administrators Inc. in Los Angeles, a subsidiary of AVCO Financial Services Inc.

"There are so many small administators out there. . .some of our employees broke off and started their own company. But I think smaller firms will be bought out because of a lack of a data base," James' Mr. Crowley said.

"These smaller administrators don't have access to the data. . .it's too expensive, they don't have money for bigger computers," Mr. Crowley said, predicting that this probably will result in several mergers in the next five years.

Booz-Allen's Mr. Ford agreed. "I wouldn't be surprised if in the next five years we were to see a consolidation. . .no one yet has the national presence to attract capital, but they will. And as they do, they will capture a larger share of the market from insurers," he said.

"The challenge is to grow and develop or not survive. In the short term, the small ones will find a niche, but in the long term, they won't meet the needs of the marketplace," said Robert E. Kelly Jr., president of Kelly & Associates in Chicago, the largest independent administrator of employee benefit plans in the Midwest.

One of those niches currently being created is administering claims for associations or self-insurance pools.

"We think one of the coming things is associations and any kind of pooling groups," said Paul Dougherty, senior vp with GAB Businss Services Inc. in New York.

Associations and pools have certain needs that will take specially designed programs to meet, Mr. Dougherty said. GAB already is serving that type of client with special programs.

"The whole field of alternative funding mechanisms is going through a metamorphosis," said John A. Malasky, national director of Alexsis Inc. in Livonia, Mich. The claims administration subsidiary of broker Alexander & Alexander Inc. does about 65% of its business in the workers compensation area.

His company is looking at serving pools and associations, but also plans to expand more into the health benefit area, as do other administrators that now concentrate on workers compensation claims.

"We're in the final throes of installing an adjudicating system into our computer banks (for health benefits). We will move into that area deeper, but cautiously. . .It requires a different criteria from property/casualty," Mr. Malasky said.

NATLSCO in Long Grove, Ill., a well-known property/casualty administrator and a subsidiary of Kemper Group, also is checking out the health benefit market.

"It appears that there is more emphasis on service companies that give full service. We're not an administrator of (health) benefits, but all of a sudden, through our medical facilities and rehabilitation people, we're finding ourselves called on as claims consultants," said Fred G. Minchk, a NATLSCO vp.

"Also for a lot of self-insurers that don't keep up with state-of-the-art. . .we are called in as consultants, over and above their administrators," he said, noting that NATLSCO is looking at pursuing this leap to benefits, but only as consultants.

Most benefit claims administrators already serve in that consulting capacity.

"We tell our clients, 'We're going to participate in your decisions for health care. We're not going to let you just go out and buy health care,'" Mr. Kelly said.

"I think you find almost all clients today want to save money on health care, but they need data (for utilization review). I think administrators that gear up for that challenge will be the ones to survive," he added. ■

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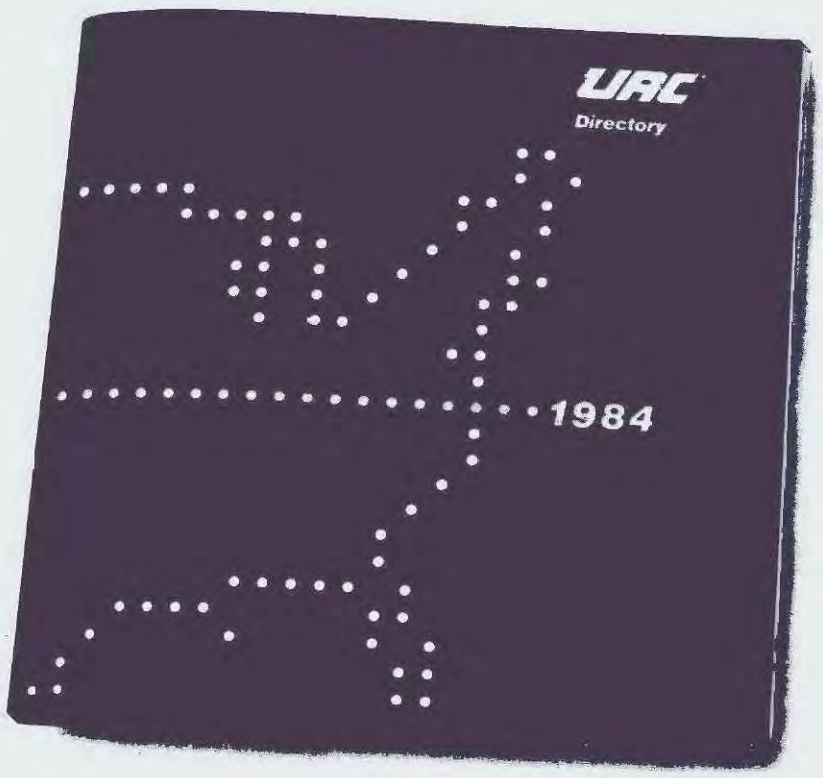

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BI 84

Decide what you want from an administrator

By CAROL CAIN

"You're the boss."

That's what risk and benefit managers should keep in mind when selecting a firm to handle health or property/casualty claims, say leading claims administrators.

"Risk managers have to realize that (they) do have many choices. They should not compromise, they should be demanding in how they buy their services, the kinds they buy and the providers," said Thomas V. Hallett, president and chief executive officer of Adjusteo, the Tarrytown, N.Y., subsidiary of broker Frank B. Hall & Co. Inc.

"See what's out there; compare, differentiate," he added.

> An employer has to have confidence in the administrator. After all, the administrator is really an extension of the employer, says Casey Gaik, president of IBA—Insurance Benefit Administrators.

Many corporations make the mistake of not believing they are big enough to buy separately the services they use, like claims adjusting, data processing, rehabilitation management and loss control, Mr. Hallett said. But an adjusted claim is an adjusted claim, he noted.

He advised risk managers to look at three things when sizing up a potential claims administrator:

- Check whether it has a good nationwide network.
- Check its data processing system to see if it will provide pools of information in a format that can be interpreted by a risk manager to determine exact costs.
- Check its sense of urgency to clients.

Self-insurers that are looking for a workers compensation claims administrator should look for one that is willing to listen to the employer's claims philosophy, said Fred Minekk, vp of NATLSCO, a subsidiary of Kemper Group in Long Grove, Ill.

E. Drew Crowley, senior vp of research and development for James Benefits, a unit of Fred S. James & Co Inc. in New York, agrees. "Can they individualize the philosophy of the employer and the attitude it wants in the processing of claims?"

The typical insurance company approach is to deny every claim, Mr. Crowley said. "But in self-insurance, employers want to pay the claims."

"Does the administrator represent you or the insurance industry? That's hard to find out for the average employer, but at least he should ask that question," said Robert E. Kelly Jr., president of Kelly & Associates in Chicago, a leading Midwest benefits claims administrator.

"Find out what their philosophy is," said Charles B. Jackson, president and chief executive officer of American Benefit Plan Administrators Inc. in Los Angeles.

In addition to an administrator's philosophy, employers should pay close attention to the data processing system and services of the administrator, several noted.

An employer "better make very sure that the administrator or carrier has systems that will track the utilization of patient and provider. Without that, you never get the data to manage a benefits program. That's the key thing," said Samuel X. Kaplan, president of U.S. Administrators Inc. in Los Angeles.

But don't get carried away with the computer aspect, advised Adrian Tocklin, vp for Underwriters Adjusting Co. in Piscataway, N.J.

"We find that more and more risk managers want far more computer enhancement than needed. That shouldn't be the determining factor in choosing an administrator," Ms. Tocklin said.

"And don't just go for whoever's the cheapest," she said. "Look at the size, if they're nationwide. What kind of expertise do they have at the adjusting level? What's the track record? Check their current customers. How accurate are the reserves?" she suggested.

Complete control of an employer's account is another aspect to consider, said John G. Campbell, president of Gallagher Bassett Insurance Service in Rolling Meadows, Ill., a subsidiary of broker Arthur J. Gallagher & Co.

"The principal thing is to contract with an administrator for a full loop of services. . .control of the dollar and product. Each time a service is provided by someone else, you lose control," Mr. Campbell said.

"There's zillions of people out there that adjust claims. You've got to find one that's got to be right for you. . .for the long run," said Paul Dougherty, senior vp of GAB Business Services Inc. in New York.

Stability of management and accuracy in reserving are other things to keep in mind, Mr. Dougherty said.

Before setting out to hunt for an administrator, an employer should analyze what are the purposes of having an administrator, said Bob Albright, senior vp of market development for Crawford & Co. in Atlanta.

"What are you looking for. . .quick service, analysis of claims, to reduce your costs, to have an information system to trust? Decide that, then rate your needs and look at and analyze how much care and service you need. And look at the administrator's record," Mr. Albright advised.

"Don't be afraid to ask for references, and contact the insurance companies an administrator represents," said Casey Gaik, president of IBA—Insurance Benefit Administrators in Western Springs, Ill.

"Take a trip out to the administrator's office *before* you buy. Look for the level of automation and staff, and at the general appearance of the claims department," Mr. Gaik said.

If there are files stacked up on the floor and papers laying all over, consider how that administrator will handle your company's claims, Mr. Gaik advised.

"An employer has to have confidence in the administrator," Mr. Gaik said. "After all, the administrator is really an extension of the employer." ■

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Self-insurance growth predicted

Continued from page 3

At the end of 1983, Conning estimates that the market share of admitted commercial insurers had shrunk to about 71% of the total marketplace and that the share of excess/surplus lines insurers had fallen to about 3% of the total. Self-insurance has grown to about 17% of the total, while captives increased to about 9% of the total.

Conning's Mr. Brian now estimates that within the next five years, through 1988, captives and self-insurance will continue to grow similarly until the admitted commercial insurers comprise only about 66% of the total marketplace.

Self-funded plans, he predicts, probably will peak at about 25% of the real commercial insurance marketplace while captive insurers will show "modest gains" that will probably not give them more than 10% of the total market.

Excess/surplus insurer market share fell somewhat faster than estimated since 1979, but Mr. Brian believes that the downward trend has ended and that excess/surplus insurers will probably maintain 3% to 4% of the market for the foreseeable future.

The total marketplace, he adds, also will grow at a faster pace during the next five years as the commercial underwriting cycle turns, increasing rates and the resulting premium. This change, however, will also stimulate the increased growth of self-insurance and captives.

"We think that risk managers will not passively accept price increases that they will begin seeing later this year," he explains. "They will continue to turn to various types of self-insurance and captive insurance companies."

Other consultants agree with the overall picture presented by Conning, but say the actual market shares and rate of growth may be more difficult to peg than Conning realizes and could vary by line of coverage.

The Conning results could actually be somewhat misleading due to double accounting, notes one consultant.

Bernard M. Brown, vp of Risk Planning Group Inc. in Darien, Conn., says that while the total amount of self-funding may be growing, the rate of growth has decreased considerably due to the availability of coverage from commercial insurers at cheap rates.

Few corporate buyers currently self-insure a major portion of their property risks, he says, and many companies that could self-insure workers compensation risks are now turning to the readily available insured cash-flow programs, such as paid-loss retrospectively rated plans.

Captive insurers have also been seriously affected, he believes.

The total number of active captive insurers has increased only between 1% and 3% in the last year, and Conning may have miscounted some of its captive insurance company volume, he notes.

Although Conning says its captive figures are based on premium volume from U.S. parent corporations, the premium volume reported by captive insurers owned by U.S. parents may not accurately describe the size of the captive market because of the amount of reinsurance shared by offshore captives, Mr. Brown explains.

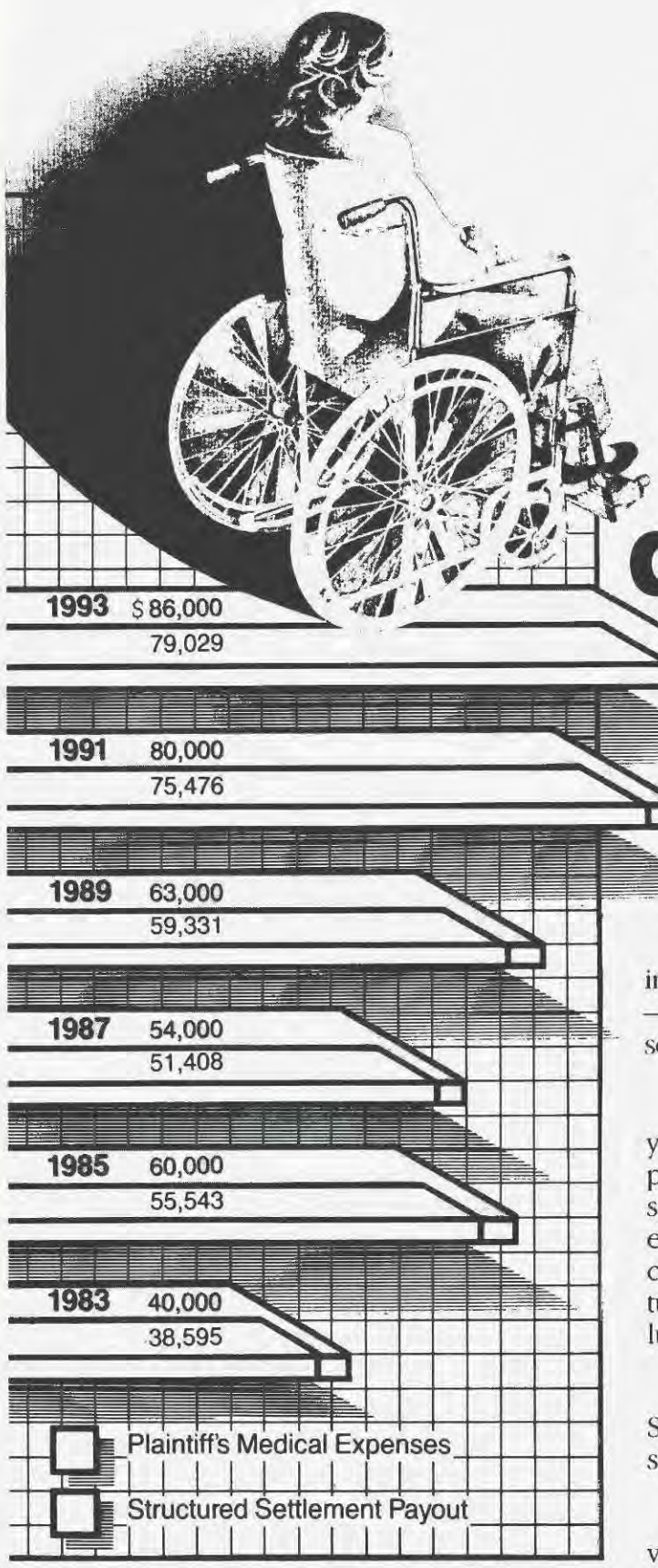
A captive, for example, may pay a portion of its premium to another U.S. onshore or offshore captive, perhaps even another subsidiary of the parent company, for reinsurance. This reinsurance premium is then likely to be counted as part of the volume for the other captive insurer, thus inflating the total amount of money in the captive system.

James V. Davis, chairman of the research and development division of Corroon & Black Corp., says that he believes self-funding is growing and will continue to increase, spurred primarily by the increasing expertise of risk managers.

"Risk management expertise is becoming more and more available to smaller and smaller companies," he explains.

"Smaller firms are beginning to hire risk managers and executives of smaller firms without risk managers are beginning to develop their own risk management skills. This leads them to more self-funding techniques and greater use of cash-flow devices."

Mr. Davis also believes that the insurers' battle to hold medium-sized and smaller companies that could turn to self-insurances will continue to exercise a downward pressure on commercial insurance rates. ■



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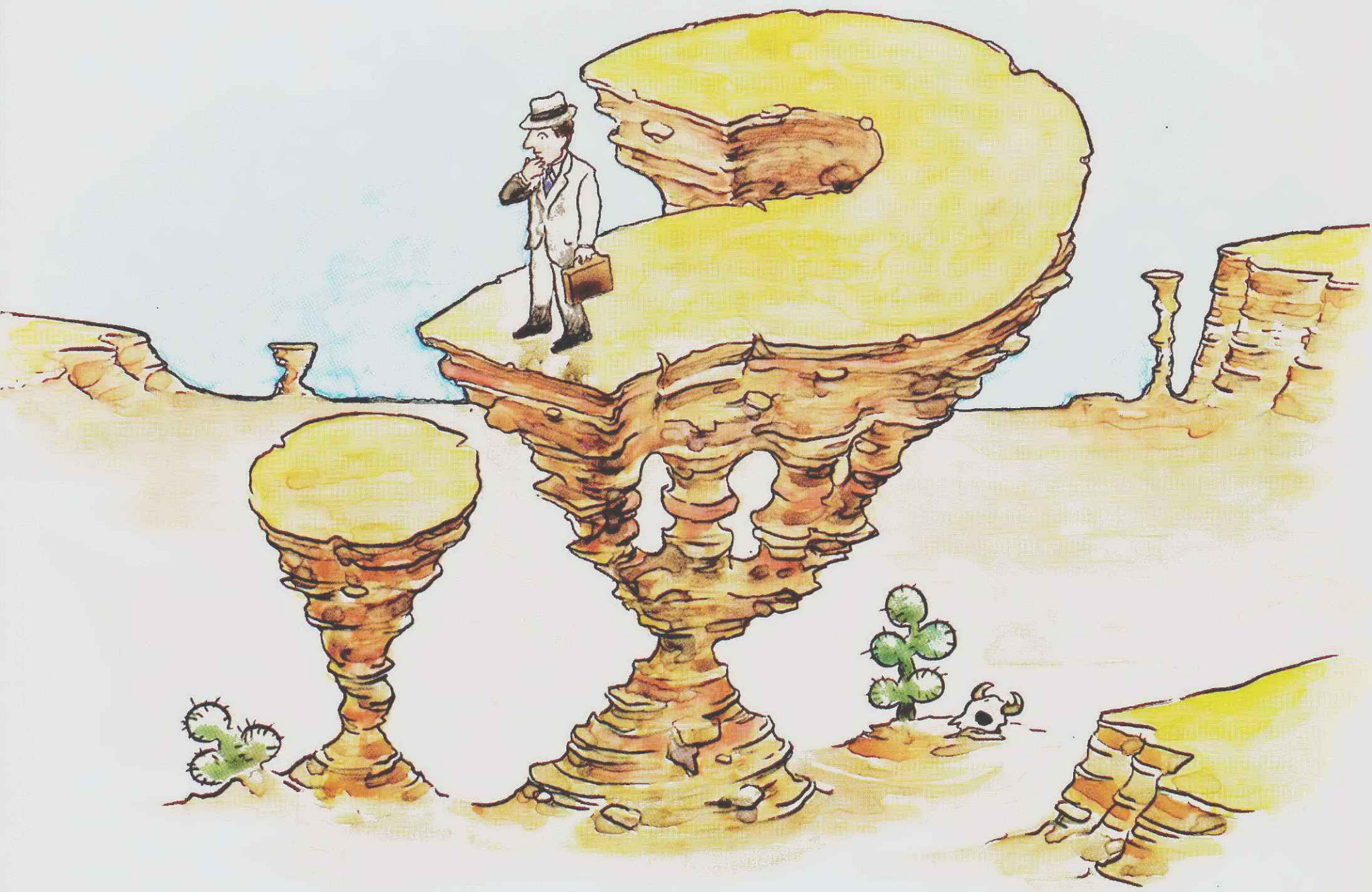

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Stop-loss insurers stung by high health costs

By LEN STRAZEWSKI

Employers that self-fund medical benefits for employees may be concerned about the constantly increasing cost of health care, but their stop-loss insurers bear the brunt of the increases.

At least that's the complaint of a relative handful of insurers that provide excess medical insurance to employers that self-fund their health benefits.

Excess medical insurance, also called stop-loss coverage, is a catastrophic coverage that lets small to medium-sized employers self-fund a portion of their health benefits while transferring the risk of serious medical claims, such as care for a premature baby or major surgery, to an insurer. Major employers—those with more than 2,000 lives—normally do not purchase stop-loss coverage.

Specific stop-loss insurance caps the cost of any individual employee's claims at a level chosen by an employer, usually between $15,000 to $50,000 depending on the size of the employer. Claims above that individual retention are paid by the stop-loss insurer.

Aggregate stop-loss coverage caps an employer's total annual payout for health benefits, usually at an amount calculated at approximately 125% of the employer's annual estimated claims.

Employers, especially those with larger groups, may choose higher aggregate attachment points, but few companies can buy lower attachments unless their claims experience is exceptional, underwriters say.

Although both types of stop-loss coverage are available for groups of 25 to more than 2,000 lives, most underwriters prefer groups of 200 lives or more with at least three years of claims history. The larger the group and the better the claims history, the more predictable the future claims and, generally, the better the rate.

Although underwriting and actuarial techniques have developed to the point that underwriters are confident that they can accurately estimate health care claims for an employer based upon only three years of loss experience, the market for stop-loss coverage remains limited. The reason is claims volatility.

"Actual claims have gone up dramatically over the past few years," says Jeff Brougher, president of Brougher Agency in Greenwood, Ind., one of the largest underwriters of stop-loss coverage. "But that's hardly the only problem we face. Health care costs may be going up over 20% a year, but medical excess claims are going up 35% to 150%."

The phenomenon is what Mr. Brougher calls "deductible economics," a function of the relationship between the increasing medical charges on the part of health care providers and the stabilized self-insured retentions of employers.

Simply put, medical claims that would have been included in a self-insured retention in 1982 have increased due to inflation to a size that pierces the individual stop-loss layer of coverage. And claims that in past years pierced the retention by only a small amount are now piercing it by larger amounts.

For example, if an employer purchases individual stop-loss insurance that attaches at $50,000, an $80,000 medical claims produces a $30,000 loss for the insurer and a $50,000 loss for the employer.

One year later, assuming 20% medical claim inflation, the claim cost would increase to $96,000. The employer, which has maintained the $50,000 individual retention, again pays only $50,000, but the stop-loss insurer's claim cost increases to $46,000 from $30,000, a 53% increase.

The larger the retention level, insurers point out, the larger the leveraging effect on claims and the bigger the percentage increase for the excess insurer. The smaller the group and the lower the deductible, the greater the increase in excess claims frequency.

And since stop-loss rates are calculated on a minimum of three years' loss experience, the insurers can't return the full claims cost increase to policyholders for at least two years.

This double-bind leveraging effect is a joy for self-insurers, but the bane of stop-loss insurers.

Consequently, the market remains limited to a few Lloyd's of London syndicates, the New York Insurance Exchange and a few domestic insurers including SAFECO Life Insurance Co. and Hartford Insurance Group, Mr. Brougher says.

The Brougher Agency is one of the largest underwriters of stop-loss coverage in the United States, serving as a managing general agency for Lloyd's and a wholesale resource for agents, brokers, administrators and other insurers.

The agency, which like most stop-loss underwriters prefers to write groups of 200 lives or more, generates about $35 million a year in stop-loss premium volume, mostly on behalf of Lloyd's.

The agency also places some stop-loss coverage with the New York Insurance Exchange.

The agency, however, will begin underwriting stop-loss coverage for groups of 25 to 300 lives this year.

The insurer of record for the small group stop-loss will be Phoenix Mutual Life Insurance Co. of Hartford, Conn., Mr. Brougher says, but the coverage will be reinsured with the Brougher Syndicate on the New York exchange.

Although Brougher is Lloyd's largest stop-loss marketer in the United States, two other agencies also represent Lloyd's syndicates and other overseas markets.

The Cox Insurance Group of Indianapolis writes about $10 million in annual stop-loss premiums on behalf of Lloyd's, while Darby & Associates of Kansas City, Mo., writes about $5 milllion in annual premium through U.S. fronting insurers reinsured by Lloyd's and European reinsurers.

SAFECO Life Insurance Co. is probably the largest U.S. domestic underwriter of stop-loss insurance, and it, too, is feeling the pinch of leveraged claims cost inflation. But it is responding to the problem with tighter underwriting, says Laurie Graudin, director of large group underwriting.

As health care cost inflation began escalating rapidly more than three years ago, SAFECO, which has been underwriting the coverage for more than eight years, had to reunderwrite its policyholders, occasionally demanding rate inreases and retention changes. Some policyholders left.

Continued on page 20

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Stop-loss coverage

Continued from page 18

"A few years ago, our volume dipped a little, but since we have provided a stable market for several years much of the business has returned. Insurers are frequently in and out of the stop-loss market, so a company that is consistently in the business tends to get a lot of return," she says.

SAFECO wrote about $2e million in stop-loss premium last year, according to Ms. Graudin, and has turned a profit on the coverage for the last 1½ years.

Although SAFECO usually writes groups of 200 lives or more, it is also looking to expand its business to include smaller groups from 50 lives to 200 lives, she adds.

The minigroup coverage is more difficult to underwrite, she admits, because "self-funding is not for everyone and small employers with bad claims experience or cash-flow problems should not be self-insuring and buying stop-loss."

Hartford Insurance Group agrees, limiting its stop-loss sales to groups of 100 lives or more, says Bud Peterson, director of group sales for Hartford Life Insurance Co.

Hartford writes about $12 million in annual stop-loss premium.

Generally known for rather stodgy underwriting, Hartford depends upon its its agency field force and selected third-party administrators for "high-quality" stop-loss business with stable claims experience and a dedication to cost containment.

But, the insurer is by no means reluctant to deal with self-insurers, according to Mr. Peterson.

In fact, industry experts say that Hartford is currently one of the hottest markets for the coverage, aggressively pursuing stop-loss coverage along with collateral lines of life and accident insurance.

"We did not go into the stop-loss business just to sell other coverages. We are firmly committed to offering cash-flow alternatives and have been for the past eight years," Mr. Peterson explains. "We do promote the sale of collateral lines, but that is not a condition of sale."

The sale of other lines of coverage, however, is still one major motivation for insurers to add stop-loss insurance to their stables of products.

This idea of account selling, or the marketing of a package of services for self-funded companies that includes stop-loss coverage, is pretty much the rule among stop-loss insurers.

Although most insurers say they do not require the purchase of other coverages as a condition of the stop-loss insurance, most do "strongly encourage" stop-loss buyers to purchase group term life insurance, and some insurers require such purchases for employers that desire a continuing coverage option for employees leaving the company or employers buying a self-funding package such as stop-loss and claims services.

While the practice may seem disagreeable to some buyers who prefer to shop for each employee benefit coverage separately, it has at least one positive result: Stop-loss coverage is generally kept inexpensive and can be as low as $1,000 per year for groups with excellent claims experience.

A company with 300 employees may pay only $4,000 to $7,000 per year for aggregate excess insurance. Without it, it could have to pay up to $1 million or more in losses in a single year.

As more than one underwriter points out, one catastrophic claim, such as major surgery or care for a premature baby, wipes out the insurer's profits for years.

But insurers are often prepared to accept such losses for the earnings potential of other coverages and the advantages of increased market share.

One such company is Northwestern National Life Insurance Co. of Minneapolis, an insurer attempting to build its stop-loss market share as well as boost its group term life insurance sales.

Although Northwestern National writes less than $2 million in annual premium volume for stop-loss coverage, it views the specific and aggregate excess insurance as an important part of its commitment to self-insured services. It also uses stop-loss coverage to attract other business, including generally profitable group term life.

"Back in the mid-1970s, it became clear to us that self-funding was where the market was going and we made a commitment to go with the market and offer services for self-funding companies," says James Brennan, vp-group marketing.

"We started with ASO (administrative services only) packages and then expanded our offerings to include excess medical insurance."

"But you don't make much on excess insurance alone," adds Richard W. McNeill, vp-group actuarial and underwriting. "We write it essentially to break even or show a small profit.

"It's possible to turn a profit on excess insurance and an ASO contract," he notes. "But it's even better to use the excess coverage for leads to sell group life insurance and accidental death and dismemberment coverage."

The insurer will not, however, seriously discount stop-loss coverage just to get other business, he adds. Pricing, Mr. McNeill says, is almost always a direct function of the policyholder's estimated claims.

"Unlike property/casualty insurance rates, excess medical insurance rates cannot be heavily adjusted for competitive advantages," Mr. McNeill says. ■

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Congressional action awaited

Continued from page 22

While lobbyists contend that the prospects of any major banking bill passing Congress this year are slim, some believe it is only a matter of time before the regulatory strings are loosened and banks are allowed to move into the insurance arena.

"Over the long run, congressmen will be asking whether they want to give one industry an exclusive right to engage in one business or open the industry up to competition," said Mr. O'Toole.

It is inevitable that banks will get into the insurance business, Mr. O'Toole says, since consumers want the convenience of buying insurance-related products from banks.

But insurance agents, the most vocal opponents of bank entry into the insurance market, reject that "inevitability" argument.

"Banks have attempted to create a perception of inevitability," said Patricia A. Borowski, director of administration of government and industry affairs for the Professional Insurance Agents of America in Alexandria, Va. She says there is a congressional concern whether it is in the public interest to give banks power to sell insurance products.

But if the banks win their battle and gain the right to act as underwriters and insurance agents, many believe that banks initially will stick to the personal lines market and avoid the intense competition of the commercial insurance market.

State bank deregulation effort takes back seat to Congress

By DOUGLAS McLEOD

NEW YORK—Insurance companies and agents appear to be getting a breather in their fight against state laws that would allow banks to underwrite or sell insurance.

Almost a year after South Dakota passed a law permitting state-chartered banks to engage in all facets of the insurance business, only one other state legislature—Michigan's—is actively considering a similar bill.

Draft bills drawn up in several other states last year either died in legislative committees or were never introduced (*BI*, Sept. 12, 1983).

In addition, the Federal Reserve Board recently convinced three bank holding companies—including New York's giant Citicorp—to withdraw their applications to acquire state-chartered banks in South Dakota. The Fed deferred to Congress to determine the legality of such state laws under current federal statutes (*BI*, Jan. 16.)

But the apparent break may only prefigure another round in the fight, insurers and agents fear.

Despite the Fed's action on the South Dakota applications, a new bill granting insurance powers to banks is being proposed in Massachusetts, and similar bills may be introduced in other states.

Study commissions investigating "product deregulation" measures have recently held hearings in Massachusetts and New York.

Still other states are expected to review banking deregulation laws that may not directly touch on insurance, but which may lay the groundwork for future expansion of banks into underwriting, observers say.

"What you will see in the states this year are incremental changes, things that do not represent the quantum change that the South Dakota law would have represented," said Carolyn Cobb, senior counsel for the American Council of Life Insurance in Washington.

The South Dakota law, signed by Gov. William Janklow last March, was followed by a flurry of action in other states interested in attracting out-of-state bank holding companies. The action included the drafting of similar legislation and formation of study committees to examine the problem, though in most states the idea of following South Dakota was dropped:

- In Delaware, a comprehensive banking deregulation bill drafted by Citicorp and backed by Gov. Pierre S. du Pont IV failed to find a sponsor in the state Senate last year and was withdrawn. The bill would have expanded bank powers in the insurance, securities and real estate sectors.
- In Minnesota, a state Commerce Department report last year recommended broad banking deregulation, including the opening up of insurance underwriting and brokerage activities to banks and thrift institutions. A bill that would have allowed this was tabled, though, because of a provision allowing for unlimited interest rates.

Meanwhile, a new deregulation plan recently submitted to Gov. Rudy Perpich contains no product deregulation provisions.

- In Maine, a bill that would have allowed state-chartered banks to use up to 5% of their assets to buy insurance companies was tabled last year after a legislative committee hearing. A study committee met last fall to hear testimony from banks and insurers on financial services deregulation, but no further action has been taken.
- In Oregon and Washington state, bank reform legislation introduced last year originally included provisions for expanding banks' insurance activities. The provisions were deleted from the bills in both states.
- In Connecticut, legislation that would have allowed banks to sell life insurance and annuity products failed in committee.
- In Illinois and Wisconsin, study committees have examined the question of bank entry into the insurance business, but no action has resulted.

Meanwhile, the state bank subsidiaries of two bank holding companies in Wisconsin and one in Iowa have acquired insurance agencies under state laws that allow state banks to act as agents.

The Independent Insurance Agents of America has petitioned the Federal Reserve Board for a hearing on the legality of the acquisitions, but the Fed has taken no action since the first protest was filed last May.

With draft legislation stalled in several states, Michigan has a pending bill that would broadly expand insurance activities by banks. The bill, which would allow banks to act directly as insurance underwriters or brokers or to own un-

Continued on page 26

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BI 4

State legislation

Continued from page 24

derwriting or brokerage subsidiaries, is awaiting a hearing before a Senate committee.

Meanwhile, another Senate bill advanced by the IIAA, which would prohibit insurance activities by banks, is also awaiting a committee hearing, though no date has been set for hearings on either bill.

Many Michigan banks are being lured out of the state by more favorable regulatory climates elsewhere, and the state may have to consider deregulation proposals to keep the banks from moving, said Karla Kreblein, a senior public affairs specialist for the Alliance of American Insurers in Schaumburg, Ill.

But insurers and agents are hoping that the weight of other legislative business in Michigan—including the prospect of a tax increase in an election year—will forestall consideration of financial services deregulation, Ms. Kreblein added.

The Alliance also hopes that the Fed's recent decision on three South Dakota bank applications will render any controversy in Michigan moot.

The Fed announced earlier this month that it would not approve applications by Citicorp, San Francisco's BankAmerica Corp. and First Interstate Bancorp of Los Angeles to acquire South Dakota banks. All three subsequently withdrew the applications.

The Fed cited provisions of the Bank Holding Company Act and the Garn-St. Germain Depository Institutions Act of 1982, which generally prohibit insurance activity by banks, and deferred to Congress for clarification of the law (see story, page 22).

Insurance industry groups say the Fed's action not only knocks the wind out of the South Dakota law and the Michigan bill, but will also slow any movement in other states toward permitting bank expansion into insurance.

"I think the Fed's position is pretty plain," the ACLI's Ms. Cobb said. "They want everything status quo until Congress acts. Period."

Banking industry groups don't take the same attitude toward the Fed decision, though.

Several, including spokesmen for the three banks involved, note that the decision was not a formal rejection of the applications, and that the banks may choose to reactivate them.

Others argue that a even a formal Fed decision on the legality of the South Dakota law would not necessarily apply to other state laws.

"I think it was the unique character of the South Dakota law rather than the concept of banks selling insurance that gave the Fed pause," said William Bosies, an attorney with the American Bankers Assn. in Washington.

The South Dakota law allows state-chartered banks to underwrite and sell insurance in every state except South Dakota, and the state's exception of itself may have been what the Fed objected to, Mr. Bosies explained.

But Ms. Cobb said she would "take fairly serious issue" with this observation, noting that the Fed's announcement made no mention of that wrinkle of the South Dakota law.

Nevertheless, insurance industry groups are watching several states nervously for signs of reviving interest in the so-called product deregulation laws.

At the top of the list is Massachusetts, where the Savings Banks Assn. of Massachusetts has drafted a one-sentence bill that would allow banks to write property/casualty and title insurance. The bill has been filed with the Legislature and is awaiting assignment to a committee for a hearing.

In addition, the Massachusetts Bankers Assn. is preparing its own deregulation bill, which has not yet been filed.

David Floreen, the association's vp for government relations, said the Fed decision should not affect deregulation actions by states.

"I would not view it at all as a decision that says to states, 'No, do not go ahead with this.' It's a decision that gives Congress time to decide," he observed.

A committee that included the secretary of the Massachusetts Department of Consumer Affairs and Business Regulation and the commissioners of insurance and banking held hearings on product deregulation last week, and observers say the hearings may be followed by the formation of a legislative task force on the subject.

Meanwhile, insurance industry groups are also watching Delaware and Connecticut for renewed efforts at product deregulation.

Other possible hot spots, according to John Cucci, an assistant vp with the Alliance of American Insurers, include Maryland and New Jersey, where the state attorney general last year announced that New Jersey's current prohibition of insurance activity by banks is unconstitutional.

Bills have not yet been filed in any of these states, however.

In New York, a 23-member commission set up by Gov. Mario Cuomo has concluded hearings on product deregulation. The commission's conclusions and recommendations are expected on Feb. 15.

Some feel that rather than bringing sweeping decontrol measures like South Dakota's, the coming year is more likely to bring smaller banking deregulation moves that may not necessarily involve broad grants of authority in insurance underwriting or sales.

Citicorp is now pushing for an invitation from the Nevada Legislature to build a national credit card center in Las Vegas to serve as a backup for its credit card operations in South Dakota.

Nevada has no ceiling on interest rates, and the Bank Holding Company Act requires an invitation from the state before an outside bank can move in.

Part of the Legislature's considerations in deciding on an invitation will be what powers such an outside bank would be allowed in the state, said Scott Walshaw, an administrator in the Financial Institutions Division of the state government. Insurance powers will probably be included in the discussion, though this won't necessarily translate to legislative action, Mr. Walshaw said.

Citicorp's initial reason for moving to South Dakota was to open a credit card operation and the pattern of expanding from a non-insurance-related activity may be repeated in other states, suggested Roger Levy, director of federal government affairs for the IIAA.

In Maine, a bill filed on Jan. 10 and awaiting a hearing would allow financial institutions to sell annuity products, according to Ms. Cobb, who suggested that this smaller-scale decontrol will probably be more common. ■

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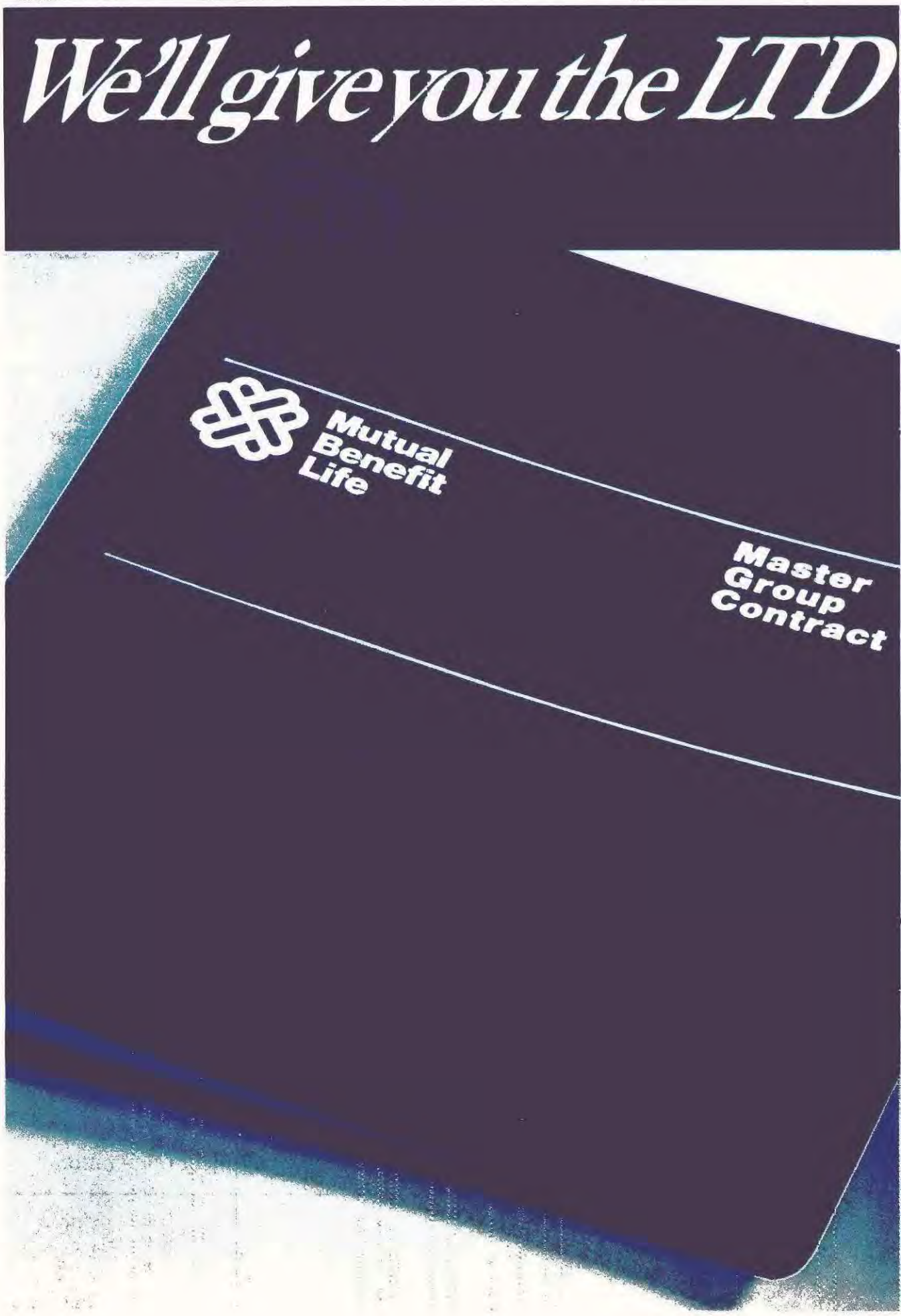


Bank administers health claims for self-insurers

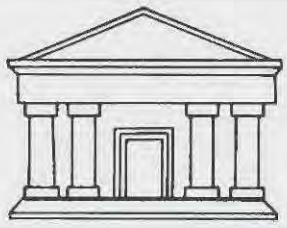
By STEVE TARAVELLA

PHILADELPHIA—The nation's oldest bank is also an innovative one.

First Pennsylvania Bank in Philadelphia, which has long administered group health claims for multiemployer plan trust funds, is offering a new financial service: administering group health claims for individual, self-funded employers.

The bank, founded in 1782, has been courting the claims-handling business of self-insured employers for about a year. Although it hopes to soon operate on a regional or national basis, its current handful of clients are all Pennsylvania-based.

The service that First Pennsylvania provides self-funded employers is much like administrative services only (ASO) relationships that exist between employers and some insurance companies, explains Carter F. Johns, director of the bank's claims payment division.



'It's something unique we can offer to a corporate client that other banks aren't offering,' First Pennsylvania's Mr. Johns explains.

Administration clients provide the bank with a detailed profile of their benefit package on magnetic tape, punch cards or in typewritten form. The bank's programmers then enter the information into a mainframe computer, where it is stored on the premises, Mr. Johns explains.

First Pennsylvania adjusts major medical, dental and disability claims, all of which are processed in-house, he says. Depending on the arrangement between the employer and the bank, the bank receives claims either from the employer or directly from an employee.

One of the bank's seven processors adjusts the claim, using plan information already stored in the bank's computer to determine the appropriate reimbursement.

Checks are then issued to the health care provider or to the employee directly, depending on the client relationship, Mr. Johns explains. Payment is drawn from the employer's checking account or from a zero-balance account.

Using a zero-balance account permits employers to retain investment income for the longest amount of time possible. Under such an arrangement, funds are transferred from a trust account at the bank to a checking account periodically when the employer is notified of the amount for which claims checks have been issued.

The bank sees the service as a way to attract new customers. "It's something unique we can offer to a corporate client that other banks aren't offering," Mr. Johns says.

First Pennsylvania, with assests of about $5.3 billion, took on its first employer client about one year ago and now acts as a third-party administrator for several employers, all of whom self-insure their group medical coverage.

The total number of employees for whom the bank adjusts claims sits at about 6,000, Mr. Johns says. That figure includes First Pennsylvania's own 1,050 employees, whose self-insured medical plan is administered in-house.

In addition to claims adjusting and administration services, the bank prepares a monthly report for benefit managers, detailing recent claim activity.

Among the information included in the report are: claims pending; claims completed; a claims experience summary; areas of benefit usage; coordination of benefits savings analysis; reasonable and customary savings analysis; cost containment audits; predetermined utilization reports; and a lag pattern analysis, which tracks the time it takes for a claim to be completely processed.

Employers pay for the service either on a per-claim or per-employee basis, Mr. Johns says. The fee varies significantly among the bank's clients because payment for the service is based on volume: As the number of employees or claims that the bank handles for an employer increases, the fee decreases.

Those likely to benefit most from the bank's claims administration services are employers whom Mr. Charles describes as "middle-market clients," with between 1,000 and 5,000 employees, Mr. Johns suggests.

First Pennsylvania uses a software package called Automated Claims Entry System to administer claims. ACES, produced by New York-based Noble Lowndes International Inc. (formerly Woodward, Ryan, Sharp & Davis) runs on the bank's IBM 3033 mainframe computer. ■

Hospital costs slow in Illinois

NAPERVILLE, Ill.—Costs at Illinois hospitals increased only half as much from August 1982 to August 1983 as the national average, the Illinois Hospital Assn. reports.

Data collected by the association shows that total expenses at Illinois community hospitals increased 5.1% during the period, compared with an 11% increase for hospitals nationwide.

Inpatient expenses increased 4.5% at Illinois hospitals, compared with a 9.7% hike nationally during the period.

In the first seven months of 1983, total expenses at the state's hospitals increased 6.3%, compared with an 11.8% jump nationwide. Inpatient expenses rose 5.6% in Illinois, compared with 11.4% nationally.

Part of the reason for the lower inflation at Illinois hospitals during the eight-month period, the association noted, was a 2.7% decrease in admissions, a 5.2% decline in patient days and a 2.6% decline in average length of stay.

IHA President Kenneth C. Robbins also noted that Illinois hospitals are emphasizing the use of less-costly outpatient care. For example, inpatient days at Illinois hospitals decreased 0.7% between 1980 and 1982, while the number of outpatient visits increased 17.5%. ■

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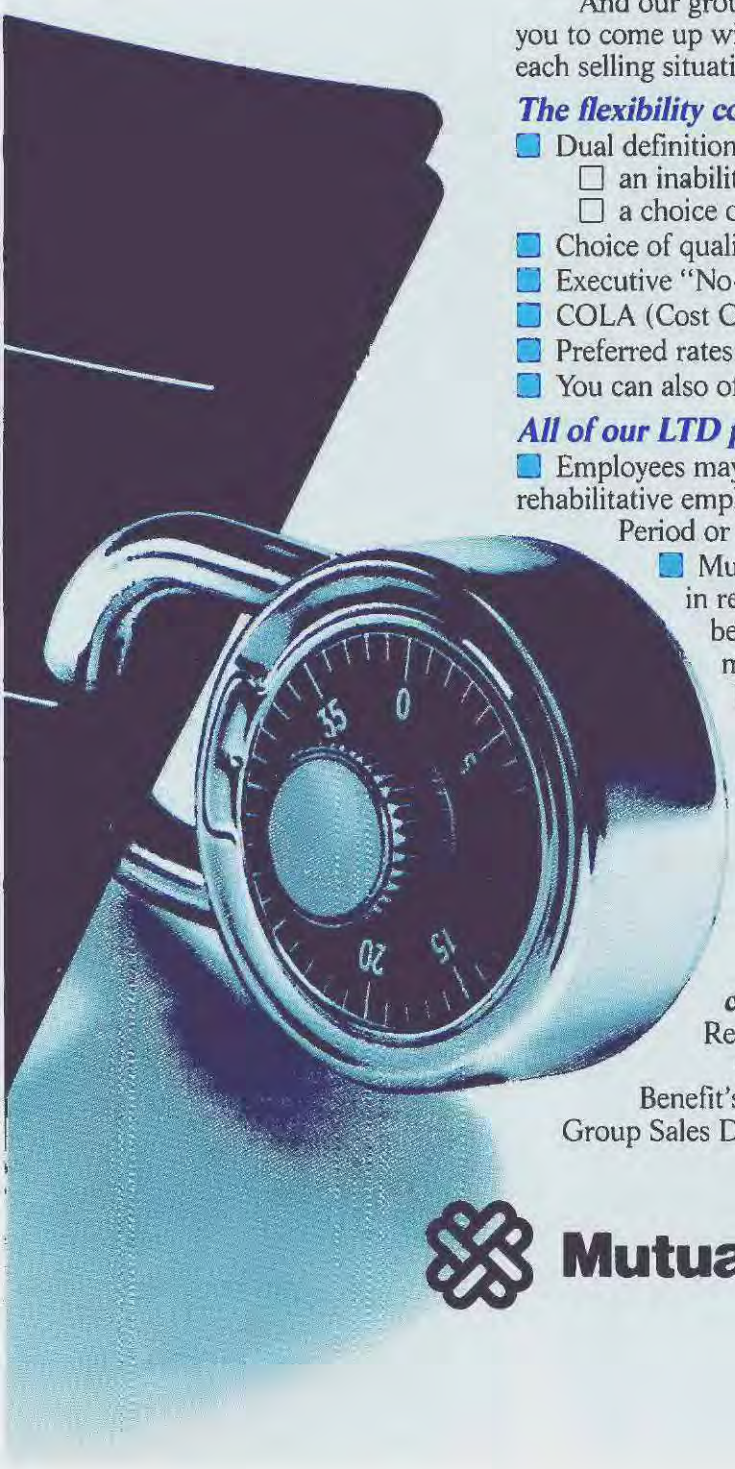

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Property/casualty claims specialists

A

AASC Claim Management Specialists

10534 Natural Bridge, St. Louis, Mo. 63145; 314-428-4200

Parent company: NAVCO Corp.
Year founded: 1978.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Property/casualty claims: 95% aviation, 5% workers compensation.
Number of claims: 1,200 total claims adjusted, none for self-insurers; 80% by field adjuster, 20% by telephone adjuster. 1,200 total claims administered, none for self-insurers.
Staff: 15 total staff including adjusting staff of nine, which includes four field adjusters. Administration staff of five. Auditing staff of three.
Clients: Total adjusting clients, 14, none of which is self-insured.
Compensation: Time and expense for adjusting services.
1983 gross revenues: $1.07 million.
Locations: San Ramon, Calif.; Trenton, N.J.
Principal officers: Leo Howe, president; Edgar L. Jamison, managing director.
Claims auditing: One audit conducted, none for self-insurers.
Claims auditing charges: Unspecified range of fees charged.

Aetna Technical Services Inc. (Aetnatec)

151 Farmington Ave., Hartford, Conn. 06156; 203-273-7593

Parent company: Aetna Life & Casualty Co.
Year founded: 1972.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Property/casualty claims: 65% workers compensation, 15% general liability, 5% automobile, 5% professional liability, 5% property damage, 4% bonds, 1% travelers' assistance.
Staff: As wholly owned subsidiary of Aetna Life & Casualty Co., Aetnatec has access to all employees of the company.
Compensation: Percent of incurred claims, percent of paid claims, per claim, time and expense for adjusting services. Per claim, time and expense, retainer basis for administration services.
1983 gross revenues: Not reported.
Locations: All cities with Aetna Life & Casualty offices.
Principal officers: Robertson Mackay, president; R.C. McDaniel, R.F. Warner, J.L. Bradley, H.C. Halliday, vps.
Claims auditing charges: Time and expense.

Allied Claim Services Inc.

P.O. Box 3, 372 Ellen Drive, Buffalo, N.Y. 14225; 716-631-9505.

Year founded: 1959.
Services provided: Claims adjusting, administration, auditing.
Region served: New York and Florida.
Specialty: Property/casualty claims: 44% workers compensation, 12% general liability, 12% automobile, 19% property damage, 8% professional liability, 5% miscellaneous, including inland marine and bonds.
Number of claims: 2,350 total claims adjusted, 928 for self-insurers; 79% by field adjusters. 928 total claims administered, all for self-insurers.
Staff: 27 total staff, including adjusting staff of 20, which includes 14 field adjusters, two telephone adjusters and four administrative supervisors. Administration staff of six. Auditing staff of three.
Clients: Total adjusting clients, 146; of which 40 are self-insured. Total administration clients, eight, all of which are self-insured.
Compensation: Per claim, time and expense for adjusting and administration services.
1983 gross revenues: Not reported.

Continued on page 30

How to locate specialists

Looking for a claims specialist? This directory lists the services of administrators, adjusters and auditors that responded to a comprehensive questionnaire prepared by *Business Insurance*.

These claims firms are listed here as an editorial service to the readers of *Business Insurance*. The companies did not pay any fee to be listed.

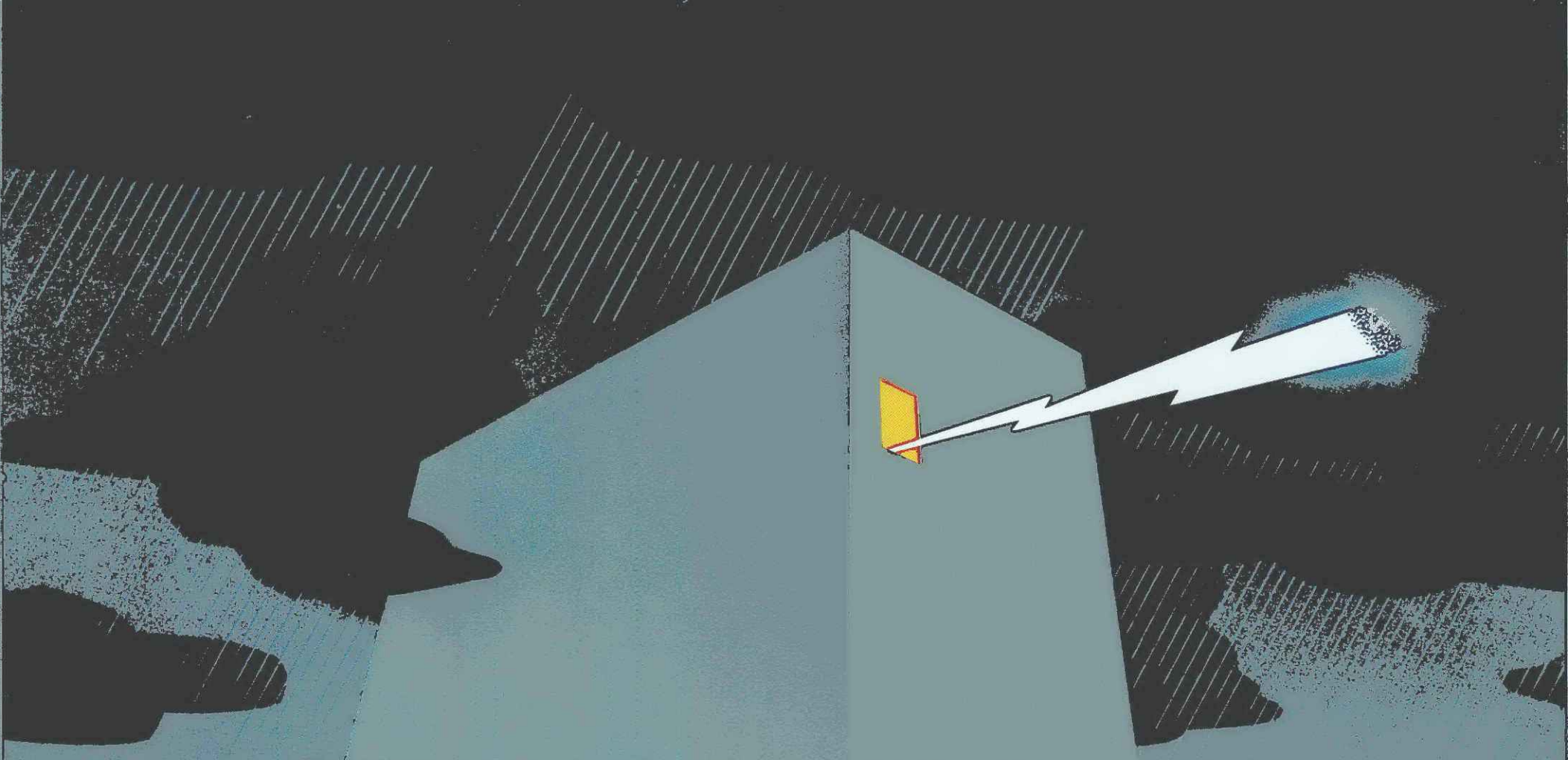
The listings are organized according to the types of claims handled:

- Those handling only property/casualty claims (including workers compensation claims) begin on this page.
- Those handling only employee benefits/group insurance claims begin on page 49.
- Those handling both property/casualty and group insurance claims begin on page 64.

The listings include the name of the parent company, where applicable, the year the company was founded and what services the company provides, as defined as:

- Adjusting, which involves investigating claims and making recommendations to the claims administrator.
- Administration, which involves overseeing quality control of claims files, directing adjusters and paying claims.
- Auditing, which involves reviewing the overall integrity of the claims operation, verifying the accuracy and direction of claims payments and recommending solutions to administration problems.

Each listing also indicates whether the claims specialist provides regional or nationwide service, the type of claims handled, the number of claims adjusted or administered, the size of the staff, the number and type of clients, how the company is compensated, 1983 gross revenues, the number of locations maintained and the names of the principal officers.



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(312) 399-2051
James J. Volanti

EAST COAST
One Greentree Center
Suite 201
Marlton, New Jersey 08053
(609) 596-8585
Tom Connolly

Continued from page 28

Locations: Venice, Fla.; Dunkirk, N.Y.

Principal officers: Henry E.B. Dendler, chairman; Gregory J. Dendler, president; Richard E. Robb and Gail G. Prange, vps; Paul J. Nowak, assistant vp.

Claims auditing: Six audits conducted, all for self-insurers.

Claims auditing charges: Time and expense.

B

Bierly & Associates

1631 Huntington Drive, South Pasadena, Calif. 91030; 213-441-3151

Year founded: 1972.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 100% workers compensation.

Number of claims: 35,000 total claims administered in 1983, 32,000 for self-insurers.

Staff: 180 total staff, including adjusting staff of 28, which includes 12 field adjusters and 16 administrative supervisors. Administration staff of 88. Auditing staff of 18.

Clients: 150 total administration clients, 145 of which are self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: Burlingame, Fresno, Santa Ana and San Diego, Calif.

Principal officers: R. Michael Bierly, Bruce S. Vanner, William F. Poland, James Jamerson, Harry Heinen.

Claims auditing: Several audits conducted, 100% for self-insurers.

Claims auditing charges: Time and expense, $50 per hour.

Patricia Ann Burke Esq.

210 S. Seventh St., Minneapolis, Minn. 55402; 612-372-4828.

Parent company: Diversified Energies Inc.

Services provided: Claims adjusting, administration.

Region served: Minnesota, Nebraska and South Dakota.

Specialty: Property/casualty claims: general liability, automobile, property damage, bonds.

Number of claims: 780 total claims adjusted in 1983; 65% by field adjusters, 35% by telephone.

Staff: Adjusting staff of three, which includes two adjusters, one administrative supervisor. Administration staff of two.

1983 gross revenues: Not reported.

Principal officers: Patricia Ann Burke.

C

John T. Cantlon & Associates Inc.

920 Michigan Ave., Columbus, Ohio 43216; 614-221-4147

Year founded: 1946.

Services provided: Claims administration, auditing.

Region served: Great Lakes.

Specialty: Property/casualty claims: 83% workers compensation, 13% unemployment compensation.

Number of claims: 20,000 total claims administered, 10,000 for self-insurers.

Staff: 58 total staff. Administration staff of 35. Auditing staff of five.

Clients: Total administration clients, 450; self-insured, 43.

Compensation: Percent of payroll; percent of annual premium; per claim; negotiated fee; time and expense, for administration services.

1983 gross revenues: Not reported.

Locations: St. Clairsville, Ohio; Carbondale, Ill.

Principal officers: David A. Cantlon, president; Thomas H. Lindsey, executive vp; J. Stephen Cantlon, vp.

Claims auditing: 10 audits conducted, 100% for self-insurers.

Claims auditing charges: Included in fee.

Continued on facing page

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Continued from facing page

Claim & Risk Control Inc.
5136 Express Drive S.,
Holbrook, N.Y. 11741;
516-467-4700

Year founded: 1976.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Property/casualty claims: 10% workers compensation, 65% general liability, 20% automobile, 5% property damage.
Number of claims: 11,800 total claims adjusted, 8,000 for self-insurers; 60% by field adjuster and 40% by telephone adjuster. 17,200 total claims administered, 10,650 for self-insurers.
Staff: 37 total staff, including adjusting staff of 23, which includes 17 field adjusters, three telephone adjusters and three administrative supervisors. Administration staff of three. Auditing staff of four.
Clients: Total adjusting clients, 10, of which six are self-insured. Total administration clients, four, all of which are self-insured.
Compensation: Per claim, time and expense for adjusting services. Percent of incurred claims, time and expense for administration services.
1983 gross revenues: Not reported.
Principal officers: Eugene Fleischer, president; Kathleen Arnone, vp.
Claims auditing: Five audits conducted, all for self-insurers.
Claims auditing charges: Time and expense, flat fee.

Claimco
334 Madison Ave.,
CN1922,Morristown, N.J.
07960; 201-539-0787

Parent company: W.R. Berkley.
Services provided: Claims administration, auditing.
Region served: Nationwide.
Specialty: Property/casualty claims: 10% workers compensation, 20% general liability, 15% automobile, 10% property damage, 20% professional liability, 15% reinsurance, 5% inland marine.
Staff: 14 total staff, including three administrative supervisors. Administration staff of three. Auditing staff of five.
Clients: Total administration clients, 27, eight of which are self-insured.
Compensation: Time and expense for administration services.
1983 gross revenues: Not reported.
Locations: New York; Philadelphia.
Principal officers: Kenneth D. Johnson, president; John M. Monahan, executive vp/secretary; Charles S. Stacey, vp.
Claims auditing: 14 audits conducted, 50% for self-insurers.
Claims auditing charges: Time and expense.

Claims Administration Systems Inc.
12235 Beach Blvd., Box 2005,
Stanton, Calif. 90680;
714-895-1223/213-493-3691

Year founded: 1977.
Services provided: Claims adjusting, administration.
Regions served: Arizona, California, Connecticut, Florida, Georgia, Idaho, Illinois, Nevada, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Washington.

Specialty: Property/casualty claims: 60% workers compensation, 20% general liability, 15% property damage, 5% automobile.
Number of claims: 1,800 total claims adjusted, 1,800 for self-insurers, 75% by field adjusters and 25% by telephone adjusters; 11,000 total claims administered, 7,500 for self-insurers.
Staff: 110 total staff, including adjusting staff of 21, which includes 10 field adjusters, 10 telephone adjusters and one administrative supervisor. Administration staff of 62. Auditing staff of four.
Clients: Total adjusting clients, 43: self-insured, 39. Total administration clients, 300; self-insured, 43.
Compensation: Per claim; time and expense for adjusting services. Bonus for reduced losses for loss ratios below 60% of premium times dollar amount. Percent of annual premium, per claim, flat negotiated free for administrating services.

Continued on next page

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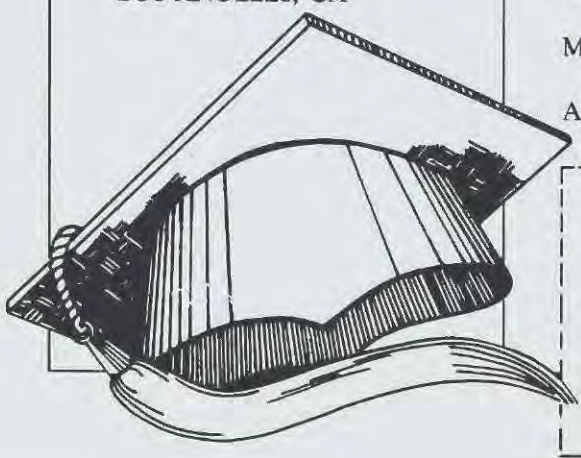

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Continued from previous page
Bonus for reduced losses.

1983 gross revenues: $2.8 million.

Locations: Irvine, Calif.; Garden City, N.Y.; Philadelphia; Carbondale, Ill.

Principal officers: Douglas Hanson, chief executive officer; Hil Lurie, chief financial officer; Niles Haton, chief accounting officer.

Claims Consulting Service Inc.

5624 Executive Center Drive, Charlotte, N.C. 28212; 704-563-1297

Year founded: 1983.

Services provided: Claims auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 40% workers compensation, 25% general liability, 25% automobile, 10% professional liability.

Staff: Two total staff; auditing staff of one.

1983 gross revenues: Not reported.

Principal officers: J.A. "Mac" McLain Jr., president.

Claims auditing: None conducted in 1983 (new company).

Claims Management Services

1221 Ave. of the Americas, New York, N.Y. 10020; 212-997-5317

Parent company: Marsh & McLennan Inc.

Year founded: 1977.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 70% workers compensation, 10% general liability, 8% professional liability, 2% automobile.

Number of claims: 33,000 total claims adjusted, 25,000 for self-insurers; 30% by field adjuster and 70% by telephone adjuster. 35,000 total claims administered, 30,000 for self-insurers.

Staff: 165 total staff, including adjusting staff of 110, which includes 50 field adjusters and 60 telephone adjusters. Auditing staff of seven.

Clients: Total adjusting clients, more than 500; self-insured, more than 450. Total administration clients, more than 500; self-insured, more than 450.

Compensation: Per claim, time and expense for adjusting services. Per claim, time and expense for administration services.

1983 gross revenues: Not reported.

Locations: Atlanta; Baltimore; Boston; Chicago; Coral Gables, Fla.; Detroit; Harrisburg, Pa.; Hartford, Conn.; Houston; Los Angeles; Minneapolis; Morristown, N.J.; New Orleans; Philadelphia; Pittsburgh; Portland, Ore.; Sacramento, Calif.; St. Louis; San Diego; San Francisco; Seattle; Sunbury, Pa.; Stamford, Conn.; Toledo, Ohio; Tulsa, Okla.

Principal officers: Robert P.J. Booher, Anthony Zumbano, Gene Jones, Edward Gallagher, C. David White, Richard Rosacker, Paul Valdens, Charles Macaulay.

Claims auditing: 30 conducted, 85% for self-insurers.

Claims auditing charges: Time and expense, flat fee.

Commercial Union Risk Management Inc.

Federal Reserve Plaza, 600 Atlantic Ave., Boston, Mass. 02210; 617-720-9380

Parent company: Commercial Union Insurance Cos.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 40% workers compensation, 25% general liability, 20% automobile, 15% property damage.

Number of claims: More than 20,000 total claims administered, all for self-insurers.

Staff: Approximately 1,500 total adjusting and administration staff.

Clients: Total administration clients, approximately 75; all self-insured.

Compensation: Percent of incurred claims, percent of paid claims, per claim, time and expense for administration services.

1983 gross revenues: Approximately $2.2 million.

Locations: More than 70 branch offices nationwide.

Principal officers: Albert H. Jackson, president; Richard T. Lapham, senior vp; G. Gregory Tooker, vp, Jackson L. Hockman, assistant vp.

Claims auditing: Five audits conducted, all for self-insurers.

Claims auditing charges: Time and expense.

Constitution State Service Co.

100 Constitution Plaza, Suite 1632, Hartford, Conn. 06115; 203-277-5489

Parent company: The Travelers Corp.

Year founded: 1980.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 50% workers compensation, 10% general liability, 25% automobile, 6% product liability, 3% property damage, 3% professional liability, 3% ocean marine, 6% product liability.

Number of claims: 50,000 total claims adjusted.

Staff: 16 total staff.

Clients: Total adjusting and administration clients, 125; self-insured, 60.

Compensation: Per claim, time and expense for adjusting services. Per claim, time and expense for administration services.

1983 gross revenues: $15 million.

Locations: Nationwide.

Principal officers: Sheldon L. Rothbart, president/chief operating officer; Lyndsay R. deManbey, vp-operations; George E. Addona, vp-engineering; Robert D. Greenberg, vp-marketing; Dennis A. Petruzzi, treasurer.

Claims auditing: Two audits conducted in 1983, both for self-insurers.

Claims auditing charges: Time and expense.

Corroon & Black Management Inc.

301 Plus Park Blvd., P.O. Box 78, Nashville, Tenn. 37202; 615-367-9702

Parent company: Corroon & Black Corp.

Year founded: 1975.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 88% workers compensation, 8% general liability, 2% automobile, 1% property damage, 1% professional liability.

Number of claims: 19,545 total claims adjusted, 18,568 for self-insurers; 31% by field adjuster and 69% by telephone adjuster. 19,545 total claims administered, 18,568 for self-insurers.

Staff: 54 total staff, including adjusting staff of 37, which includes 14 field adjusters, 21 telephone adjusters and two administrative supervisors. Administration staff of 37. Auditing staff of seven.

Clients: Total adjusting and administration clients, 806; self-insured, 794.

Compensation: Percent of payroll, percent of annual premium, per claim for adjusting services. Percent of payroll, percent of annual premium, per claim for ad-

Continued on page 34

Second Opinion

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The *necessary cost-containment* program to save the high cost of *unnecessary surgery.*

This year, about 20% of the people in your organization who are having surgery will have an operation they may not need.

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The program with proven results.

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A second opinion means a big saving.

You save $2.63 or more in deferred hospital and surgeons' bills, lost work days and other surgery-related costs for every dollar you spend to obtain a Second Opinion consultation.

In our recommended *FOCUSED* Second Opinion Program (a program which encompasses 14 high-cost, high-volume surgical procedures) you would *save about $5.00 for every dollar spent!*

You save three ways.

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For every 100 Second Opinion Consultations done, 15 are non-confirmed and never have surgery, resulting in major savings in surgery-related costs.

2. The Sentinel Effect

Physicians' awareness of the program and its resulting peer review generates a 10–24% drop in surgical claims.

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Our panel consultant may indicate that a confirmed patient have the procedure in an ambulatory setting and save the high cost of an in-hospital stay.

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Director The Health Benefits Research Center
The New York Hospital–Cornell Medical Center
Second Opinion Panel
411 East 69 Street—Room KB305
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Continued from page 32
ministrating services.

1983 gross revenues: Not reported.

Locations: Boston; Chicago; Springfield, Ill.; Pikeville and Louisville, Ky.; Merced, Ga.; Stockton, Calif.; Phoenix, Ariz.; Albuquerque, N.M.; Washington; St. Louis; Oklahoma City; Houston; and two offices of Self Insurance Administrators Inc. in San Diego and San Jose, Calif.

Principal officers: Thomas N. Perez, president; James R. McMasters, senior vp; Robert Cornelius, executive vp.

Claims auditing: 47 conducted in 1983, 96% for self-insurers.

Claims auditing charges: Time and expense, flat fee.

Crawford & Co.

5620 Glenridge Drive N.E., Atlanta, Ga. 30302; 404-256-0830

Year founded: 1941.

Services provided: Claims adjusting, administration.

Region served: Nationwide, also Canada and Puerto Rico.

Specialty: Property/casualty claims.

Number of claims: More than 1.2 million total claims adjusted.

Staff: More than 3,000 total staff, including adjusting staff of 2,090, which includes 1,568 field adjusters, 237 telephone adjusters and 285 administrative supervisors. Administration staff of 521.

Clients: Total adjusting clients, 3,500.

Compensation: Percent of incurred claims, percent of annual premium, per claim, time and expense.

1983 gross revenues: $125 million for first nine months.

Locations: More than 750 locations throughout the United States, Canada and Puerto Rico.

Principal officers: T.G. Germany, chief executive officer; F.L. Minix, president; D.R. Chapman, executive vp-finance; C.C. Lefler, executive vp-marketing; P.A. Bolinger, executive vp-services.

E

ESIS Inc.

1600 Arch St., Phildelphia, Pa. 19103; 215-241-2100

Parent company: CIGNA Corp.

Year founded: 1955.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 40% workers compensation, 30% general liability, 20% automobile, 5% property damage, 5% professional liability, less than 1% bonds, ocean marine and inland marine.

Number of claims: More than 100,000 total claims adjusted, all for self-insurers. More than 100,000 total claims administered, all for self-insurers.

Staff: More than 4,000 total staff.

Clients: Total adjusting clients, more than 1,000; all self-insured. Total administration clients, more than 1,000; all self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: More than 80 locations nationwide.

Principal officers: James S. Carpenter, Edward P. Holleran, Susan Ludwick.

Claims auditing: Approximately 50 audits conducted, all for self-insurers.

Claims auditing charges: Time and expense, flat fee.

F

Fireman's Fund Risk Management Services Inc.

Box 777, Novato, Calif. 94998; 415-899-3810

Parent company: Fireman's Fund Insurance Cos.

Year founded: 1971.

Services provided: Claims administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 50% workers compensation, 20% general liability, 30% automobile.

Staff: Total staff of 1,875.

Compensation: Per claim, time and expense for administrating services.

1983 gross revenues: Not reported.

Locations: 50 branch offices nationwide.

Principal officers: Edwin F. Cutler, James J. Meenaghan, James B. Runyan, Francis W. Benedict, Bartlett J. Grimes.

Claims auditing: No audits conducted in 1983.

Claims auditing charges: Time and expense.

The Fisher Associates

3465 Torrance Blvd., Suite N, Torrance, Calif. 90503; 213-540-8803

Year founded: 1982.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 20% general/product liability, 80% professional liability.

Number of claims: 400 total claims adjusted in 1983, 100 for self-insurers; 80% by field adjuster, 20% by telephone. 100 total claims administered in 1983, all for self-insurers.

Staff: 17 total staff, including adjusting staff of 17, which includes 10 field adjusters, five telephone adjusters, two administrative supervisors. Administration staff of two. Auditing staff of two.

Clients: 35 total adjusting clients, of which five are self-insured; three total administration clients, of which two are self-insured.

Compensation: Time and expense for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: San Francisco, San Diego.

Principal officers: Frederick Fisher, president; Alan Balcher, vp; Robin Kobacker, assistant vp.

Claims auditing: Five audits conducted, all for self-insurers.

Claims auditing charges: Time and expense, $51 per hour; flat fee, approximately $1,500.

Fleming & Associates

1313 Foothill Blvd., La Canada, Calif. 91011; 818-790-8714

Year founded: 1976.

Services provided: Claims adjusting, administration.

Region served: Western states.

Specialty: Property/casualty claims: 80% workers compensation, 10% general liability, 10% automobile.

Number of claims: 800 total claims adjusted in 1983, 800 for self-insurers; 30% by field adjuster, 70% by telephone. 5,000 total claims administered in 1983, 5,000 for self-insurers.

Staff: 26 total staff, including adjusting staff of four, which includes one field adjuster, two telephone adjusters, one administrative supervisor. Administration staff of 11.

Clients: Five total adjusting clients, all of which are self-insured; 27 total administration clients, all

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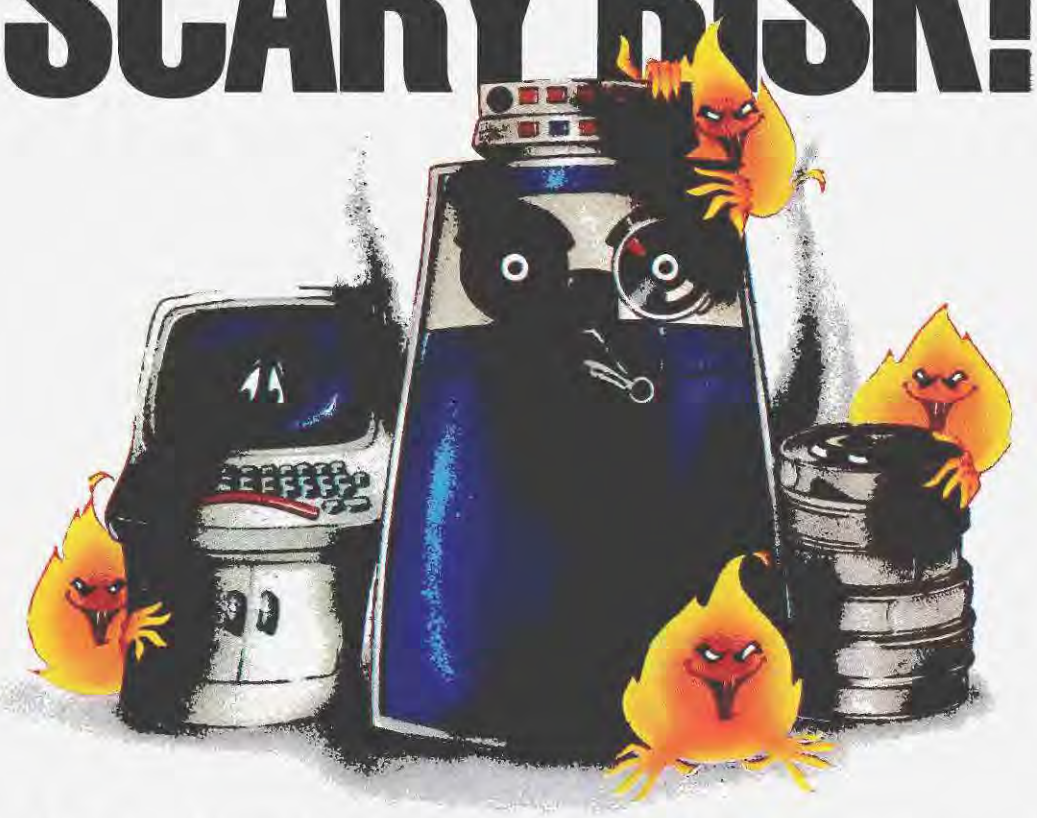
SCARY RISK!



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ANSUL HALON SYSTEMS

Continued from facing page
of which are self-insured.

Compensation: Percent of annual premium, per claim, time and expense for adjusting and administration services.

1983 gross revenues: Not reported.

Principal officers: Ed Fleming, president; G. David Marceau, vp; Donald Anderson, vp-marketing; Nona Fals-Grancel, vp-claims.

G

Gay & Taylor Inc.

2150 Country Club Road, Winston-Salem, N.C. 27104; 919-723-9631

Parent company: Seibels Bruce Inc.

Year founded: 1928.

Services provided: Claims adjusting, administration, auditing.

Regions served: Southeast, Mid-Atlantic, Midwest.

Specialty: Property/casualty claims: 40% automobile, 15% property damage, 20% workers compensation, 2% professional liability, 20% general liability, 1% bonds, 3% inland marine.

Number of claims: 152,000 total claims adjusted, 15,000 for self-insurers; 80% by field adjuster and 20% by telephone adjuster. 8,000 total claims administered, all for self-insurers.

Staff: 450 total staff, including adjusting staff of 310, which includes 280 field adjusters, 30 telephone adjusters. Administration staff of 12. Auditing staff of 12.

Clients: Total adjusting clients, 550, 120 of which are self-insured. Total administration clients, 22, all of which are self-insured.

Compensation: Percent of annual premium, per claim, time and expense for adjusting services; percent of annual premium, per claim for administration services.

1983 gross revenues: $16.5 million.

Locations: More than 100 locations.

Principal officers: W.J. Browning, president; T.B. Tilley, vp-operations; J.D. Swanson, vp-marketing; W.L. Orr, vp-administration.

Claims auditing: 25 audits conducted in 1983, 80% for self-insurers.

Claims auditing charges: Time and expense, $50 to $60 per hour.

The Gibbens Co. Inc.

P.O. Box 7378, Reno, Nev. 89510; 702-826-6600

Year founded: 1966.

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Property/casualty claims: 12% workers compensation, 88% unemployment.

Number of claims: 6,000 total workers compensation claims administered in 1983, all for self-insurers.

Staff: 32 total staff. Administration staff of 17.

Clients: 37 total adjusting clients, all of which are self-insured.

Compensation: Percent of payroll for administration services.

1983 gross revenues: Not reported.

Principal officers: William Gibbens, David Addision, Doug Todd.

Group VII Services Inc.

136 John St., New York, N.Y. 10038; 212-349-3390

Services provided: Claims adjusting, administration.

Region served: Eastern states.

Specialty: Property/casualty claims: 98% workers compensation, 2% general liability.

Number of claims: 800 total claims adjusted, all for self-insurers; 3% by field adjuster and 97% by telephone adjuster. 800 total claims administered, all for self-insurers.

Staff: 13 total staff, including adjusting staff of three, which includes one field adjuster, one telephone adjuster and one administrative supervisor.

Clients: Total adjusting and administration clients, five; all self-insured.

Compensation: Flat fee for adjusting and administration services.

1983 gross revenues: $75,000.

Locations: Philadelphia; Miami.

Principal officers: Peter Hjelm, Roy Hjelm, Harry Gordon, George Saunders, Frank Pennartz.

H

HCM Claim Management Corp.

660 Madison Ave., New York, N.Y. 10021; 212-980-2570

Parent company: Hertz Corp.

Year founded: 1981.

Services provided: Claims administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 5% general liability, 90% automobile, 5% property damage.

Number of claims: 58,000 total claims administered in 1983, 46,000 for self-insurers.

Staff: 115 total staff. Administration staff of 50. Auditing staff of six.

Clients: Six total administration clients, three of which are self-insured.

Compensation: Per claim, per occurrence for administration services.

1983 gross revenues: $500,000.

Locations: Los Angeles; Dallas; Chicago; Pittsburgh; Boston; Washington; Miami.

Principal officers: T.J. Santorelli, H. Rezak, W. Sider, J. Rubin.

Claims auditing: Two audits conducted, none for self-insurers.

Claims auditing charges: Time and expense, $29-$45 per hour; flat fee.

Frank B. Hall Risk Management Inc.

89 Broad St., Boston, Mass. 02110; 617-482-3100

Parent company: Frank B. Hall & Co. Inc.

Year founded: 1978.

Services provided: Claims adjusting, administration, auditing.

Region served: New England.

Specialty: Property/casualty claims: 95% workers compensation, 4% general liability, 1% automobile.

Number of claims: 4,900 total claims adjusted in 1983, all for self-insurers; 60% by field adjuster, 40% by telephone. 5,500 total claims administered in 1983, 4,900 for self-insurers.

Staff: 35 total staff, including adjusting staff of 11, which includes nine field adjusters, two administrative supervisors. Administration staff of 11. Auditing staff of three.

Clients: Seven total adjusting and administration clients, all of which are self-insured.

Compensation: Per claim; time and expense.

1983 gross revenues: $1.7 million.

Locations: Meriden, Conn.

Principal officers: Frederic C. Church Jr., president; Barbara Thornton, senior vp; Anthony Camelio, vp/risk control manager.

Claims auditing: Three audits conducted, two for self-insurers.

Claims auditing charges: Time and expense.

Homeland Industrial Corp.

4050 Moorpark Ave., P.O. Box 5969, San Jose, Calif. 95150; 408-984-8000

Parent company: Homeland

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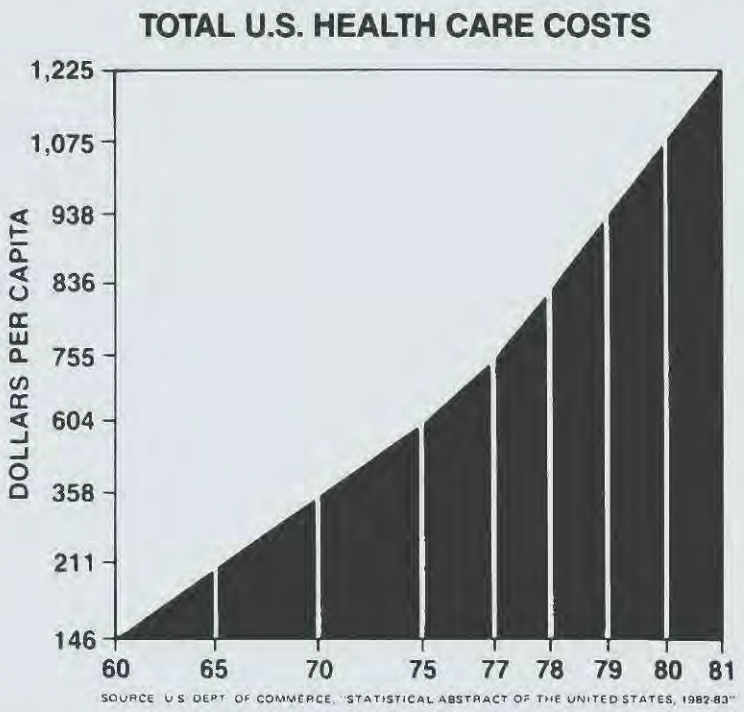
ARE YOUR HEALTH BENEFIT COSTS SOARING OUT OF SIGHT?

USE INDECS OF EBASCO INC.



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Continued from previous page

General Corp.

Year founded: 1980.

Services provided: Claims adjusting, administration, auditing.

Region served: West, Southwest.

Specialty: Property/casualty claims: 85% workers compensation, 5% general liability, 10% automobile 5% property damage.

Number of claims: 1,500 claims adjusted for self-insurers. 5,000 total claims administered, 1,750 for self-insurers.

Staff: 76 total staff, including adjusting staff of two, which includes one telephone adjuster and one administrative supervisor. Administration staff of eight.

Clients: Total administration clients, 16; self-insured, eight.

Compensation: Percent of annual premium, per claim for administration services.

1983 gross revenues: $400,000.

Principal officers: David S. Williams chairman and president; Michael G. Herberger, executive vp.

I

Industrial Indemnity Insurance Services Inc.

201 California St., San Francisco, Calif. 94111; 415-434-4850

Parent company: Industrial Underwriters Inc.

Year founded: 1980.

Services provided: Claims administration, auditing.

Region served: Western states.

Specialty: Property/casualty claims: 75% workers compensation, approximately 8% general liability, 8% automobile, 8% property damage.

Number of claims: 12,461 total claims adjusted; 12,461 total claims administered, all for self-insurers.

Staff: 24 total staff. Administration and adjusting staff of 21, includes seven field adjusters, nine telephone adjusters and five administrative supervisors. Auditing staff of two.

Clients: Total administration clients, 25; all self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, time and expense for administration services.

1983 gross revenues: Not reported.

Locations: Seattle; Portland, Ore.; San Jose, Stockton, Orange and San Francisco, Calif.

Principal officers: D. Johnson, R. Derr, R. Gowdy, J. LaPlante, L. Mulryan, L. Monin.

Claims auditing: None performed in 1983.

Claims auditing charges: Time and expense.

Inservco Insurance Services Inc.

Box 2361, 1900 Derry St., Harrisburg, Pa. 17105; 800-441-8046; in Pa., 800-282-8642

Year founded: 1980.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Services provided: Claims adjusting, administration and auditing.

Regions served: Pennsylvania; New Jersey; Maryland; Virginia; North Carolina; Florida; Kansas; and Texas.

Specialty: Property/casualty claims: 70% workers compensation, 20% property damage, 5% general liability, 5% automobile.

Number of claims: 3,000 total claims adjusted, 1,500 for self-insurers; 60% by field adjuster, 40% by telephone adjuster. 1,500 total claims administered, none for self-insurers.

Staff: Total adjusting staff of 130, which includes 75 field adjusters, 25 telephone adjusters, 30 administrative supervisors. Administration staff of 25. Auditing staff of four.

Clients: Total adjusting clients, 35; self-insured, five.

Compensation: Percent of annual premium, 3% to 5%; per claim, $30-$150; time and expense, $22 per hour-senior/field adjuster, $25-general and $20-inside adjuster for adjusting services. Percent of incurred claims, percent of annual premium, per claim for administration services.

1983 gross revenues: Not reported.

Locations: Harrisburg, Altoona, Kingston, Erie, Pittsburgh, Pa.; Towson, Md.; Trenton, N.J.; Greensboro, N.C.; Kansas City, Kan.; Orlando, Fla.; Chesapeake, Va.; Macon, Ga.; Houston; Greer, S.C.; Nashville, Tenn.

Principal officers: John L. Longnaker, president; Charles Magill, W.T. Allen, vps; Robert L. Conrad, executive vp; Marlin Wilbert, secretary.

L

Lancer Claims Services Inc.

21100 S. Western Ave., Torrance, Calif. 90501; 213-618-0285

Parent company: Chartered Financial Services.

Year founded: 1982.

Continued on page 38

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Constitution State Service Company

One of The Travelers Companies
100 Constitution Plaza
Hartford, CT 06115

Continued from page 36

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 5% general liability, 40% automobile, 5% property damage, 50% professional liability.

Number of claims: 1,869 total claims adjusted in 1983, none for self-insurers; 40% by field adjuster, 60% by telephone. 742 total claims administered in 1983, none for self-insurers.

Staff: 18 total staff, including adjusting staff of 10, which includes eight field adjusters, one telephone adjuster, one administrative supervisor. Administration staff of seven. Auditing staff of three.

Clients: Five total adjusting clients; four total administration clients.

Compensation: Percent of annual premium; time and expense, $50 to $75 per hour for adjusting services and for administration services.

1983 gross revenues: $738,000.

Principal officers: David E. Isselhard, president and chief operating officer; Thomas B. Coleman, chief financial officer.

Claims auditing: Five audits conducted; none for self-insurers.

Claims auditing charges: Time and expense, $50 to $75 per hour.

Loss Control Management Corp.

6320 Augusta Drive, Springfield, Va. 22150; 703-451-6100

Year founded: 1963.

Services provided: Claims adjusting, administration.

Regions served: Virginia; Maryland; Washington, D.C.

Specialty: Property/casualty claims: 70% workers compensation, 15% property damage, 10% automobile, 5% general liability.

Number of claims: 8,500 claims adjusted, all for self-insurers; 10% by field adjuster and 90% by telephone adjuster. 8,500 total claims administered, all for self-insurers.

Staff: 10 total staff, including adjusting staff of five, which includes one field adjuster, three telephone adjusters and one administrative supervisor. Administration staff of three.

Clients: Total adjusting clients, 12; all self-insured. Total administration clients, 12; all self-insured.

Compensation: Adjusting services included as part of annual fixed administration fee.

1983 gross revenues: Not reported.

Locations: Baltimore; Springfield, Va.

Principal officers: William U. MacBrayne, president/treasurer; Peter G. Baldwin, vp.

M

Michigan Claim Service Inc.

Box 19069, Lansing, Mich. 48901; 517-321-5565

Year founded: 1952.

Services provided: Claims adjusting, administration, auditing.

Regions served: Michigan, Ohio, Wisconsin.

Specialty: Property/casualty claims: 20% workers compensation, 5% property, 25% general liability, 5% automobile, 5% professional liability, 2% bonds, 1% ocean marine, 32% miscellaneous.

Number of claims: 18,000 total claims adjusted, 1,200 for self-insurers; 100% by field adjuster.

Staff: 150 total staff, including adjusting staff of 106, which includes 97 field adjusters and nine administrative supervisors. Administration staff of nine. Auditing staff of nine.

Clients: Total adjusting clients, 600; self-insured, 60. Total administration clients, 25; all self-insured.

Compensation: Time and expense and contractual arrangements for adjusting services. Time and expense, based on the task or staff used, for administration services.

1983 gross revenues: $6.5 million.

Locations: 23 branch offices in Michigan; Akron, Cincinnati, Cleveland, Columbus, Marion, Toledo, Ohio; Madison, Wis.

Principal officers: R.J. Young, president; T.M. Kelly, executive vp; C.C. Shotwell, secretary/treasurer.

Claims auditing: Eight audits conducted, 40% for self-insurers.

Claims auditing charges: Time and expense, $50 to $100 an hour; flat fee.

N

NATLSCO

Long Grove, Ill. 60049; 312-540-2400

Parent company: Kemper Corp.

Year founded: 1968.

Services provided: Claims administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 69% workers compensation, 15% general liability, 11% automobile, 5% property damage.

Number of claims: 90,000 total claims administered, 22,500 for self-insurers.

Staff: 200 total staff (NATLSCO only). 735 total adjusting staff (including Kemper personnel). Administration staff of 2,600. Auditing staff of six.

Clients: Total administration clients, 155.

Compensation: Percent of incurred claims, experienced rated for charge; percent of payroll, experienced rated for charge; per claim, $80-$140; time and expense for claim auditing and asbestosis only, $57.50 per hour for administration services.

1983 gross revenues: More than $25 million.

Locations: Akron, Ohio; Fairfax, Va.; and 94 Kemper Group branch offices.

Principal officers: Robert W. Satterfield, president; F.G. Minchk, vp-risk management; G.J. Krafcisin, vp-health services; D.F. Benevich, vp-management services; A.D. Odom, safety.

Claims auditing: 45 audits conducted, 89% for self-insurers.

Claims auditing charges: Time and expense, $55-60 per hour; flat fee, varies.

Continued on facing page

Continued from facing page

O

Orange Coast Adjusters

7798 Starling Drive, Suite 306, San Diego, Calif. 92123; 619-292-6101

Year founded: 1953

Services provided: Claims adjusting, administration, auditing.

Region served: Southern California.

Specialty: Property/casualty claims: 30% workers compensation, 40% general liability, 10% automobile, 10% property damage, 5% professional liability, 5% inland marine.

Number of claims: 4,874 total claims adjusted in 1983, 1,875 for self-insurers; 35% by field adjuster, 65% by telephone. 1,875 total claims administered in 1983, all for self-insurers.

Staff: 39 total staff, including adjusting staff of 28, which includes 24 field adjusters, four telephone adjusters, 11 administrative supervisors. Administration staff of five. Auditing staff of three.

Clients: 182 total adjusting clients, of which four are self-insured; three total administration clients, of which all are self-insured.

Compensation: Per claim, $40; time and expense, $27 per hour, for adjusting services.

1983 gross revenues: $880,000.

Locations: San Diego, San Bernardino, Los Angeles, Santa Ana and Long Beach, Calif.

Principal officers: Robert Webb, president; Lorraine Webb, vp; Harold Hardier, consultant.

Claims auditing: Two audits conducted in 1983, one for a self-insurer.

Claims auditing charges: Time and expense, $27 per hour; flat fee, $20 per file.

P

Parker Services Inc.

1800 N. Point Drive, Stevens Point, Wis. 54481; 715-346-7457

Parent company: Sentry Insurance Co.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 70% workers compensation, 15% professional liability, 10% general liability, 5% automobile.

Number of claims: 1,600 total claims adjusted, 1,000 for self-insurers; 40% by field adjuster and 60% by telephone adjuster. 1,600 total claims administered, 1,000 for self-insurers.

Staff: 1,317 total staff, including adjusting staff of 709, which includes 276 field adjusters, 183 telephone adjusters and 250 administrative supervisors. Administration staff of 140. Auditing staff of 75.

Clients: Total adjusting clients, 11; self-insured, five. Total administration clients, 10; self-insured, five.

Compensation: Percent of incurred claims, 7% to 10%; percent of paid claims, 7% to 10%; percent annual premium, 5.5% to 6.5%; per claim, charge varies by line and volume; time and expense, $40-$50 per hour-senior/field adjuster, $35-$40 per hour-general adjuster, $30-$35 per hour-inside adjuster for adjusting services. Percent of incurred claims, 5% to 7%; percent of paid claims, 5% to 7%; percent of annual premium, 3% to 5%; per claim; time and expense, $30-$50 per hour for administration services.

1983 gross revenues: Not reported.

Locations: All major U.S. cities.

Principal officers: Wayne Ashenberg, president; Dave Entwistle, vp-marketing; Dick Fee, vp-service; Kent Foster, vp-EHD.

Claims auditing: Two audits conducted, none for self-insurers.

Claims auditing charges: Time and expense, $30-$50 per hour.

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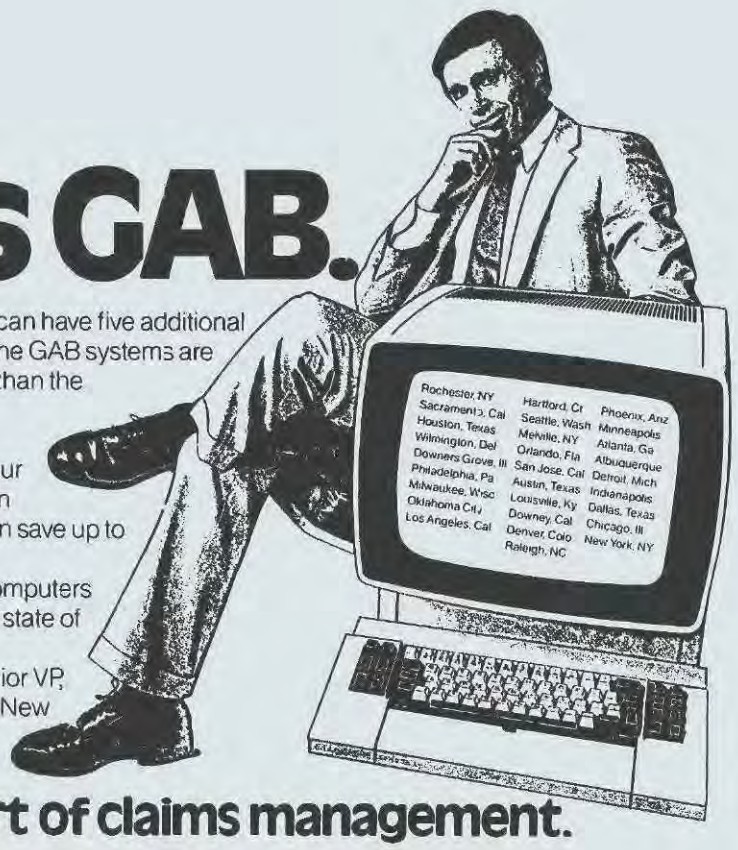

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R

Reinserco

334 Madison Ave., CN1922, Morristown, N.J. 07960; 201-539-3764

Parent company: W.R. Berkley.

Services provided: Claims auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 25% professional liability, 20% automobile, 10% general liability, 10% inland marine, 25% reinsurance, 5% workers compensation, 5% property damage.

Staff: Eight total staff, including three administrative supervisors. Administration staff of three. Auditing staff of five.

1983 gross revenues: Not reported.

Principal officers: Kenneth D. Johnson, president; John M. Monahan, executive vp/secretary; Charles S. Stacey, vp.

Claims auditing: 29 audits conducted, 10% for self-insurers.

Claims auditing charges: Time and expense.

Risk Management Economics

156 William St., New York, N.Y. 10038; 212-233-7171

Parent company: BRI Coverage Corp.

Year founded: 1981.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 80% workers compensation, 10% general liability, 5% automobile.

Number of claims: 3,500 total claims adjusted in 1983, 600 for self-insurers; 5% by telephone. 5,600 total claims administered in 1983, all for self-insurers.

Staff: 18 total staff, including adjusting staff of 13, which includes seven telephone adjusters, three administrative supervisors. Administration staff of 13. Auditing staff of three.

Clients: Nine total adjusting and administration clients, of which one is self-insured.

Compensation: Negotiated for adjusting and administration services.

1983 gross revenues: $750,000.

Continued on page 47

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BANKS AND INSURANCE

Integration of financial services is industry's hot topic

By Joseph P. Decaminada

AT ANY PARTICULAR time, there is one issue that seems to be the dominant subject at insurance industry meetings. You will recall no-fault insurance, insolvency laws, federal insurance programs, holding company laws, cash-flow underwriting, etc.

The hot topic today is banks in insurance. There is hardly an insurance meeting where a speaker does not address the possible entry of banks into the insurance business. At times, the subject is called integration of financial services or full financial services or deregulation of financial services.

Essentially, the controversy is whether the banks should be permitted to become actively involved in the insurance business. Obviously, banks are contending that they should be authorized to sell insurance while, for the most part, the insurance industry—both property/casualty and life companies and producer groups—expresses a contrary view.

It appears to me that if there is a certainty on this subject, it is that no one is certain as to how this scenario will eventually unfold.

Joseph P. Decaminada is senior vp, secretary and counsel of The Atlantic Cos. in New York. He is president-elect of the National Society of Chartered Property/Casualty Underwriters.

Some executives have indicated that the entry of banks into insurance is a foregone conclusion and that eventually most major insurers will be part of a financial conglomerate. Others contend that the banks already have sufficient problems, and that they will either never be permitted or will decide not to enter the insurance business in any meaningful manner.

At this point, the jury is still out and the final chapter has yet to be written. An important factor, which has not yet entered into the equation, is the real attitude and desires of the consumer.

Economic and consumer considerations will be a very significant determining factor in the writing of this final chapter. What is the attitude of the consumer?

In addition to the public acceptance of this development, we must not ignore practical political considerations.

Since this development can only take place if we have federal and state regulation, bills will have to be enacted and signed into law. New legislation, or the lack thereof, is very significantly influenced by the lobbying efforts of the interested parties.

The lobbying thrust of the American Bankers Assn. is very powerful, but we should not ignore the efforts of the insurance industry and particularly the insurance producers. It would appear that, with these strong lobbying groups going head-to-head, there is a perfect situation for some form of compromise.

Those in the insurance industry who are opposed to the entry of banks into the insurance business generally base their position on the following arguments:

- Credit leverage. If the banks are active in the insurance business they will be in a position to abuse this power by combining loan transactions with the sale of insurance. It is contended that this can be done in very subtle ways.

Also, some borrowers might be agreeable to purchasing insurance from a bank because they may feel that it would improve the chances of obtaining a loan from the institution.

Currently, a number of states, including New York, have adopted laws that prohibit bank-owned agents or brokers from negotiating any insurance policy covering property that is the subject of a loan.

- Market consideration. It is generally agreed that the banking business is more concentrated than the insurance industry. The argument is that if banks enter the insurance industry, it may result in making the insurance market more concentrated, which would be disadvantageous to the consumer by restricting the number of choices.
- Banking and commerce. Because of the problems with bank insolvencies during the Depression, the federal government adopted the principle of separation of banking from commerce.

The government thought it critical that the financial soundness of the banking system be guaranteed and that it should not have an undue concentration of financial power. This principle is found in the Banking Act of 1933, known as the Glass-Steagall Act, which essentially separates banking from commerce.

- Special role. The banks are an integral part of the monetary policy of the government because of their involvement with the Federal Reserve System. Banks perform several unique functions in the economy by providing liquidity and credit. This economic role should not be used by banks to give them an unfair advantage over insurance companies that are not owned by banks.
- Bank insolvencies. In recent years, the number of bank insolvencies has increased. Therefore, it is argued that it would be inadvisable to authorize banks to enter into additional financial activities that involve taking risks. Banks are already faced with enough risks in the present system; their critics will generally refer to some banks' problems with international loans.

Banks argue strongly, however, that they should be permitted to enter the insurance business. Their arguments are that:

- If banks are allowed to offer a broader range of financial services, they can better satisfy consumer needs. In other words, it is in the best interest of the consumer that banks be in the insurance business.
- If banks are in insurance, consumers will pay lower costs because of economy of scale. The consumer will benefit by better services and wider protection.
- There should be an expansion of powers on an equal basis so that no one member of the financial community

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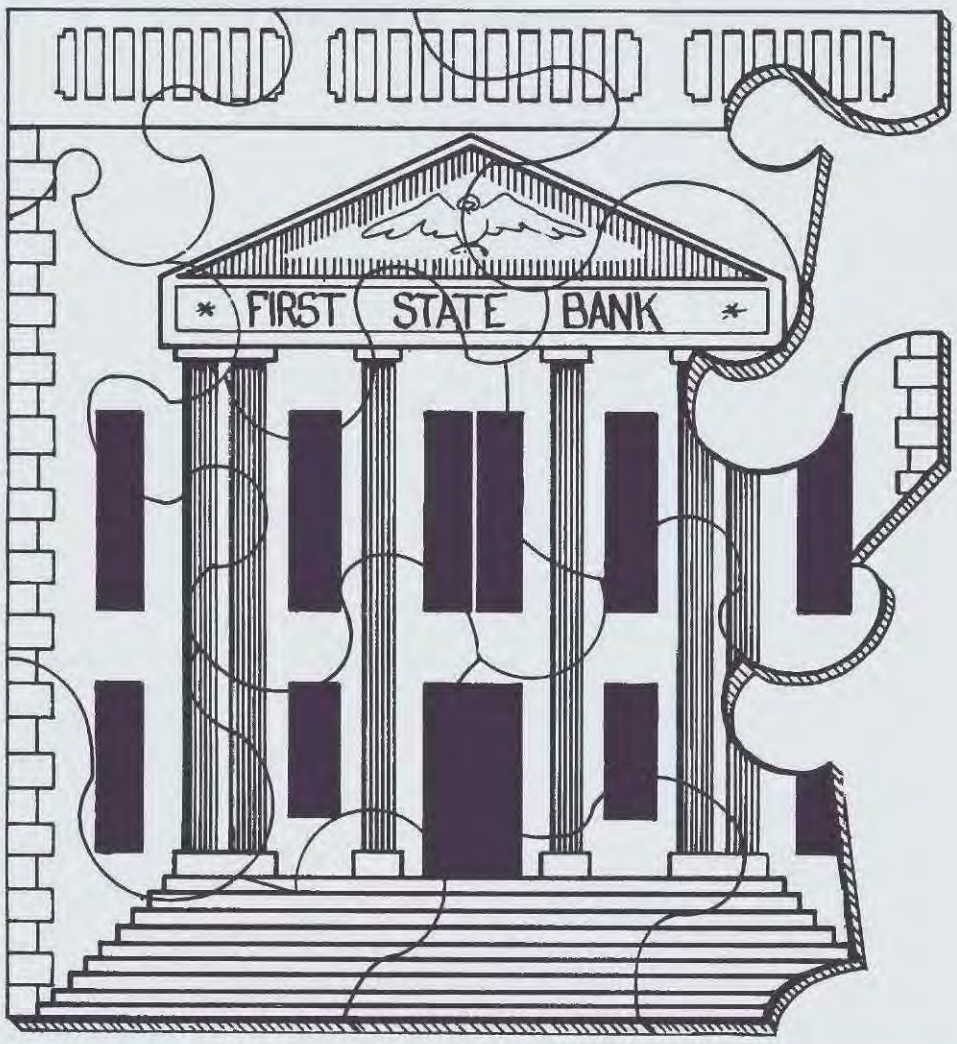

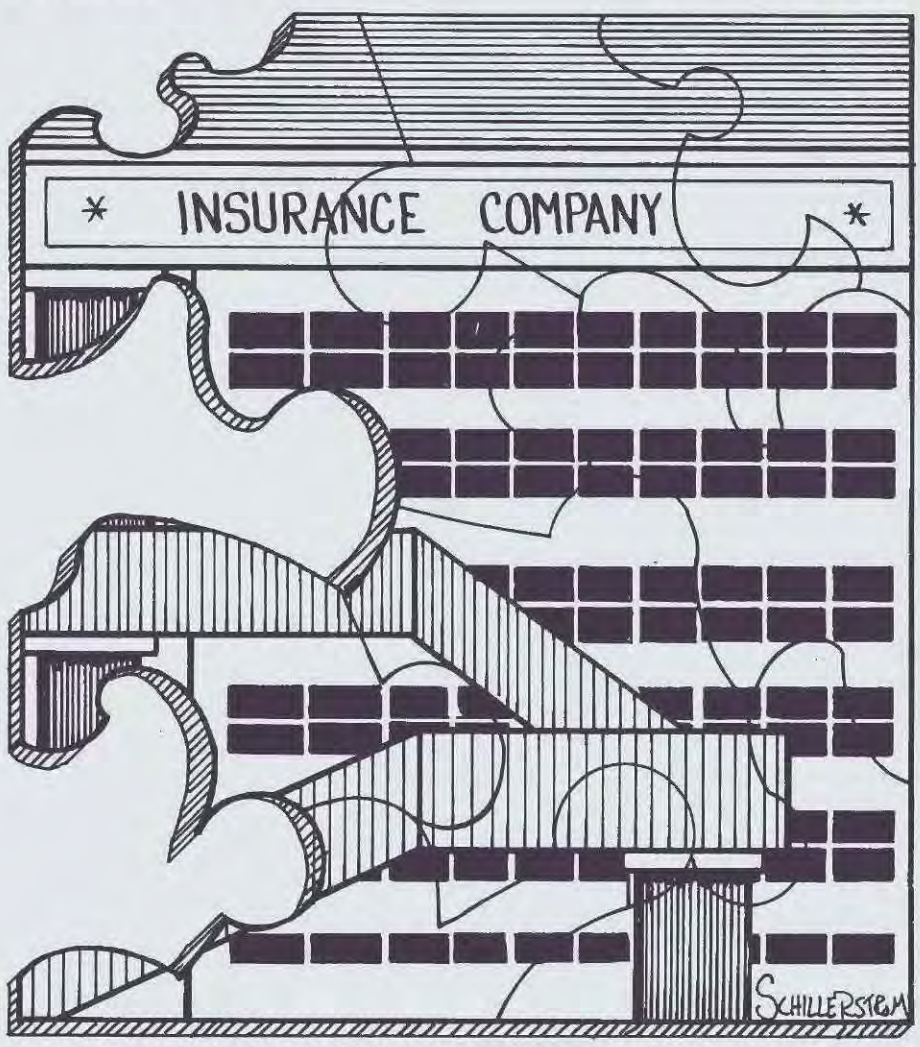

speaking out

PROS AND CONS

RIMS says banks could spur competition, but could also cause problems

By Jon Harkavy

MORE THAN 3,800 corporations, institutions and governmental bodies are represented by the 77 chapters of the the Risk & Insurance Management Society Inc., a non-profit organization representing corporate and governmental consumers of insurance.

More than 300 large corporations headquartered in New York state are represented by three of our chapters alone. In terms of total premium dollars of insurance purchased, RIMS is the largest organization of insurance consumers in the state and in the nation.

As insurance consumers, RIMS members are keenly interested in the impact that breaking down the traditional barriers separating banking and insurance will have on insurer solvency, the insurance market and regulation.

The purpose of the society's comments on the integration of financial and insurance services is not to endorse or oppose any current legislation dealing with financial integration, but rather to offer consumer concerns that we believe must be addressed in any legislation dealing with the possible integration of these services.

Integrated financial services is, of course, the industry watchword for any company offering insurance, investments and credit to the public. It would seem that the short-term effect to RIMS members from the entry of banks into the insurance field would be neutral.

The interest of banks currently seems to focus on personal rather than commercial insurance lines. This interest seems to be even more focused on the opportunity to distribute insurance products, rather than to underwrite risks.

Nevertheless, financial integration offers the possibility of future bank involvement in the commercial insurance market, which in turn may increase competition and lower the price of the insurance product. RIMS welcomes new entrants into the insurance market place if, and only if, proper regulatory standards can be maintained.

Of particular concern to the society are four crucial areas:

- The continued regulation of insurance by state insurance departments.
- The prevention of tie-in arrangements between the issuance of credit and the sale of insurance.
- The maintenance of insurer and banking solvency.
- The protection of market competition.

Two regulatory extremes must be avoided with the emergence of financially diversified institutions.

The first is the creation of a regulatory void where neither federal nor state government has the authority to exercise regulatory oversight.

The other extreme is the situation where dual, and often conflicting, regulatory authority can be imposed on the diversified entity by the federal and state governments.

In terms of both the quality and cost-efficiency of insurance regulation, RIMS believes that the insurance consumer would benefit if banks entering the insurance field had their insurance activities regulated by state insurance departments. There is no comparable body at the federal level with the experience and technical support to provide this needed regulation.

While the society is concerned that state regulators may lack the resources to provide adequate oversight of financially integrated institutions, this funding problem can be more easily rectified than the problems inherent in creating a new federal agency.

In short, the consumer places a great importance on the regulatory body that oversees the operation of the integrated institution. Thus, the society urges that if banks and other financial institutions do enter the business of property/casualty insurance, they should be regulated by the same insurance departments and subject to the same regulations as today's commercial insurers.

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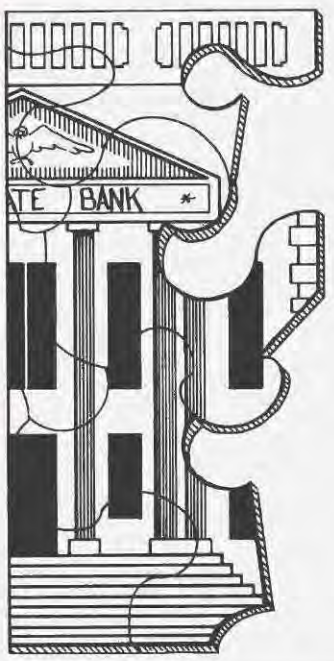

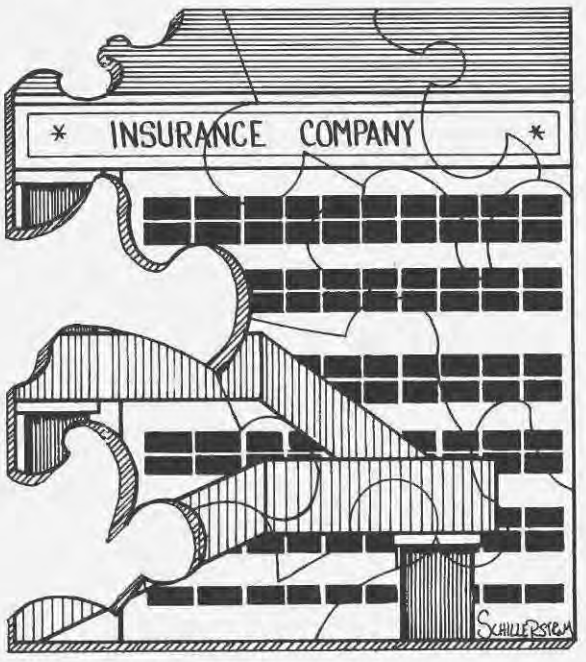

Brokers say banks would tie insurance sales to loan applications

By James W. March

THE INSURANCE Brokers' Assn. of the State of New York opposes the entry of banks into the insurance business.

While the IBA/NY firmly supports competition and welcomes change, we believe that bank entry into insurance will have an adverse impact on the consumer.

Lending institutions already have a pronounced ability to influence borrowers because they can link the purchase of financial products, including insurance, to the extension of credit.

The danger of this influence has been acknowledged by the Federal Reserve Board, which as far back as 1969, recognized that:

"Because of the inferior bargaining position of the debtor, he may be susceptible to the loan officer's 'suggestions' concerning choice of coverage, premium rates, insurer and agent. As a result, the debtor easily may receive the impression that his loan application may be more favorably considered if he follows such suggestions."

Evidence of banks exerting their credit leverage can be found in an often-cited Federal Reserve Board study. It shows that of nearly 67% of banks' borrowers who purchased credit life or health insurance from the lending institutions, 40% of them did so because they believed it was required or strongly recommended.

While the lender's intangible leverage has been discussed mostly within the context of individual consumers, this leverage can be presented, perhaps even more so, in transactions involving sophisticated commercial customers.

A savvy business may decide that its relationship with a lending institution will be strengthened if it purchases insurance along with credit. There is no question this practice does and will continue.

It is important to understand the distinction between prohibiting tie-in sales and preventing them. No statute or regulation can remove what we believe is a bank's unfair advantage in its unique ability to market its non-banking services.

It is also important to note that among the services, insurance is probably unique; evidence of insurance often must be established before credit commitments are fulfilled. In these instances, insurance is an inherent part of the loan process.

The invasion of privacy is another problem that could develop as a consequence of tie-in sales.

With depository institutions having access to the information concerning not only the depositor's savings account, but insurance records as well, there is a real potential for abuse.

For example, the cancellation of the insurance policy or premium surcharge may jeopardize the depositor's financial standing with the bank. The ability of a bank to provide objective judgment regarding a consumer's financial affairs may be seriously eroded if banks have the power to examine different types financial and insurance of transactions.

Several months ago, state Sen. John R. Dunne, R-Long Island, submitted a report on financial services deregulation to the Conference of Insurance Legislators (*BI*, Sept. 26, 1983).

The report described the urgent need to upgrade the ability of state regulators to adequately monitor the solvency of insurers. The public, the report said, will not be adequately protected "unless the states make a massive financial commitment to give their insurance departments the people and computers they need in this day of overnight takeovers by financial conglomerates and split-second fund transfer."

Considering the increasing number of states with budget deficits, it is difficult to imagine any immediate, or for that matter,

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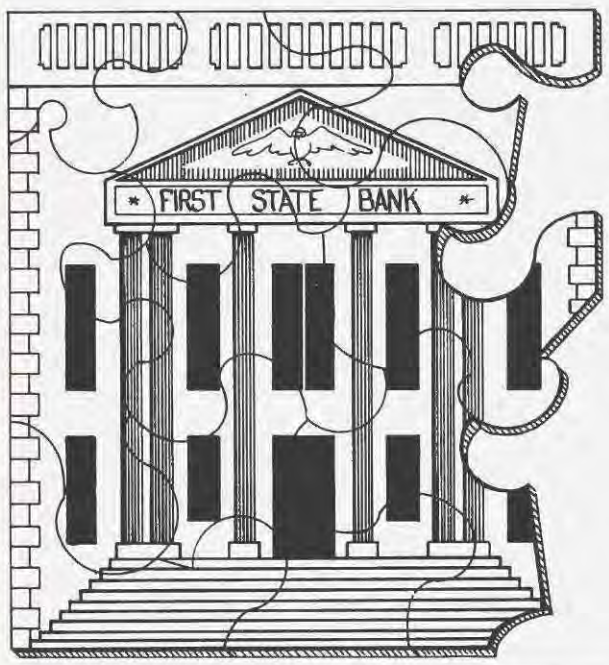

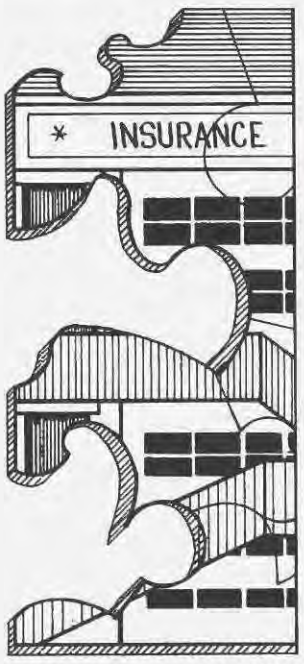

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RIMS sees pros and cons in the integration of financial services

Continued from page 42

The financial solvency of the insurer, whether it is a bank, an insurance company or other entity, is of key importance to the consumer.

To state the obvious, insurance is purchased to minimize risk—a marketplace strewn with nearly insolvent insurers, no matter how competitive, is no bargain to the insurance consumer.

The safety nets for insolvency, such as federal deposit insurance for banks and state guaranty funds for insurance, must be strong enough to respond to the possible insolvency of a giant integrated system—no easy task.

However, the success of these safety nets to meet emergencies is rarely due to the size of the reserves alone. It is the quality of the regulatory effort exercised by the Federal Reserve Board and the state insurance departments to prevent insolvencies that is the true protection offered to consumers in the event of a financial institution's failure.

Sound regulation of an integrated entity requires tight restrictions on the ability to commingle assets associated with insurance and banking activities.

In any diversified company, there is the very real danger of debts spilling over from one business to another. It is essential that the policyholder be protected by measures that prevent claims reserves from being raided to pay creditors.

One measure RIMS urges to prevent such a situation is to require any entity engaged in banking and insurance to insulate one activity from another through the use of separate subsidiaries for each activity with an upstream holding company.

Similarly, for reasons of solvency and competition, transactions between insurance and banking affiliates must be regulated to require that they be made on substantially the same terms, circumstances and credit standards as those prevailing at the time of a transaction between the bank/insurer and a non-affiliated company.

The attractiveness of financial integration to the insurance consumer is the expectation that added competition will bring greater efficiency.

There is a concern that small and middle-sized financial institutions will be crowded out of the market or seek shelter in a large conglomerate. The society, whose members as consumers have the most to lose from such decreased competition, believes this concern is not justified.

Banking and insurance are demanding specialties, each requiring a considerable body of technical knowledge and business acumen. Mergers may get rid of excess capacity and make the industries more efficient and specialized.

However, large size and full integration will not be necessary for survival.

Recent entrants into the insurance business, such as major life insurers, have discovered they almost invariably operate in the red during their early years in business. And the cross-selling of new products through an existing distribution base has not been an unqualified success.

Sale of insurance through the Sears catalog has not been very successful, nor has the sale of Fireman's Fund insurance through American Express Co. RIMS believes that the key to success in the insurance field is the ability to identify with and tailor products to a customer's needs.

While a financial conglomerate may have certain advantages of size or distribution base, the smaller, specialized insurance company or agency has the ability to adapt to changing consumer practices and preferences in a way that the conglomerate never could.

A regulatory concern that must be addressed, however, is the capacity of banks to control borrowers' decisions on purchasing insurance in conjunction with extensions of credit.

Such a danger is most pronounced for the personal lines and small commercial insured, where the greater disparity in bargaining power between the loan applicant and bank may make the debtor more susceptible to the loan officer's suggestions on insurer choice.

RIMS urges that any overt tie-in between the issuance of credit and the purchase of insurance remain strictly prohibited. Every loan applicant should be advised in writing by the potential lender/insurer that such tie-in sales are illegal.

Furthermore, consumers must be give an administrative or judicial remedy to pursue if they believe that they have been denied credit because of their refusal to purchase insurance from the lender.

It is the society's firm conviction that an informed consumer, given the ability to seek redress, will curb any potential abuses that may occur.

The integration trend presents a challenge to buyer, seller and regulator alike.

To the consumers, more options will be available, but there will be a corresponding responsibility to discern the best product available among a myriad of competing services. To the sellers, competition will heat up in a crowded, more competitive marketplace. And perhaps the greatest challenge is presented to the regulator, who will have to work at the pace and in the direction dictated by the demands of this competitive marketplace. ■

Jon Harkavy is director of governmental affairs for the Risk & Insurance Management Society. This article is from his speech to the Temporary State Commission on Banking, Insurance and Financial Services.

Brokers worry about credit tie-ins

Continued from page 42

long-term "massive" financial commitment to state insurance departments.

This outlook also is based on the realization that there is a multitude of other budgetary concerns that, in all likelihood, would be given higher priority by state legislators.

As a consequence, the fear of the inability of state insurance departments to regulate banks engaged in insurance may serve as an impetus for federal regulation.

This would be unfortunate since state regulation of insurance has existed for almost 40 years and has worked well in protecting the consumer. Such protection, in our opinion, could not be maintained under a federal system of regulation.

In addition to opposing the federal regulation of financial services, we are opposed to changes in state laws that would enable lending institutions to circumvent the intent of federal law. Such circumvention already has taken place in South Dakota and may take place in other states where similar legislation is pending.

A word of caution should be given in regard to this legislation.

Most, if not all, of the proposals have been advertised primarily as jobs bills. While seeking to reduce unemployment is a worthwhile goal, it should not be done at the expense of a regulatory system.

It has been suggested by the American Insurance Assn. that banks are seeking to gain entrance into "the insurance business and other non-bank enterprises to offset some of the losses they are suffering on international loans."

While we have no idea whether this is a factor, we believe this commission should be concerned about "authorizing new activities to institutions that are having substantial problems fulfilling present obligations."

In view of the serious problems with tie-in sales, inadequate regulation and the potential threat to consumers, we believe that allowing banks further entry into the insurance business would be a serious mistake. Our view might be different if there were a compelling public need for banks to engage in insurance, but no such need exists. Insurance is readily available and price competition is keen.

We believe the existence of a competitive insurance marketplace where consumers can make free choices has served our nation well. The system that separates banking from insurance continues to work for the benefit of buyers and should be maintained. ■

James W. March is director and counsel of the Insurance Brokers' Assn. of New York Inc. in New York. He gave this speech to the Temporary State Commission on Banking, Insurance and Financial Services in New York last fall.

What will happen if banks succeed?

Continued from page 41

has advantage over another due to some legislative or regulatory action. In other words, banks argue for the "level playing field."

If banks are permitted to and, in fact, enter the insurance business on a major scale, I believe we can make some general conclusions:

- It appears certain that the initial thrust of banks will be in the distribution of insurance, which would create tremendous competition with insurance producers. The marketing of insurance creates no additional risk to the banks, but there would be additional risk if the banks operated insurance companies.
- If banks enter insurance, they will be permitted to do so only by acquiring or establishing separate corporations. It is inconceivable, from a practical standpoint, that banks will be permitted to conduct a banking and insurance business within the same corporate entity. It also would be impossible to regulate such an entity.

Therefore, if banks are permitted to expand, we can expect that they will acquire insurance companies and establish financial conglomerates.

- One has to wonder if there may not be some change in the regulatory climate in the years ahead if banks become an integral part of the insurance business.

Essentially, most areas of financial activity are regulated by the federal government except for insurance business. It appears logical that the federal government or the financial industry itself might start a movement to place all of these activities under federal regulation.

However, in the case of insurance, it is unlikely that the states would completely lose their authority to regulate. That could result in a dual set of regulations for the insurance business.

- Fundamentally, the present competitive climate in the insurance business can be attributed to the fact that we presently have a supply that far exceeds the demand. It is a basic principle of economics.

To the extent that banks enter insurance and bring "new money" into the business, it will serve only to increase the competitive climate.

- If banks become a part of the insurance business, where does this leave the current insurance professionals?

It would appear that professional insurance producers and personnel need not be unnecessarily concerned about their positions because such people still would be needed to effectively manage insurance. Business has not yet produced financial wizards who can effectively work with consumers in all financial areas.

It is possible, however, that insurance professionals eventually might receive their paychecks from a bank or other financial institution.

As mentioned, there is considerable legislative activity on both the federal and state levels. The proposed legislation varies significantly. The many trade associations for both banking and insurance industries have increased their lobbying efforts.

New York Gov. Mario Cuomo last year appointed the Temporary State Commission on Banking, Insurance and Financial Services. A report will be issued by the commission by Feb. 15.

It will be interesting to review the report because it should be an indication of what may develop. New York is the major financial state in this country and the influence of the commission's report will certainly extend beyond the state's boundary.

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CLAIMS AUTOMATION

New breed of computers can aid health cost containment

By John L. Krakauer

HEALTH INSURANCE plan administrators faced with a rapid rise in claims and unprecedented pressures to control costs are finding it increasingly necessary to take advantage of the benefits of automation.

To some administrators, unaware of the tremendous risks and financial investment it takes to develop their own software, that just means going out and buying a computer to process claims. Many other administrators, however, are realizing the vital role that a totally automated solution plays in the overall claims administration function and the whole health care cost picture.

Besides performing the necessary task of controlling benefit payouts, a totally automated claims administration system can help determine the nature and extent of the benefit plan, how much the employer and employees pay, which health care providers are used and how much they are paid.

In the 1960s, virtually all health benefit programs were insured and administered by insurance companies and Blue Cross/Blue Shield in big centralized operations.

In recent years, however, many companies are starting to self-insure to reduce overhead expenses, gain direct access to cost-containment data and control benefit dollars.

Some of the self-insurers are administering their own health benefit programs, but others have turned to third-party administrators.

The significant rise in self-insurance fueled a jump in claims-processing organizations from several hundred less than a decade ago to as many as 3,000 today. Current estimates say that 20% to 30% of all health care claims are processed by non-insurance companies.

Squeezed by constantly rising medical costs, employers and other organizations providing health care benefits are demanding more from their claims administrators.

The bill payers want hard evidence that administrative costs are being controlled. They are asking for usable data to help them make cost-containment decisions about the rest of the benefit dollars.

Consequently, today's claims administration, regardless of who is doing it or the size of the employee group, demands sophisticated "big computer" functions.

Unfortunately, the millions of claims now filed annually leave most claims shops struggling against an avalanche of paper. About 80% of the health benefit claims—often complicated by changing benefit plans—are processed manually or with minimal automated support.

Redundant paper handling hinders the efficiency of this complex operation and, because claims often are sitting on the shelf in a family folder, comprehensive data retrieval is impossible.

Progressive insurance companies, third-party administrators and self-insuring, self-administering companies recognize the need for automated systems to maximize productivity by reducing paperwork and clerical help. Automated claims are processed more quickly, more completely and more accurately.

In addition, the administrator is more responsive to information requests from employers, health care providers and benefit recipients.

The automated system stores data that is easily retrievable for comprehensive and meaningful reports. These reports show the pattern of benefit use, including: types of illness, health care providers used, cost for treatment, coordination of benefits, amount paid per claim and reasonable charge cutbacks. Cash-flow reports, determined by timeliness for processing and payment, also are available from an automated system.

Employers can use this history of claims and payments to make cost-containment decisions, including: preferred provider arrangements, adjusted employee deductibles and coinsurance, cafeteria benefits and employee screening and education programs.

Until recently, the cost to totally automate a claims shop generally exceeded $1 million several times over, putting it out of the reach of most medium-sized and small users. However, a new generation of computers—the supermicros—has dramatically changed the automation picture.

The once-astronomical cost of mainframe computers, software and the people needed to keep the systems running are no longer standard because of recent progress in advanced microprocessors and large-capacity disk storage systems.

This breakthrough now enables medium-sized and small companies to efficiently—and affordably—administer benefits programs with functions formerly available only on mainframe computer systems.

The evolution of computing power is similar to what has happened with cameras. Fifteen or 20 years ago, high-quality cameras were too expensive and complex for most people, so only professional photographers and a few others used them, while everyone else made do with Brownies and Instamatics.

In the last decade, however, improved technology has helped substantially to reduce the price of most 35 mm cameras and make them easier to operate. Those who formerly could take only snapshots now are producing exellent photographs.

So it is with today's supermicrocomputers dedicated to claims administration. They can do the big computer jobs, but at a fraction of the cost.

Networking these systems with other computers has become economical, allowing larger companies to better manage dispersed claims processing operations from a central location.

Of course, all automated systems aren't the same. Some companies considering self-administration assume that health insurance claims can be efficiently processed on their corporate mainframe. However, employee benefits usually play second or third fiddle to other jobs. The complex application characteristics of claims administration take more resources than most data processing departments can make available.

At the very least, adding health claims processing to an existing in-house computer usually necessitates additional disk capacity and memory, as well as hiring new programmers and operators. So, what at first glance appears to be a cost-saving move, in the long run could actually be more expensive.

Some administrators have opted for partial automation, such as automated check-writing systems, while others have resorted to time-sharing on mainframe computers.

Both have advantages over manual processing, but each has its limitations.

Partial automation appears at first to cost less than a total system, but it only does part of the job. Incremental costs will be incurred when sophisticated outside processing of data is required, adding significantly to the total administrative cost.

A total system, from the beginning, provides support for many peripheral functions and builds historical on-line data that is available when needed. Therefore, the system that initially appears to cost more frequently yields a better return on investment.

Mainframe time-sharing provides access to a powerful computer system without the major initial investment it would take to own one. Time sharing is a quick way to automate with no up-front expenditures; however, the user gives up control over its data processing destiny and is subject to inflexibility and slow response with many time-sharing services. Monthly time-sharing fees are quite expensive, too, without providing the advantage of ownership.

The new supermicrocomputer technology, besides packing enormous computing power into an affordable system, has helped make automation a lot more user-friendly. No longer is it necessary to hire legions of highly paid, hard-to-find technicians for programming, operations and maintenance.

Employees familiar with personal computers or word processors now can feel comfortable processing claims in a series of easy steps using supermicrocomputers dedicated to this function.

A crucial first step in finding a "solution system" is to analyze the total claims administration needs and choose a system with the flexibility to meet them. Employee benefit managers and claims administrators are shopping for future, as well as current, requirements and in these times of highly volatile health care reimbursement patterns, they don't want to be stuck with an expensive, obsolete system.

A key advantage of the new technology is the potential it allows for flexibility, allowing expansion or changes in benefit plans without expensive computer reprogramming.

The size or type of system right for a specific claims administration operation depends on the number and complexity of benefit plans, the company's data requirements, the number of lives covered and the frequency of benefit use.

Turnkey automated claims administration systems using supermicrocomputers can produce a predictable, measurable payback in companies with as few as 3,000 or as many as 50,000 insured employees. That capacity is expected to double within a year.

One-stop shopping is the route some buyers chose to find a solution. By placing the responsibility for their entire system on one carefully chosen source, they avoid "passing the buck" for responsibility among several vendors when problems arise.

Still, it is not unusual for buyers to underestimate the effort required to implement a new system. It's also easy to overlook hidden costs, such as start-up and software maintenance.

An integral part of any solution system is a full-service commitment from the vendor before, during and after the sale. When things go wrong, expert support, over a hot line or in person, effectively separates mere products from truly effective systems.

Training provided by the vendor also is critical to the immediate productivity and long-term success of an automated system.

A thorough training program will integrate the system with the way employees think and work. Because training can be expensive and time-consuming, it's sometimes tempting to take shortcuts here, but the end results usually are directly proportional to the initial investment.

That principle holds true for the entire claims administration system. Employers and administrators need to carefully analyze the big picture in deciding what to expect from their system.

Naturally, an automated system should improve day-to-day productivity of claims administration, but it also should provide comprehensive, reliable data in a concise form to help make the most of benefit dollars.

Systems with this capability are available and affordable now. Many companies that foot the health benefits bill are realizing that they don't have to settle for just a computer when they can have an automated claims administration system to support their health cost-containment decisions. ■

John L. Krakauer is president of Benetics Corp. in Mountain View, Calif.

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.

Continued from page 39

Principal officers: Donald P. Ferrarini, president; Michael Colin, Norman Portnoy, Alfred Weller, vps; Burton Matfus, secretary/treasurer.

Claims auditing: Six audits conducted, 50% for self-insurers.

Claims auditing charges: Vary.

Risk Management Service Co.

2730 Stemmons Freeway, Suite 209, Dallas, Texas 75207; 214-630-3730

Parent company: Lindsey & Newsom Insurance Adjusters Inc.

Year founded: 1973.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide service for administration only; regional service for administration, adjusting, auditing.

Specialty: Property/casualty claims: 85% workers compensation, 15% automobile.

Number of claims: 320 total claims adjusted; 100% by field adjusters. 1,902 total claims administered, all for self-insurers.

Staff: Seven total staff, including adjusting staff of two, which includes two field adjusters. Administration staff of two. Auditing staff of two.

Clients: Total adjusting clients, 25; none self-insured. Total administration clients, 104, all of which are self-insured.

Compensation: Time and expense, $25 per hour for adjusting services. Percent of paid claims, 8%; percent of annual premium, 5% for administration services.

1983 gross revenues: Not reported.

Principal officers: Robert B. Irwin, president; Terry A. Grant, vp; James I. Jackson, manager.

Claims auditing: Five audits conducted, none for self-insurers.

Claims auditing charges: Time and expense, $30 per hour.

Royal Insurance Service Corp.

150 William St., New York, N.Y. 10038; 212-553-3000

Parent company: Royal Insurance Co.

Year founded: 1980.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty claims: 63% workers compensation, 18% general liability, 15% automobile, 3% property damage, 1% professional liability.

Staff: Adjusting staff of 662, which includes 274 field adjusters, 44 telephone adjusters. Administration staff of 289. Auditing staff of 30.

Clients: 30 total adjusting and administration clients, of which six are self-insured.

Compensation: Percent of paid claims, 7%; percent of annual premium, 4%; per claim, $40-$600; time and expense, $35-$50 per hour for adjusting services. Flat charge for administration services.

1983 gross revenues: Approximately $1.2 million.

Locations: 112 offices nationwide.

Principal officers: Joseph F. Peloso, assistant vp; Joseph Notaro, secretary; Richard C. Shaw, assistant secretary.

Claims auditing: Two audits conducted, both for self-insurers.

Claims auditing charges: Time and expense, $35-$50; flat fee, $1,000 to $7,500.

R.S. Rozak & Co.

175 W. Jackson Blvd., Room 1003, Chicago, Ill. 60601; 312-922-1842

Year founded: 1969.

Services provided: Claims adjusting.

Region served: Nationwide.

Specialty: Property/casualty claims: 5% general liability, 70% property damage, 20% inland marine, 5% miscellaneous.

Number of claims: 3,500 total claims adjusted in 1983, 175 for self-insurers; 100% by field adjuster.

Staff: 21 total staff, including adjusting staff of 11, which includes 11 field adjusters, one administrative supervisor. Administration staff of two. Auditing staff of two.

Workload: Average number of multiline claims handled monthly by each adjuster, 35.

Clients: 100 total adjusting clients, five of which are self-insured.

Compensation: Time and expense, $40 to $45 per hour for adjusting services.

1983 gross revenues: Not reported.

Principal officers: Ronald S. Rozak, Lyn Rozak.

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BI 130

Continued from previous page

Claims auditing charges: Time and expense.

American SelfCare Corp.

690 E. North Ave., Carol Stream, Ill. 60188; 312-653-6120

Parent company: American Family Corp.
Year founded: 1952.
Services provided: Claims administration: 100% health insurance.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims.
Number of claims: 330,000 total claims administered, all for self-insurers.
Staff: 90 total staff. Administration staff of 40. Claims supervisors average 10 years of experience; claims adjusters average five years of experience.
Clients: Total administration clients, 50; all self-insured.
Compensation: Per covered employee for administration services.
1983 gross revenues: More than $1 million.
Locations: Columbus, Ga.; San Francisco.
Principal officers: Salvador Diaz-Verson, president; Kenneth Kaczmarek, secretary/treasurer.

B

B.C.A. Administrators Inc.

1700 N. Broadway, Suite 307, Walnut Creek, Calif. 94596; 415-930-8600

Parent company: Burr-Cummings & Associates Inc.
Year founded: 1955.
Services provided: Claims adjusting and administration.
Region served: California; Nevada.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 20,000 total claims adjusted in 1983, all for self-insurers; 100% by field adjuster. 27,000 total claims administered in 1983, all for self-insurers.
Staff: 10 total staff, including adjusting staff of two who are field adjusters/administrative supervisors. Administration staff of one.
Clients: Two total adjusting clients, all self-insured; six total administration clients, three of which are self-insured.
Compensation: Per covered employee for adjusting and administration services.
1983 gross revenues: $150,000.
Principal officers: Richard Cummings; Brian Cummings; William Brooks.

Babcock Insurance Corp.

1161 El Dorado Place, Suite 100, Tucson, Ariz. 85715; 602-886-8401

Year founded: 1970.
Services provided: Claims administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 90% health insurance, 10% life insurance.
Number of claims: 75,000 total claims administered in 1983, 40,000 for self-insurers.
Staff: Administration staff of 40. Auditing staff of seven.
Clients: 400 total adjusting clients, 20 of which are self-insured; 400 total administration clients 20 of which are self-insured.
Compensation: Percent of annual premium, per covered employee, time and expense for administration services.
1983 gross revenues: More than $900,000.
Locations: Phoenix, Ariz.; Denver.
Principal officers: Dwight Babcock; Cindy Stewart; Frank Sharp; Jim Cowan; John Armstrong.
Claims auditing: Three audits conducted, all for self-insurers.
Claims auditing charges: Time and expense, $25 hourly charge.

Benefit Plan Administrators Inc.

P.O. Box 3208, Wichita, Kan. 67201; 316-262-3578

Year founded: 1970.
Services provided: Claims adjusting, administration, auditing.
Regions served: Midwest.
Specialty: Employee benefits/group insurance claims: 90% health insurance, 10% life insurance, pension and dental/vision plans.
Number of claims: 67,080 total claims administered, 23,400 for self-insurers.
Staff: 10 total staff. Adjusting staff of four, which includes one administrative supervisor. Administration staff of four. Auditing staff of one.
Clients: Total administration clients, 12; self-insured, three.
Compensation: Percent of incurred claims, percent of annual premium, per employee for administration services.
1983 gross revenues: $300,000.
Principal officers: Jerry W. Cole, president.
Claims auditing: No audits conducted in 1983.
Claims auditing charges: Part of regular fee.

Benefit Plans Risk Management Inc.

P.O. Box 928, Findlay, Ohio 45839; 419-423-3823

Year founded: 1973.
Services provided: Claims administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance; 100% health insurance.
Number of claims: 225,000 total claims adjusted in 1983, all for self-insurers; 225,000 total claims administered in 1983, all for self-insurers.
Staff: 47 total staff, including adjusting staff of 18, which includes three administrative supervisors. Administration staff of 18. Auditing staff of four.
Clients: 113 total adjusting clients, of which 110 are self-insured; three total administration clients, of which none are self-insured.
Compensation: Per covered employee, for adjusting and administration services.
1983 gross revenues: $850,000.
Locations: Marion, Youngstown, Ohio; Detroit; Minneapolis.
Principal officers: J. Roland Hahn, president; Stan Phillips, vp/treasurer; Joe Killian, vp-marketing.
Claims auditing: No audits conducted in 1983.
Claims auditing charges: Monthly per employee charge covers auditing.

Benefit Services (Benserco Inc.)

2185 Lemoine Ave., Fort Lee, N.J. 07024; 201-592-6800

Year founded: 1966.
Services provided: Claims adjusting, administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 70% health insurance, 30% life annuity.
Number of claims: 90,000 total claims adjusted in 1983, 63,000 for self-insurers; 100% by field adjuster. 90,000 total claims administered in 1983, 63,000 for self-insurers.
Staff: 24 total staff, including adjusting staff of 14, which includes 10 field adjusters, four administrative supervisors. Administration staff of four. Auditing staff of four.
Clients: Not reported.
Compensation: Per covered employee for adjusting and administration services.
1983 gross revenues: Not reported.
Locations: Philadelphia.
Principal officers: Robert A. Leef, president; Jack P. Kolman, secretary/treasurer; Betty DiLullo, general manager; Phyllis Bilow, manager of Philadelphia office.

Boon-Chapman

P.O. Box 9201, Austin, Texas 78766; 512-454-2681

Year founded: 1961.
Services provided: Claims administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 80% health insurance, 20% life insurance.
Number of claims: 212,103 total claims administered in 1983, 167,090 for self-insurers.
Staff: 90 total staff. Administration staff of 41.
Clients: 42 total administration clients, of which 30 are self-insured.
Compensation: Per covered employee for administration services.
1983 gross revenues: $1,5 million.
Principal officers: T.J. Chapman, president; Bob Jarcik, vp; Dick Carr, Gary Tipton, senior vps; Elgin Allen, secretary.

C.W. Burke & Co. Inc.

Public Ledger Building, Suite 928, Philadelphia, Pa. 19106; 215-922-2611

Year founded: 1960.
Services provided: Claims administration, auditing.
Region served: Middle Atlantic states; Pennsylvania; New Jersey; Maryland; Delaware; Virginia.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 35,000 total claims administered in 1983, 30,000 for self-insurers.
Staff: 11 total staff. Administration staff of five. Auditing staff of

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one.

Clients: 105 total administration clients, of which 75 are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $225,000.

Principal officers: C. William Burke.

Claims auditing: Five audits conducted, 100% for self-insurers.

Claims auditing charges: Flat fee.

C

Chase Southeast Corp.

9620 Executive Center Drive N., Suite 126, St. Petersburg, Fla. 33702; 813-576-3272

Year founded: 1979.

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 50% health insurance, 50% pension administration.

Number of claims: 3,000 total claims administered in 1983, all for self-insurers.

Staff: Administration staff of two. Auditing staff of two.

Clients: 13 total administration clients, of which all are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $25,000.

Principal officers: John P. Larrison.

Claims auditing: 13 audits conducted, all for self-insurers.

Claims auditing charges: Time and expense, $8-$10 per hour; flat fee, $250 lowest fee.

Clyman Co. Inc.

8775 Aero Drive, Suite 233, San Diego, Calif. 92123; 619-292-8517

Year founded: 1980.

Services provided: Claims administration, auditing.

Region served: California.

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

Number of claims: 800 to 1,000 total claims administered in 1983, none for self-insurers.

Staff: Nine total staff.

Compensation: Per covered employee for administration services.

1983 gross revenues: $5 million.

Locations: Stockton, San Bernardino, Calif.

Principal officers: Sy Clyman.

Claims auditing: Two audits conducted; none for self-insurers.

Claims auditing charges: Flat fee.

Comprehensive Benefits Service Co. Inc.

90 S. Newtown St. Road, Newtown Square, Pa. 19073; 215-359-1400

Year founded: 1976.

Services provided: Claims administration, auditing.

Region served: Nationwide.

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

Number of claims: 190,000 total claims administered in 1983, 180,000 for self-insurers.

Staff: 110 total staff. Administration staff of 36. Auditing staff of two.

Clients: 217 total administration clients, of which 212 are self-insured.

Compensation: Percent of paid claims, per claim, per covered employee for administration services.

1983 gross revenues: $3.5 million.

Locations: New York; Rockville, Md.

Principal officers: Russell R. Naylor, Andre V. Duggin, Thomas H. Brown, owners/officers; Dennis M. Ryan, chief executive officer; Frederick P. Herold, vp-marketing.

Claims auditing: No audits conducted in 1983.

Claims auditing charges: Included in administration fee.

Control Data Benefit Services

14801 Quorum Drive, Suite 301, Dallas, Texas 75240; 214-385-5666

Parent company: Control Data Corp.

Year founded: 1980.

Services provided: Claims administration.

Region served: Nationwide.

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

Number of claims: 485,000 total claims administered, all for self-insurers.

Staff: 140 total staff, including adjusting staff of 90. Administra-

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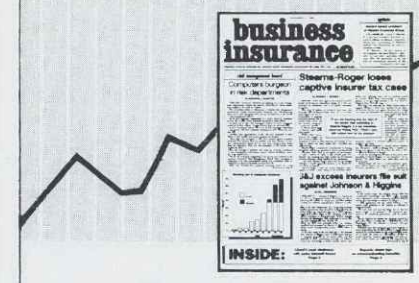

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Continued from previous page
tion staff of 90. Auditing staff of 90.

Clients: 10 total administration clients; all self-insured.

Compensation: Percent of incurred claims, percent of paid claims, per claim, per covered employee for administration services.

1983 gross revenues: Not reported.

Principal officers: Don Shovein, general manager; Lowell Moore, claims operations manager; Eric Hornquist, data processing manager; F. Ray Hill, national sales manager; Russ Clark, financial manager.

Co-Ordinated Benefit Plans Inc.

Henderson Blvd., Tampa, Fla. 33629; 813-870-0140

Year founded: 1981.

Services provided: Claims administration.

Region served: Nationwide.

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

Number of claims: Not reported.

Staff: 205 total staff, including adjusting staff of 28, which includes three administrative supervisors. Administration staff of four.

1983 gross revenues: Not reported.

Locations: Phoenix, Ariz.

Principal officers: John Provanzano Sr.; Warren Schulte; Linda Vinis; John Provanzano Jr.

Thomas P. Corcoran

P.O. Box 4026, Concord, Calif. 94524; 415-798-2550

Year founded: 1968.

Services provided: Claims adjusting, administration, auditing.

Region served: West Coast.

Specialty: Employee benefits/group insurance: 75% health insurance, 25% pension funds.

Number of claims: 80,000 to 90,000 total claims adjusted in 1983, 25,000 to 30,000 for self-insurers. 100,000 to 115,000 total claims administered in 1983, 30,000 to 35,000 for self-insurers.

Staff: 33 total staff, including adjusting staff of 10, which includes 10 field adjusters. Administration staff of 10. Auditing staff of two.

Clients: 13 total adjusting clients, of which two are self-insured; 13 total administration clients, of which two are self-insured.

Compensation: Per covered employee for administration and adjusting services.

1983 gross revenues: More than $900,000.

Principal officers: Thomas P. Corcoran.

Claims auditing: No audits conducted in 1983.

Corporate Benefits Service Inc.

139 S. Tryon St., Charlotte, N.C. 28202; 704-373-0447

Year founded: 1964.

Services provided: Claims adjusting, administration, auditing.

Region served: Southeastern states.

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

Number of claims: 26,400 total claims adjusted in 1983, all for self-insurers.

Staff: 12 total staff, including adjusting staff of six, which includes one administrative supervisor. Administration staff of seven. Auditing staff of one.

Clients: 13 total adjusting clients, all of which are self-insured; 30 total administration clients, of which 27 are self-insured.

Compensation: Per covered employee for adjusting services. Time and expense for administration services.

1983 gross revenues: Not reported.

Claims auditing: Five audits conducted. All for self-insurers.

Claims auditing charges: Time and expense, $20-$25 per hour.

Corporate Diversified Services Inc.

10535 Pacific St., Omaha, Neb. 68114; 402-393-3133

Parent company: Blue Cross/Blue Shield of Nebraska.

Year founded: 1974.

Services provided: Claims adjusting, administration, auditing.

Region served: West of the Mississippi River.

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

Number of claims: 3,000 total claims administered in 1983.

Staff: 27 total staff. Administration staff of seven. Auditing staff of seven.

Clients: 15 total administration clients, of which 13 are self-insured.

Compensation: Per covered employee for adjusting and administration services.

1983 gross revenues: Not reported.

Principal officers: Richard L. Guffen, president; Jerry Herbel, Robert Hopkins, vps.

Claims auditing: No audits conducted in 1983.

Corporate Systems Administration Inc.

3201 Bristol Highway, P.O. Box 1036, Johnson City, Tenn. 37601; 615-282-3420

Parent company: Jones, Hill & Mercer Insurance.

Year founded: 1980.

Services provided: Claims administration.

Region served: Nationwide.

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

Number of claims: 300,000 total claims administered, 110,000 for self-insurers.

Staff: 120 total staff. Administration staff of 30.

Clients: 400 total administration clients, of which 30 are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: Not reported.

Locations: Savannah, Ga.; Atlanta.

Principal officers: Thomas H. Repass, president; Cecil Byers, vp.

D

Decision Service Inc.

5905 Harford Road, Baltimore, Md. 21214; 301-426-3200

Parent company: American Health & Service Co. Inc.

Year founded: 1972.

Services provided: Claims adjusting, administration, auditing.

Region served: Mid-Atlantic states.

Specialty: Employee benefits/group insurance: 75% health insurance, 25% pension, vacation, annuity plans.

Number of claims: 10,000 total claims adjusted in 1983, 8,500 for self-insurers. 12,000 total claims administered in 1983, 10,000 for self-insurers.

Staff: 45 total staff, including adjusting staff of 10, which includes two field adjusters, three telephone adjusters, five administrative supervisors. Administration staff of eight. Auditing staff of four.

Clients: 18 total administration clients, of which 15 are self-insured.

Continued on facing page

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For further information contact:
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188 Stonefence Lane · Dublin, Ohio 43017 · 614-889-0781

Continued from facing page

Compensation: Percent of paid claims, per claim, time and expense for adjusting services. Per covered employee for administration services.

1983 gross revenues: $600,000.

Locations: Richmond, Va.; Columbia and Cumberland, Md.

Principal officers: Richard M. Woodfin; Ed Allen; Will Allen; Russell Clark.

Claims auditing: Four audits conducted, all for self-insurers.

Claims auditing charges: Flat fee.

Diversified Group Brokerage Corp.

218 New London Turnpike, Box 736, Glastonbury, Conn. 06033; 203-659-0381

Year founded: 1968.

Services provided: Claims adjusting, administration, auditing.

Region served: District of Columbia; Pittsburgh; New England.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% long- and short-term disability, dental, life, special risk health.

Number of claims: 200,000 total claims adjusted in 1983, 150,000 for self-insurers. 200,000 total claims administered in 1983, 150,000 for self-insurers.

Staff: 90 total staff, including adjusting staff of 20, which includes five administrative supervisors. Administration staff of 35. Auditing staff of two.

Clients: 1,000 total adjusting and administration clients, of which 800 are self-insured.

Compensation: Per covered employee for adjusting services and administration services.

1983 gross revenues: $4 million.

Locations: East Norwalk, Conn.; Braintree, Mass.; Washington.

Principal officers: Robert H. Soleau, president; Eleanor Kissinger, vp; Dean Briskey, secretary/treasurer; Mary Armstrong, vp-administration; Kathy Shea, vp-group underwriting.

Claims auditing: 125 audits conducted, 90% for self-insurers.

Claims auditing charges: Time and expense.

E

EHD Administrators Inc.

115 E. King St., Lancaster, Pa. 17603; 717-394-5681

Parent company: Engle Hambright & Davies Inc.

Year founded: 1979.

Services provided: Claims administration.

Region served: Central Pennsylvania.

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

Number of claims: 7,653 total claims administered in 1983, all for self-insurers.

Staff: Six total staff. Administration staff of two.

Clients: 10 total administration clients, all of which are self-insured.

Compensation: Percent of paid claims, per covered employee for administration services.

1983 gross revenues: $215,000.

Principal officers: C.E. McMurtrie, president; D.C. Goddard, vp; J.S. Hollinger, secretary.

Eagles' National Corp.

771 Corporate Drive, Lexington, Ky. 40503; 606-223-2386

Parent company: Whitehall Insurance Holdings Ltd.

Year founded: 1972.

Services provided: Claims administration.

Region served: Nationwide.

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

Number of claims: 24,560 total claims administered in 1983, all for self-insurers.

Staff: 68 total staff. Administration staff of six.

Clients: Nine total administration clients, all of which are self-insured.

Compensation: Percent of incurred claims, per covered employee for administration services.

1983 gross revenues: $169,624.

Principal officers: M.D. Moross, chairman; R.S. Scowby, president; D. Gubbay, vp/secretary; T. Brooks, treasurer; D.S. Moross, K. Koch, vps.

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Eastern Benefit Systems Inc.

200 Freeway Drive E., East Orange, N.J. 07018; 201-676-3333

Services provided: Claims adjusting and administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: health insurance and flexible spending, dental, short-term disability.
Number of claims: 80,000 total claims adjusted, all for self-insurers.
Staff: 17 total staff, including adjusting staff of 10.
Clients: Nine adjusting clients; all self-insured. Four administration clients; all self-insured.
Compensation: Per covered employee for adjusting and administration services.
1983 gross revenues: Not reported.
Principal officers: William E. Vogel, chief executive officer; Antonio Lim, vp.

Employee Group Services Ltd.

P.O. Box 4009, 122 Second St. N.E., Cedar Rapids, Iowa 52407; 319-373-1401

Year founded: 1979.
Services provided: Claims adjusting, administration, auditing.
Region served: Midwest.
Specialty: Employee benefits/group insurance: 90% health insurance, 10% life.
Number of claims: 18,000 total claims adjusted in 1983 for self-insurers. 18,000 total claims administered in 1983, all for self-insurers.
Staff: Eight total staff, including adjusting staff of three, which includes two administrative supervisors. Administration staff of three. Auditing staff of one.
Clients: 52 total adjusting and administration clients, of which all are self-insured.
Compensation: Per covered employee for adjusting and administration services.
1983 gross revenues: Not reported.
Principal officers: John R. Ver Hulst, president; Jerald Ver Hulst, vp; Jean D. Ver Hulst, treasurer; Jackie Schaffer, secretary.
Claims auditing: 150 audits conducted, all for self-insurers.
Claims auditing charges: Not specified.

Employee Services Inc.

120 S. Indiana, P.O. Box 1610, Sioux Falls, S.D. 57101; 605-336-2457

Services provided: Claims adjusting, administration.
Region served: Upper Midwest.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 53,300 claims administered, all for self-insurers.
Staff: 13 total staff.
Clients: 30 administration clients; all self-insured.
Compensation: Per covered employee for administration services.
1983 gross revenues: $400,000.
Principal officers: John Timmer, president; Marvin Jensen, secretary/treasurer.

Executive & Employee Benefit Plans Inc.

2025 Riverside Drive, Columbus, Ohio 43221; 614-481-8391

Year founded: 1959.
Services provided: Claims administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 85% health insurance, 15% miscellaneous.
Number of claims: 600,000 claims administered, all for self-insurers.
Staff: 150 total staff, including adjusting staff of 61. Administration staff of 53.
Compensation: Per covered employee for administration services. Bonus for reduced losses upon renewal.
1983 gross revenues: Not reported.
Locations: Atlanta; Charlotte, N.C.; Cincinnati; Cleveland; Columbus, Ohio; Houston; Orlando, Fla.
Principal officers: Carmon E. Cobe, chairman; W. Richard Perkins, president; C. Jeffrey Wintersteller, executive vp; Edward A. Hightower Jr., vp; and Marie Bricker, vp.
Claims auditing: No audits conducted in 1983.
Claims auditing charges: Time and expense.

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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: 1969.
Services provided: Claims adjusting, administration, auditing.
Region served: Midwest.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 42,194 total claims adjusted and administered, 3,000 for self-insurers.
Staff: 17 total staff, including adjusting staff of six, which includes five telephone adjusters, one administrative supervisor. Administration staff of two. Auditing staff of two.
Clients: 11 total adjusting and administration clients, of all which are self-insured.
Compensation: Per covered employee, per covered family unit for adjusting and administration services.
1983 gross revenues: $953,906.
Principal officers: Joseph T. Ambrose, president; Robert J. Peele, senior vp; Ronald Anfenson, treasurer.
Claims auditing: One audit conducted for a self-insurer.
Claims auditing charges: Time and expense.

First Southeast Risk Management

100 Cherokee St., Marietta, Ga. 30060; 404-429-3885

Year founded: 1972.
Services provided: Claims adjusting.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 150,000 total claims adjusted in 1983, 120,000 for self-insurers.
Staff: 65 total staff, including adjusting staff of 14.
Clients: 350 total adjusting clients, of which 290 are self-insured.
Compensation: Per covered employee for adjusting services.
1983 gross revenues: Not reported.
Locations: Tifton, Ga.; Tampa, Fla.
Principal officers: William M. Bennett; J.D. Gray.

Foundation for Medical Care of Santa Clara County

1725 S. Bascom Ave., Campbell, Calif. 408-371-7810

Year founded: 1960.
Services provided: Claims administration, auditing.
Region served: Santa Clara County, Calif.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 130,000 total claims claims administered in 1983, 5% for self-insurers.
Staff: 64 total staff. Administration staff of 54. Auditing staff of four.
Clients: 185 total administration clients, of which 10 are self-insured.
Compensation: Percent of annual premium, per covered employee for administration services.
1983 gross revenues: $1 million.
Principal officers: Physicians from the foundation's board of trustees.
Claims auditing: 5% for self-insurers.

Fringe Benefit Review Inc.

3727 LaTrobe Drive, Suite 470, P.O. Box 221169, Charlotte, N.C. 28222; 704-366-7453

Year founded: 1979.
Services provided: Claims administration.
Region served: Southeast.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 50,000 total claims administered in 1983, 25,000 for self-insurers.
Staff: 23 total staff. Administration staff of 10. Auditing staff of two.
Clients: 75 total administration clients, of which 25 are self-insured.
Compensation: Per covered employee for adjusting and administration services.
1983 gross revenues: Not reported.
Principal officers: F. Richard Atkinson, W. James Michelsen.

G

Genelco Inc.

1201 Macklind Ave., St. Louis, Mo. 63110; 314-644-3200

Parent company: General American Life Insurance Co.
Year founded: 1973.
Services provided: Claims administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 260,000 total claims administered, 250,000 for self-insurers.
Staff: 106 total staff, including adjusting staff of 53, which includes six administrative supervisors.
Clients: 85 total administration clients, of which 51 are self-insured.
Compensation: Percent of paid claims, per covered employee for administration services.
1983 gross revenues: More than $2 million.
Locations: Denver; Philadelphia.
Principal officers: David B. Johnson; Ben C. Allen Jr.; Thomas E. Hiegel; Russell E. Korte.
Claims auditing: Continuous audits conducted, 90% for self-insurers.
Claims auditing charges: Time and expense.

Georgetown Benefit Management Inc.

4370 Georgetown Square, P.O. Box 720677, Atlanta, Ga. 30358; 404-455-1535

Year founded: 1983.
Services provided: Claims administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 99% health insurance, 1% group life insurance.
Number of claims: 6,000 total claims administered in 1983, 4,215 for self-insurers.
Staff: Eight total staff, including adjusting staff of three, which includes two telephone adjusters, one administrative supervisor. Administration staff of two. Auditing staff of two.
Clients: Eight total administration clients, of which three are self-insured.
Compensation: Percent of annual premium, per covered employee for adjusting services. Per covered employee for administration services.
1983 gross revenues: $120,000.
Principal officers: Eugene Oberdorfer II, president; R.L. Richevy, vp; Saralyn B. Oberdorfer, secretary.

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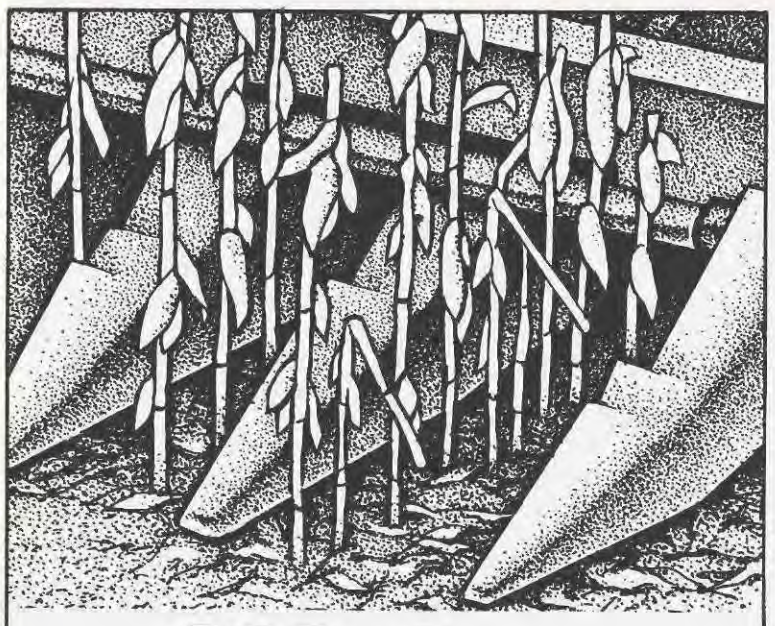

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Continued from previous page

Staff: 15 total staff. Administration staff of eight. Auditing staff of two.

Clients: Six total administration clients, all of which are self-insured.

Compensation: Percent of annual premium, per covered employee for administration services.

1983 gross revenues: $400,000.

Locations: Lyndhurst, N.J.; Santa Ana, Calif.

Principal officers: B.H.Suter, president; D.R. Cook, senior vp; E.A. Powell, vp; R.C. Mercer, marketing director; B.E. Buchanan, claims manager.

Claims auditing: No audits conducted in 1983.

Claims auditing charges: Time and expense.

Independent Health Plan Administrators Inc.

4116 N. Seventh Ave., Phoenix, Ariz. 85013; 602-248-0255

Year founded: 1971.

Services provided: Claims administration, auditing.

Region served: Southwest and Rocky Mountain states.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% life and disability.

Number of claims: 18,000 total claims administered in 1983, 6,500 for self-insurers.

Staff: Administration staff of 15. Auditing staff of four.

Clients: 400 total administration clients, of which 25 are self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of annual premium, per covered employee for administration services.

1983 gross revenues: $1.25 million.

Locations: Tucson, Ariz.

Principal officers: K. Paul Boucek, V. Ronald Clegg, vps; Joanna Rudge, assistant vp.

Claims auditing: Two audits conducted. All for self-insurers.

Claims auditing charges: Time and expense.

Insurance Design Administrators

3 Post Road, Oakland, N.J. 07626; 201-337-0555

Parent company: Insurance Design Associates.

Year founded: 1983.

Services provided: Claims administration.

Region served: California; Florida.

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

Number of claims: Approximately 10,000 total claims administered in 1983, all for self-insurers.

Staff: 10 total staff. Administration staff of four.

Clients: 35 total administration clients, of which all are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $75,000.

Locations: New York.

Principal officers: Russell P. Minetti; Robert L. Turell.

Insurance Management Administrators Inc.

P.O. Box 224168, Houston, Texas 77244; 713-496-3100

Year founded: 1976.

Services provided: Claims administration, auditing.

Region served: Southwest, primarily Louisiana and Texas.

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

Number of claims: 9,000 total claims administered in 1983, 8,600 for self-insurers.

Staff: 35 total staff. Administration staff of nine. Auditing staff of nine.

Clients: 130 total administration clients, of which 129 are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $1.2 million.

Locations: San Antonio, Texas.

Principal officers: Edward A. Jacobson, president; Ashley W. Brown, David E. Chotiner, vps; John W. Clark, president, IMA-Dallas; Berman Batt, IMA-South Texas.

Claims auditing: Two audits conducted. All for self-insurers.

Claims auditing charges: Time and expense.

Insurance Services Inc.

3015 E. Central, Suite B, Wichita, Kan. 67214; 316-686-3373

Year founded: 1977.

Services provided: Claims administration, auditing.

Region served: Midwest and Southwest.

Specialty: Employee benefits/group insurance: 75% health insurance, 25% life, disability and long-term disability.

Number of claims: 7,500 total claims administered in 1983, all for self-insurers.

Staff: Six total staff, including three administrative supervisors. Administration staff of three. Auditing staff of one.

Clients: 10 total administration clients, all of which are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $120,000.

Principal officers: Alvin Salle, owner; Tillie Salle, president; Lenore Jasin, operations manager.

Intermountain Administrators Inc.

620 High Park Way, Missoula, Mont. 59803; 406-721-2222

Year founded: 1980.

Services provided: Claims administration.

Region served: Rocky Mountain area and west.

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

Number of claims: 40,000 total claims administered in 1983, all for self-insurers.

Staff: Five total staff. Administration staff of three.

Clients: Nine total administration clients, all of which are self-insured.

Compensation: Per covered employee, time and expense for administration services.

1983 gross revenues: Not reported.

Principal officers: C.H. Visser; Dirk C. Visser.

J

Jackson, Long & Associates Inc.

20000 Governors Drive, Olympia Fields, Ill. 60461; 312-747-7400

Year founded: 1979.

Services provided: Claims administration, auditing.

Region served: Nationwide.

Continued on facing page

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Continued from facing page

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

Number of claims: 247,000 total claims administered in 1983, for all for self-insurers.

Staff: 28 total staff. Administration staff of 12. Auditing staff of four.

Clients: 154 total administration clients, all of which are self-insured.

Compensation: Per covered employee, time and expense for administration services.

1983 gross revenues: More than $1 million.

Principal officers: Richard L. Jackson, president; Donald L. Long, executive vp; Jane R. Bergman, vp-administration.

Claims auditing: Six audits conducted, all for self-insurers.

Claims auditing charges: Time and expense.

Johnson Administrators

P.O. Box 248, Newtown, Pa. 18940; 215-968-7700

Parent company: Johnson Cos.

Year founded: 1981.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% disability and life insurance.

Number of claims: 75,000 total claims adjusted and administered in 1983, all for self-insurers; 100% by field adjuster.

Staff: 25 total staff, including adjusting staff of 15, which includes 15 field adjusters. Administration staff of 16. Auditing staff of three.

Clients: 75 total adjusting and administration clients, all of which are self-insured.

Compensation: Per covered employee, time and expense, for adjusting and administration services.

1983 gross revenues: $500,000.

Principal officers: Ed Johnson; Don Gallie Charles Havelka.

Claims auditing: 12 audits conducted, all for self-insurers.

Claims auditing charges: Time and expense, flat fee.

K

Kelly & Associates Inc.

303 E. Ohio St., Chicago, Ill. 60611; 312-649-1200

Year founded: 1955.

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Employee benefits/group insurance: 50% health insurance, 50% pensions.

Number of claims: 95% administered for self-insurers.

Staff: 350 total staff, including administration and auditing staff of 150.

Compensation: Per covered employee, time and expense for administration services.

1983 gross revenues: Not reported.

Locations: Milwaukee; Indianapolis; Denver; Phoenix, Ariz.; Oklahoma City; Dallas; Houston; Little Rock, Ark.; New Orleans; Boston; Decatur, Ill.; Lansing, Mich.

Principal officers: Robert E. Kelly Jr., president.

Key Benefit Administrators Inc.

4091 Millersville Road, Indianapolis, Ind. 46205; 317-542-1811

Year founded: 1978.

Services provided: Claims administration.

Region served: Nationwide.

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

Number of claims: 15,500 total claims administered in 1983, all for self-insurers.

Staff: 21 total staff. Administration staff of eight.

Clients: 110 total administration clients, of which all are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: Not reported.

Claims auditing: No audits conducted in 1983.

Klais & Co.

1867 W. Market St., Akron, Ohio 44313; 216-867-8443

Year founded: 1968.

Services provided: Claims administration.

Region served: Ohio.

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

Number of claims: 10,000 total claims administered in 1983, all for self-insurers.

Staff: Nine total staff. Administration staff of three.

Clients: 32 administration clients, all of which are self-insured.

Compensation: Percent of paid claims, per covered employee for administration services.

1983 gross revenues: $350,000.

Principal officers: Daniel V. Klais.

Claims auditing: No audits conducted in 1983.

Claims auditing charges: Time and expense.

L

LaHood & Associates Inc.

6900 W. 80th St., Overland Park, Kan. 66204; 913-341-0001

Year founded: 1974.

Services provided: Claims administration.

Region served: Midwest.

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

Number of claims: Not available.

Staff: 70 total staff. Administration staff of 59.

Clients: 160 total administration clients, all of which are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $2.5 million.

Locations: Omaha, Neb.; Waterloo, Iowa.

Principal officers: George LaHood, president; Joel Frisch, Zona Bauer, vps.

Life Group Administrators

1245-47 Waukegan Road, Glenview, Ill. 60025; 312-724-0500

Parent company: Larry Gordon Agency.

Year founded: 1982.

Services provided: Claims adjusting, administration.

Region served: Midwest.

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

Number of claims: 2,780 total claims administered in 1983, all for self-insurers.

Staff: Six total staff, which includes adjusting staff of three. Administration staff of three. Auditing staff of three.

Clients: 45 total administration clients, all of which are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: Not reported.

Principal officers: Larry Gordon; Tamara Vaneh; Stuart Pochross; Novne Meister; James

Continued on next page

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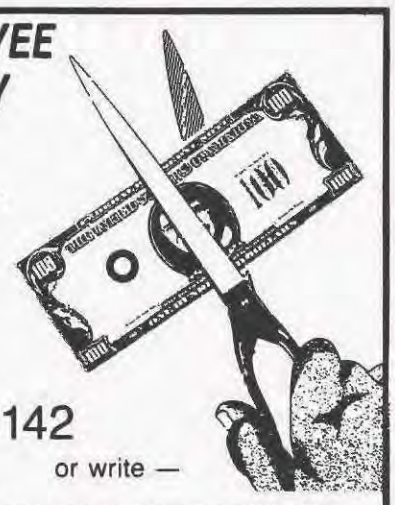

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Claims auditing: In-house audits conducted in 1983. All for self-insurers.

M

Charles Maher & Co. Ltd.

7125 W. 44th, Wheat Ridge, Colo. 80033; 303-423-7671

Year founded: 1978.
Services provided: Claims adjusting, administration, auditing.
Region served: Mountain states.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 50,000 total claims administered in 1983, 20,000 for self-insurers.
Staff: 11 total staff. Administration staff of one. Auditing staff of four.
Clients: 210 total administration clients, 10 of which are self-insured.
Compensation: Percent of annual premium, per covered employee for adjusting and administration services.
1983 gross revenues: Approximately $500,000.
Locations: Denver; Phoenix, Ariz.
Principal officers: Charles Maher, president; Christopher J. Maher, vp.

Management Employee Group Administrators Corp.

Mayfair Atrium Building, 1040C W. North Ave., Suite 420, Milwaukee, Wis. 53226; 414-475-5761

Year founded: 1974.
Services provided: Claims adjusting, administration, auditing.
Region served: Wisconsin Illinois; Iowa; Minnesota; Indiana; Nebraska; North and South Dakota.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 204,000 total claims adjusted in 1983, 2,000 for self-insurers; 100% by field adjuster.
Staff: 65 total staff, including adjusting staff of 24, which includes 16 field adjusters, two administrative supervisors. Administration staff of 18. Auditing staff of three.
Clients: 4,527 total administration clients, of which seven are self-insured.
Compensation: Per claim, per covered employee for adjusting services. Per claim, per covered employee, time and expense for administration services.
1983 gross revenues: Not reported.
Locations: Fond du Lac, Wis.
Principal officers: Leroy Schaetzel, president; June Schaetzel, James Harty, Helen Esser, vps.
Claims auditing: One audit conducted.
Claims auditing charges: Flat fee.

Maury Donnelly & Parr Inc.

Commerce & Water Streets, Baltimore, Md. 21202; 301-685-4625

Year founded: 1875.
Services provided: Claims adjusting, administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 56,000 total claims adjusted and administered, 55,000 for self-insurers.
Staff: 20 total staff, including adjusting staff of 12. Administration staff of two. Auditing staff of three.
Clients: Nine total adjusting clients, of which eight are self-insured; nine total administration clients, of which eight are self-insured.
Compensation: Per covered employee for adjusting services and administration services.
1983 gross revenues: $430,000.
Principal officers: Thomas Parr, president; H.A. Parr IV, senior vp; Walter Beadell, vp; Mary Pross, vp-employee benefits administration.

N

NBP Inc.

1441 N. Mayfair Road, Milwaukee, Wis. 53226; 414-258-3600

Year founded: 1981.
Services provided: Claims adjusting, administration.
Region served: Midwest.
Specialty: Employee benefits/group insurance: 75% health insurance, 25% dental and disability claims.
Number of claims: 48,623 total claims administered in 1983, all for self-insurers.
Staff: 18 total staff, including adjusting staff of six, which includes six administrative supervisors. Administration staff of six. Auditing staff of one, plus independent contractor.
Clients: 18 total administration clients, all of which are self-insured.
Compensation: Per covered employee for administration services.
1983 gross revenues: Not reported.
Principal officers: Scott Thurner; Doris Thurner; Pat Brigden; John Mackowski.

National Benefit Administrators Inc.

9708 Skillman, Dallas, Texas 75374; 214-340-2570

Year founded: 1982.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 15,000 total claims adjusted in 1983, all for self-insurers; 100% by field adjuster. 15,000 total claims administered in 1983, all for self-insurers.
Staff: Seven total staff, including adjusting staff of three, which includes two field adjusters, one administrative supervisor. Administration staff of three. Auditing staff of one.
Clients: 20 total adjusting clients, all of which are self-insured; 20 total administration clients, all of which are self-insured.
Compensation: Percent of paid claims, per covered employee for adjusting services. Bonus of 50% of savings for reduced losses for adjusting services. Percent of paid claims, per covered employee for administration services.
1983 gross revenues: Not reported.
Principal officers: Brent LaGere; Michael R. Oglesby; Ben Walkingstick; Julie A. Justice.
Claims auditing: One audit conducted for self-insurer.
Claims auditing charges: Time and expense.

National Health Plan Corp.

500 Eighth Ave., New York, N.Y. 10018; 212-279-3232

Year founded: 1953.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 100% health insurance.
Staff: 100 total staff, including adjusting staff of 50. Administration staff of 50. Auditing staff of 50.
1983 gross revenues: Not reported.
Principal officers: Alvin S. Konigsberg, chairman; David Konigsberg, president.

O

Orange County Foundation for Medical Care

300 S. Flower St., Orange, Calif. 92668; 714-978-7000

Year founded: 1959.
Services provided: Claims administration.
Region served: Orange County, Calif.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 250,000 total claims administered in 1983, 120,000 for self-insurers.
Staff: 72 total staff. Administra-

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tion staff of 30. Auditing staff of three. Claims administrators have more than five years of claims administration experience.

Clients: 247 total administration clients, of which eight are self-insured.

Compensation: Percent of annual premium, per covered employee for administration services.

1983 gross revenues: $2.2 million.

Principal officers: James A. Padova, president; L. Ward Wiseman, vp; Michael H. Sigband, secretary; Ray McGinty, treasurer; Robert Walker, executive vp.

Claims auditing: No audits conducted in 1983.

P

PAS of Texas Inc.

9430 Old Katy Road, Suite 203; Houston, Texas 77055; 714-984-0592

Year founded: 1979.

Services provided: Claims adjusting, administration.

Region served: Nationwide.

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

Number of claims: 2,175 total claims adjusted in 1983. 5,625 total claims administered in 1983.

Staff: Seven total staff, including adjusting staff of one. Administration staff of one. Auditing staff of one.

Clients: 15 total adjusting clients, of which two are self-insured; 13 total administration clients, none of which are self-insured.

Compensation: Percent of annual premium for adjusting services. Per covered employee for administration services. Start-up fee for administration services.

1983 gross revenues: Not reported.

Principal officers: Wade L. Mattingly; Lewis A. Mattingly.

Claims auditing: Two audits conducted.

R

Reed Stenhouse Associates Inc.

88 Pine St., New York, N.Y. 10005; 212-483-1204

Parent company: Reed Stenhouse Inc.

Year founded: 1880.

Services provided: Claims administration, auditing.

Region served: Nationwide.

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

Number of claims: Approximately 200,000 total claims adjusted in 1983, 155,000 for self-insurers; 100% by field adjusters. 200,000 total claims administered in 1983, 155,000 for self-insurers.

Staff: 83 total staff, including adjusting staff of 28, which includes 24 field adjusters, four administrative supervisors. Administration staff of 15. Auditing staff of four.

Clients: 35 total adjusting clients, 29 of which are self-insured; 35 total administration clients, 29 of which are self-insured.

Compensation: Percent of paid claims, percent of annual premium, per claim, per covered employee, time and expense, for adjusting services and administration services.

1983 gross revenues: $1.6 million.

Locations: Chicago; Houston; Pittsburgh; San Francisco.

Principal officers: D.C. French, chairman/chief executive officer; Richard M. Erving, president/chief operating officer; James E. Stone, senior vp.

Claims auditing: Six audits conducted, all for self-insurers.

Claims auditing charges: Time and expense.

Richard J. Reese & Associates Inc.

7645 Metro Blvd., Minneapolis, Minn. 55435; 612-835-7035

Year founded: 1967.

Services provided: Claims adjusting, administration.

Region served: Midwest.

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

Number of claims: 205,000 total claims adjusted, 182,000 for self-insurers.

Staff: 75 total staff, including adjusting staff of 21. Administration staff of 21. Auditing staff of one.

Clients: 18 total administration clients, of which 14 are self-insured.

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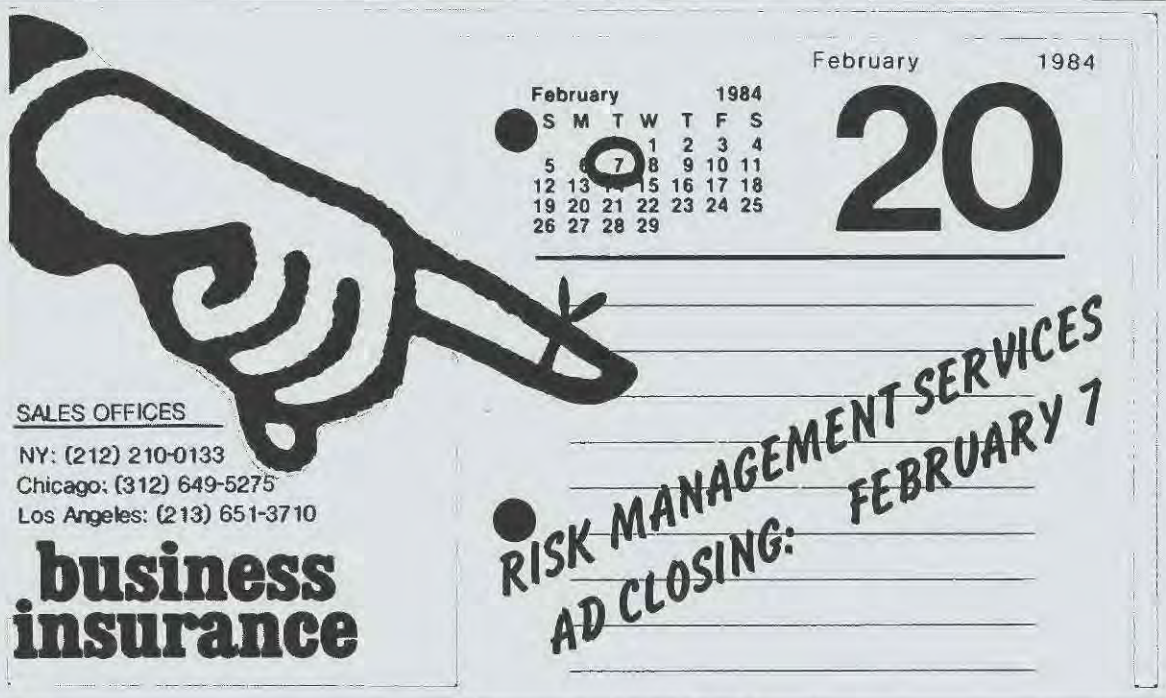

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Continued from previous page

Compensation: Percent of incurred claims, percent of paid claims, percent of annual premium, per covered employee, flat fee for administration services.

1983 gross revenues: $4 million.

Locations: Des Moines, Iowa; Madison, Wis.; Kansas City, Mo.; St. Louis.

Principal officers: Richard J. Reese; Jerome Pollock; David Gabrielson; Jim Stolfa; Ted Bourquin.

S

SJA Brokerage Inc.

5001 LBJ Freeway, P.O. Box 809059, Dallas, Texas 75380-9059; 800-442-5605

Year founded: 1979.

Services provided: Claims administration.

Region served: Texas; New Mexico; Oklahoma; Arkansas; Louisiana; Colorado; Mississippi; Missouri; Tennessee.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% life, dental, vision and prescription card service insurance.

Number of claims: 113,000 total claims administered in 1983, 28,900 for self-insurers.

Staff: 75 total staff. Administration staff of 20.

Clients: 2,181 total administration clients, of which 20 are self-insured.

Compensation: Percent of annual premium, per covered employee for administration services.

1983 gross revenues: Not reported.

Locations: Odessa, Texas.

Principal officers: Robert J. Boyer; Mike Collins; Gary Daigle; Dawn Skipper; Clint Wilson.

S.M. Administrators

223 W. 12th, P.O. Box 695, Eugene, Ore. 97440; 503-687-2262

Year founded: 1977.

Services provided: Claims adjusting, administration, auditing.

Region served: Washington; Oregon; California; Montana; Idaho; Nevada.

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

Number of claims: 1,800 total claims adjusted and administered in 1983, all for self-insurers; 10% by field adjuster, 90% by telephone adjuster.

Staff: Three total staff, including adjusting staff of three. Administration staff of three. Auditing staff of three.

Clients: Two total administration clients, of which two are self-insured.

Compensation: Percent of paid claims, 7% average percent charge for adjusting services. Per coverd employee, $1.50 per employee charge for administration services.

1983 gross revenues: Not reported.

Locations: Portland, Ore.

Principal officers: Gene Stewart; Marla Prentice.

Claims auditing: In-house audits only conducted. All for self-insurers.

Self-Assurance Co. Inc.

100 Yordy Road, Morton, Ill. 61550; 309-676-8745

Year founded: 1980.

Services provided: Claims adjusting, administration, auditing.

Region served: Midwest.

Specialty: Employee benefits/group insurance: 90% health insurance, 10% dental and disability insurance.

Number of claims: All claims adjusted and administered for self-insurers.

Staff: Seven total staff, including adjusting staff of two, which includes two administrative supervisors. Administration staff of two. Auditing staff of one.

Clients: 25 total administration clients, all of which are self-insured.

Compensation: Per covered employee for adjusting and administration services.

1983 gross revenues: $240,000.

Principal officers: Matthew Schafer, president; David Anderson, secretary/treasurer; Scott Ingram, Kent Miller, vps.

Claims auditing: 12 audits conducted, all for self-insurers.

Claims auditing charges: Flat fee.

Self-Funded Plans Inc.

1432 Hamilton Ave., Cleveland, Ohio 44114; 216-566-1455

Year founded: 1980.

Services provided: Claims administration, auditing.

Region served: Nationwide.

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

Number of claims: 45,000 total claims administered in 1983, 30,000 for self-insurers.

Staff: 17 total staff. Administration staff of five. Auditing staff of one.

Clients: 96 total administration clients, of which 75 are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $490,000.

Locations: Pittsburgh.

Principal officers: Thomas P. Luby, president; Richard C. Sheldon, vp-sales; Bonnie Bletcher, vp-administration; Marsha Phillips, vp-client services.

Claims auditing: No audits conducted in 1983.

Self-Insurers Benefit Services

222 S. Prospect, Park Ridge, Ill. 60068; 312-692-7020

Parent company: Combined International Corp.

Year founded: 1980.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

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

Number of claims: 300,000 total claims adjusted and administered in 1983, all for self-insurers.

Staff: 80 total staff. Administration staff of 36. Auditing staff of 10.

Clients: 60 total adjusting and administration clients, all of which are self-insured.

Compensation: Percent of paid claims for adjusting and administration services.

1983 gross revenues: $2.5 million.

Principal officers: C. Kenneth Frantz, president; James F. Heil, senior vp-marketing; Charles L. Lohenry, vp-systems services; Jerome M. Strick, vp-claims services.

Claims auditing: 20 audits conducted, all for self-insurers.

Claims auditing charges: Flat fee.

Glen Slaughter & Associates

2150 Franklin St., Oakland, Calif. 94612; 415-451-8564

Year founded: 1965.

Services provided: Claims adjusting, administration, auditing.

Region served: Western states.

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

Number of claims: 600,000 total claims adjusted and administered in 1983, 500,000 for self-insurers.

Staff: 250 total staff, including adjusting staff of 120, which includes 10 administrative supervisors. Administration staff of 120. Auditing staff of six.

Clients: 50 total adjusting and administration clients, 40 of which are self-insured.

Compensation: Percent of annual premium, per covered employee for adjusting services.

1983 gross revenues: $10 million.

Locations: San Diego and Los Angeles, Calif.; Reno and Las Vegas, Nev.; Santa Fe, N.M.

Principal officers: Glen Slaughter, chairman; Gerry Thibault, president; Al Laemmert, Tom Weston, Cliff Wingo, senior vps; Terry O'Toole, financial vp.

Claims auditing: 100 audits conducted, 80% for self-insurers.

Claims auditing charges: Time and expense.

Southwest Health Claims Service Inc./Preferred Group Administrators Inc.

Box 29098, San Antonio, Texas 78229; 512-692-3881

Year founded: 1974.

Services provided: Claims administration, auditing.

Region served: Nationwide, except New York.

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

Number of claims: 10,000 total claims adjusted in 1983, 5,000 for self-insurers. 10,000 total claims administered in 1983, 5,000 for self-insurers.

Staff: 13 total staff, including adjusting staff of eight. Administration staff of eight. Auditing staff of seven.

Clients: 750 total adjusting and administration clients, one of which is self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of annual premium, per claim, per covered employee, time and expense for adjusting and administration services.

1983 gross revenues: $2 million.

Principal officers: Dan Heiman, president; Ron Wartes, vp/secretary/treasurer.

Claims auditing: 50% of audits conducted for self-insurers.

Claims auditing charges: Percent of incurred claims, percent of paid claims, percent of annual premium, per claim, per covered employee, time and expense.

Stirling & Weiss Inc.

P.O. Box 1115, New Canaan, Conn. 06840; 203-966-8738

Year founded: 1973.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

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

Number of claims: 56,000 total claims adjusted and administered in 1983, 36,728 for self-insurers.

Staff: 32 total staff, including adjusting staff of 10, which includes 10 administrative supervisors. Administration staff of 10. Auditing staff of one.

Clients: 68 total adjusting and administration clients, 63 of which are self-insured.

Compensation: Percent of paid claims for adjusting services. Per covered employee for administration services.

1983 gross revenues: More than $750,000.

Principal officers: George S. Stirling Jr., president; Richard E. Weiss, executive vp/treasurer; A.W. Oldham, senior vp; H.A. Meyer Jr., vp; C.M. Wemett, secretary.

Claims auditing: 20 audits conducted, 16 for self-insurers.

Claims auditing charges: Time and expense.

Susquehanna Administrators Inc.

26-28 W. King St., P.O. Box 1523, Lancaster, Pa. 17603; 717-295-9201

Year founded: 1975.

Services provided: Claims administration.

Region served: Mid-Atlantic states.

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

Number of claims: 70,000 total claims administered in 1983, all for self-insurers.

Staff: 32 total staff, including adjusting staff of two, which includes one telephone adjuster, one administrative supervisor. Administration staff of 13. Auditing staff of two.

Clients: 125 total administration clients, all of which are self-insured.

Compensation: Per covered employee for administration services.

1983 gross revenues: $1.75 million.

Locations: Baltimore, Md.

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Continued from facing page

Principal officers: Kenneth G. Stoudt; John Penrose; J. David Kreider; Carl Walker.

Syncor Administrative Services Inc.

3000 Dundee Road, P.O. Box 1327, Northbrook, Ill. 60062; 312-291-1230

Year founded: 1971.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 90% health insurance, 10% marketing insurance plans.
Number of claims: More than 25,000 total claims administered in 1983, all for self-insurers.
Staff: 15 total staff. Administration staff of five. Auditing staff of five.
Clients: 150 total administration clients, all of which are self-insured.
Compensation: Per covered employee for administration services.
1983 gross revenues: $500,000.
Principal officers: A. Corso; J. Corso; G. Allen; M. Elliott; J. Lamey.

T

TIC International Corp.

3901 N. Meridian St., Suite 500, P.O. Box 88348, Indianapolis, Ind. 46208; 317-924-5311

Year founded: 1951.
Services provided: Claims administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 50% health insurance, 50% administration, consulting, actuarial and computer services for pensions and other benefit funds.
Number of claims: Approximately 200,000 total claims administered in 1983, 150,000 for self-insurers.
Staff: 166 total staff. Administration staff of 33.
Clients: Approximately 94 total administration clients, of which approximately 70 are self-insured.
Compensation: Percent of annual premium, per covered employee, time and expense, for administration services.
1983 gross revenues: $8.2 million.
Locations: Louisville, Ky.; Mentor, Akron, Cleveland, Ohio; New York; Birmingham and East Lansing, Mich.; Brookfield, Wis.
Principal officers: Ronald B. Woodward, president/chief executive officer; Stephen E. Kraabel, executive vp/chief operating officer; John M. Meyer, vp/chief financial officer; Connie Steinhart, controller; Thomas F. Milton, vp.

Texas Community Health Care Inc.

5055 Keller Springs, Suite 505, Dallas, Texas 75248; 214-380-1109

Year founded: 1982.
Services provided: Claims administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: Approximately 20,000 total claims administered in 1983, approximately 12,000 for self-insurers.
Staff: 10 total staff. Administration staff of five. Auditing staff of three.
Clients: Approximately 1,700 total administration clients, 16 of which are self-insured.
Compensation: Percent of paid claims for administration services.
1983 gross revenues: Approximately $300,000.
Principal officers: Gary E. Ringler, president; Robert Petter-sen, executive vp; Kathy Little, vp-administration; Doris Ottoman, vp-finance.
Claims auditing: Three audits conducted, two for self-insurers.
Claims auditing charges: Time and expense.

Twin City Administrators Inc.

6465 Wayzata Blvd., Minneapolis, Minn. 55426; 612-545-1101

Parent company: Twin City Group Inc.
Year founded: 1980.
Services provided: Claims adjusting, administration, auditing.
Region served: Minnesota; South Dakota; North Dakota; Iowa; Wisconsin.
Specialty: Employee benefits/group insurance: health insurance.
Number of claims: 12,000 total claims adjusted and administered in 1983, all for self-insurers.
Staff: 10 total staff, including adjusting staff of four. Administration staff of four. Auditing staff of two.
Clients: More than 30 total administration clients, all of which are self-insured.
Compensation: Percent of paid claims, per covered employee for adjusting services.
1983 gross revenues: $350,000.
Principal officers: Mark Sheehan, chief executive officer; Edward Bates, president.

U

Underwriters & Administrators Inc.

P.O. Box 6250, Harrisburg, Pa. 17112; 717-564-2673

Year founded: 1977.
Services provided: Claims adjusting, administration, auditing.
Region served: Mid-Atlantic states.
Specialty: Employee benefits/group insurance: 80% health insurance, 20% student accident insurance.
Number of claims: 42,000 total claims adjusted in 1983, 29,000 for self-insurers. 42,000 total claims administered in 1983, 29,000 for self-insurers.
Staff: 16 total staff, including adjusting staff of five, which includes five administrative supervisors. Administration staff of five. Auditing staff of two.
Clients: 40 total adjusting clients, 30 of which are self-insured.
Compensation: Percent of annual premium, per covered employee for adjusting and administration services.
1983 gross revenues: More than $500,000.
Principal officers: Stanford Golin, president; Donald Evans, Steven Golin, Gregory Golin, vps.
Claims auditing: Five audits conducted, 50% for self-insurers.
Claims auditing charges: Time and expense, flat fee.

V

Variable Protection Administrators Inc.

7123 Pearl Road, Suite 300, Cleveland, Ohio 44130; 216-888-8585

Year founded: 1968.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 90% health insurance, 10% reinsurance treaties.
Number of claims: 83,000 total claims adjusted in 1983, 8,400 for self-insurers. 83,000 total claims administered in 1983, 8,400 for self-in-

Continued on next page

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Continued from previous page
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Staff: 90 total staff, including adjusting staff of 35, which includes six administrative supervisors. Administration staff of 21. Auditing staff of eight.

Clients: Eight total adjusting clients, two of which are self-insured; 10 total administration clients, two of which are self-insured.

Compensation: Percent of annual premium, time and expense for adjusting services. Percent of annual premium, per covered employee for administration services. Bonus for reduced losses is 30% of calculated net profit.

1983 gross revenues: Not reported.

Locations: Castleberry, Fla.; Dover, Del.

Principal officers: David T. Manley, president; Timothy Eisenmann, vp-operations; Andrew M. Barnak, vp/general counsel; Norman Louie, comptroller/treasurer; Tony Manley, claims manager; Marvin Settle, assistant vp/underwriting manager; John Jacob, data processing manager.

Claims auditing: Three audits conducted, one for self-insurer.

Claims auditing charges: Range of fees.

Vista Administrators Inc.

77 S. Broadway, Suite 260, P.O. Box 648, Aurora, Ill. 60507; 312-844-2151/2152

Year founded: 1981.
Services provided: Claims administration, auditing.
Region served: Metropolitan Chicago area.
Specialty: Employee benefits/group insurance: 100% health insurance.
Number of claims: 5,562 total claims administered in 1983, 4,449 for self-insurers.
Staff: Three total staff. Administration staff of three. Auditing staff of one.
Workload: Average number of claims administered monthly by one administrator, 210.
Clients: 12 total administration clients, eight of which are self-insured.
Compensation: Per covered employee for administration services.
1983 gross revenues: $96,000.
Principal officers: Nicholas Viola, chief operating executive.
Claims auditing: No audits conducted in 1983.
Claims adjusting/administration audits: Includes processing claims, claims documentation and verification, accuracy of payments, time study.
Claims auditing charges: Time and expense.

Voluntary Plan Administrators Inc.

18321 Ventura Blvd., Suite 800, Tarzana, Calif. 91356-4267; 800-221-5047/213-705-3463

Year founded: 1979.
Services provided: Claims administration, auditing.
Region served: California.
Specialty: Employee benefits/group insurance claims: 100% disability insurance.
Staff: 22 total staff.
Clients: Total administration clients, 160; all self-insured.
Compensation: Percent of payroll, per covered employee for administration services.
1983 gross revenues: Not reported.
Locations: Newport Beach, Calif.
Principal officers: John H. Bredehorn; Ralph D. Hurley.
Claims auditing: Six audits conducted, 100% for self-insurers.
Claims adjusting/administration audits: Includes reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of reserves, accuracy of payments, accuracy of loss reports, personnel qualifications, case load of examiners, defense effectiveness, turnaround time on new and continuing payments, staff turnover.
Claims auditing charges: Time and expense.

W

Western Reserve Administrative Services Inc.

276 W. Bagley Road, Berea, Ohio 44017; 216-243-2800

Parent company: Central Reserve Life Insurance of North America.
Year founded: 1980.
Services provided: Claims administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance claims: 100% health insurance.
Number of claims: 20,000 total claims administered, all for self-insurers.
Staff: Six total staff. Administration staff of six.
Clients: Total administration clients, 20; all self-insured.
Compensation: Per covered employee for administration services.
1983 gross revenues: Not reported.
Principal officers: Joan L. Mack, president; Frank Grimone, vp; Christian Jensen, executive vp; Charles Johnson, secretary; James Weisbarth, treasurer.

Western States Administrators

P.O. Box 8082, Fresno, Calif. 93747; 209-251-4861

Year founded: 1972.
Services provided: Claims administration.
Region served: Nationwide.
Specialty: Employee benefits/group insurance: 85% health insurance, 15% pension administration.
Number of claims: 232,800 total claims administered in 1983, 58,200 for self-insurers.
Staff: 150 total staff. Administration staff of 30. Auditing staff of two.
Clients: 130 total administration clients, 60 of which are self-insured.
Compensation: Percent of annual premium, per covered employee for administration services.
1983 gross revenues: Not reported.
Principal officers: Donald J. Peracchi, president; Judith E. Peracchi, vp; Robert H. Rath, secretary/treasurer. ■

Property/casualty and benefit claims firms

A

Adjustco

Talleyrand Building, 200 White Plains Road, Tarrytown, N.Y. 10591; 914-332-4747

Parent company: Frank B. Hall & Co. Inc.
Year founded: 1981.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Both property/casualty and group insurance claims: 60% workers compensation, 8% general liability, 6% automobile, 14% property damage, 8% health insurance, 4% miscellaneous.
Number of claims: 226,060 total claims adjusted and administered in 1983, 122,188 for self-insurers; 65% by field adjuster, 35% by telephone.
Staff: 963 total staff, including adjusting staff of 660. Administration staff of 660. Auditing staff of 32.
Clients: 837 total adjusting and administration clients, of which 233 are self-insured.
Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting services and administration services.
1983 gross revenues: Not reported.
Locations: 80 locations nationwide.
Principal officers: Thomas V. Hallett, chairman/president/chief executive officer; A.H. Barbiere, F.I. Hughes, R.W. Wills, M.J. Reid, H.J. Smith, R.E. Heaney, J.C. Inman, R.J. Kristan and O.W. Woods, senior vps.
Claims auditing: 28 audits conducted, 60% for self-insurers.
Claims auditing charges: Time and expense, flat fee.

Alexsis Inc.

29500 W. Five Mile Road, Livonia, Mich. 48154; 313-525-6820

Parent company: Alexander & Alexander Services Inc.
Year founded: 1976.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Both property/casualty and group insurance claims: 65% workers compensation, 10% general liability, 10% automobile, 5% property damage, 5% professional liability, 2% ocean marine, 3% health insurance.
Number of claims: 141,000 total claims adjusted in 1983, 110,000 for self-insurers; 20% by field adjuster, 80% by telephone. 180,000 total claims administered in 1983, 144,000 for self-insurers.
Staff: 475 total staff, including adjusting staff of 320, which includes 120 field adjusters, 200 telephone adjusters. Administration staff of 150. Auditing staff of varies.
Clients: 1,200 total adjusting and administration clients, 950 of which are self-insured.
Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense with average percent charges varying by contract for adjusting and administration services.
1983 gross revenues: $25 million.
Locations: Baltimore; Bloomfield, Mich.; Boston; Dallas; Harrisburg, Pa.; Hartford, Conn.; Houston; Long Island and Syracuse, N.Y.; New Orleans; Philadelphia; Pittsburgh; Richmond, Va.; Winston-Salem, N.C.; Atlanta; Chicago; Cleveland; Detroit; Honolulu; Los Angeles; Louisville, Ky.; Miami; Minneapolis; Omaha, Neb.; Portland, Ore.; St. Louis.
Principal officers: John A. Malasky; Ernest C. Fackler; Joseph A. Giampetro; M. Ollie Parker; Ernest J. Lyons.
Claims auditing: Three audits conducted. All for self-insurers.
Claims auditing charges: Time and expense, flat fee.

B

Business Planning Associates Inc.

Box 4517, 401 W. Orange St. Lancaster, Pa. 17604; 717-299-1201

Year founded: 1977.
Services provided: Claims adjusting, administration, auditing.
Region served: Pennsylvania and surrounding states.
Specialty: Both property/casualty and group insurance claims: 10% workers compensation, 90% health insurance.
Staff: 30 total staff.
Compensation: Percent of incurred claims, 5%-10%; per covered employee, $2-$5; time and expense of $25-$100 per hour for adjusting services.
1983 gross revenues: $1.5 million.
Principal officers: Carl Reigle Jr., chairman; Kathleen Harnish, president; Mary Caci, secretary/treasurer; Thomas Bowman, vp.

C

CIBCO Corp.

P.O. Box 2329, Jasper, Ala. 35501; 205-221-6100

Year founded: 1977.
Services provided: Claims adjusting, administration, auditing.
Region served: Southeast.
Specialty: Both property/casualty and group insurance claims: 5% workers compensation, 85% health insurance; 10% life insurance, accidental death and dismemberment, long-term disability, pension plans.
Number of claims: 60,000 total claims administered in 1983, 55,000 for self-insurers.
Staff: 17 total staff, including adjusting staff of six. Administration staff of six. Auditing staff of three.
Clients: 28 total administration clients, of which 26 are self-insured.
Compensation: Percent of paid claims, 5%; per covered employee, $2.50-$15; time and expense for administration services.
1983 gross revenues: $360,000.
Locations: Birmingham, Ala.
Principal officers: W. Hal Shepherd, president; Lonnie Ingle, comptroller; John Shepherd, director-group operations.
Claims auditing: Eight audits conducted, all for self-insurers.
Claims auditing charges: Time and expense.

John D. Carswell Co.

P.O. Box 1368, Savannah, Ga. 31402; 912-234-1671

Year founded: 1868.
Services provided: Claims adjusting, administration.
Region served: Nationwide.
Specialty: Both property/casualty and group insurance claims.
Number of claims: 120,000 claims adjusted and administered in 1983, 70,000 for self-insurers.
Staff: 121 total staff, including adjusting staff of 21, which includes one field adjuster, 19 telephone adjusters, one administrative supervisor. Administration staff of 30. Auditing staff of four.
Clients: 100 total group insurance adjusting and administration clients, of which 11 are self-insured.
Compensation: Per covered employee, $3-$5 per month for adjusting and administration services.
1983 gross revenues: $750,000.
Locations: Atlanta, Vidalia, Ga.; Jacksonville and Fernandina Beach, Fla.; Hilton Head, S.C.
Principal officers: John D. Carswell; Bill Brown; Ed Beridin, Carl Carlson, Robert Reagan.

Compensation Consultants Inc.

1601 Bethel Road, P.O. Box 20267, Columbus, Ohio 43220; 614-459-3933

Year founded: 1950.
Services provided: Claims administration.
Region served: Eastern states.
Specialty: Both property/casualty and group insurance claims: 80% workers compensation, 10% health insurance, 10% unemployment compensation.
Number of claims: 19,000 total claims administered in 1983, 13,000 for self-insurers.
Staff: 56 total staff. Administration staff of 20. Auditing staff of two.
Workload: Average number of claims administered monthly by one administrator, 80.
Clients: 675 total administration clients, of which 65 are self-insured.
Compensation: Per covered employee, $3-$6 per month for administration services.
1983 gross revenues: Not reported.
Locations: Cincinnati and Canton, Ohio.
Principal officers: R.T. Alkire; M.D Graham; R.T. Miller; W.A. Turner Jr.; T.J. O'Reily.

Computer Claims Administration

P.O. Box 21367, Billings, Mont. 59104; 406-245-3575

Services provided: Claims administration.
Regions served: Montana; Wyoming; North Dakota; Idaho.
Specialty: Property/casualty and group insurance claims; 90% health insurance, 10% workers compensation.
Number of claims: 100,000 total claims administered, all for self-insurers.
Staff: Five total staff. Administration staff of three. Auditing staff of one.
Workload: Average number of claims administered monthly by one administrator, 4,000.
Clients: Total administration clients, 12; all self-insured.
Compensation: Percent of paid claims, 3%-8%; per covered employee, $2-$12; time and expense, $50 for adjusting and administration services.
1983 gross revenues: Not reported.
Principal officers: Frederick H. Larson, president; Nicki Larson, secretary/treasurer.
Claims auditing: 12 audits conducted, all for self-insurers.
Claims adjusting/administration audits: Includes reporting claims, processing claims, investigating claims, adjusting claims, claims documentation and verification, accuracy of payments, accuracy of loss reports, case load of examiners.
Claims auditing charges: Time and expense, $50-$75 per hour.

Creative Risk Management Corp.

34820 Harper Ave., Mount Clemens, Mich. 48043; 313-792-6355

Services provided: Claims adjusting, claims administration.

Continued on facing page

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Regions served: Nationwide.

Specialty: Property/casualty and group insurance claims: 60% workers compensation, 20% health insurance, 12% general liability, 5.5% automobile, 2% property damage, 0.5% inland marine.

Number of claims: 24,000 total claims adjusted and administered, all for self-insurers; 30% by field adjuster and 70% by telephone adjuster.

Staff: 50 total staff, plus 20 affiliates, including adjusting staff of 39, which includes six field adjusters, 25 telephone adjusters and eight administrative supervisors. Administration staff of 39.

Workload: Average number of multiline claims handled monthly by each adjuster, 100. Average number of workers compensation claims handled monthly by one adjusting supervisor, 300.

Compensation: Percent of annual premium, per claim, per covered employee (for health claims), time and expense for adjusting services.

1983 gross revenues: Not reported.

Locations: Affiliates throughout the nation.

Principal officers: James W. Duff, president; Thomas D. Mather Sr., W.T. Platt Jr., senior vps; Lisabeth A. Schafer, vp; James F. Weyhing, secretary.

E

EBI Services Inc.

2055 Gateway Place, San Jose, Calif. 95110; 408-288-6011

Parent company: Orion Group Inc.

Year founded: 1974.

Services provided: Claims adjusting, administration.

Regions served: Midwest; West; Northeast.

Specialty: Property/casualty and group insurance claims: 99% workers compensation, 1% long-term disability.

Number of claims: 15,000 total claims adjusted and administered, all for self insurers; 35% by field adjuster, 65% by telephone adjuster.

Staff: 92 total staff, including adjusting staff of 41, which includes five field adjusters, 25 telephone adjusters and 11 administrative supervisors. Administration staff of 41. Auditing staff of four.

Clients: Total adjusting and administration clients, 93; all self-insured.

Compensation: Percent of paid claims; percent of annual premium, 8%-12%; per claim; time and and expense for adjusting services. Percent of paid claims, percent of annual premium, per claim for administration services.

1983 gross revenues: $2.5 million.

Locations: Sacramento, Calif.; Seattle; Portland, Ore.; Chicago; Philadelphia; Hartford, Conn.

Principal officers: Jack R. Powell, president; James L. Johnson, senior vp/treasurer; Brian R. Shutts, vp-California region; Gerald A. Johnston, vp-Northwest region; Patrick C. McDonald, vp-claims.

Employee Benefit Claims Inc.

6950 Wayzata Blvd., Minneapolis, Minn. 55401; 612-546-4353

Year founded: 1974.

Services provided: Claims administration, auditing.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 10% workers compensation, 80% health insurance, 10% dental and disability.

Number of claims: More than 2 million total claims administered in 1983, all for self-insurers.

Staff: More than 300 total staff. Administration staff of more than 150. Auditing staff of five.

Clients: More than 500 total adjusting clients, all of which are self-insured; more than 1,500 total administration clients, all of which are self-insured.

Compensation: Percent of annual premium for adjusting services. Percent of paid claims, percent of annual premium, per covered employee, time and expense for administration services.

1983 gross revenues: More than $8 million.

Locations: Phoenix, Ariz.; Fresno, Los Angeles, San Diego and San Francisco, Calif.; Miami; Chicago; Billings, Mont.; Cleveland; Oklahoma City and Tulsa, Okla.; Erie and Pittsburgh, Pa.; Sioux Falls, S.D.; Austin, Dallas, Edinburg, El Paso and Houston, Texas; Spokane, Wash.

Principal officers: Richard J. Dunlap, president; Christopher J. Dunlap, executive vp; Michael Bedessen, controller; John Bedessen, treasurer; Richard James, vp.

Claims auditing: Three audits conducted, all for self-insurers.

Claims auditing charges: Time and expense, flat fee.

F

Falcon Claims Service Inc.

2400 Baseline Road, P.O. Box 308; Grand Island, N.Y. 14072; 716-773-1143

Parent company: Reed, Roberts Associates Inc.

Services provided: Claims adjusting, administration.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 80% workers compensation, 20% health insurance.

Number of claims: 9,841 total claims adjusted in 1983, 9,612 for self-insurers; 16% by field adjuster. 11,990 total claims administered in 1983, 11,721 for self-insurers.

Staff: 27 total staff, including adjusting staff of six, which includes two field adjusters, four administrative supervisors. Administration staff of 15. Auditing staff of four.

Clients: 51 total adjusting clients, of which 49 are self-insured; 53 total administration clients, of which 51 are self-insured.

Compensation: Percent of payroll; percent of annual premium; per claim; time and expense, $25-general adjuster, $30-senior/field adjuster for adjusting services. Per covered employee, $4-$6 per employee for administration services.

1983 gross revenues: Not reported.

Locations: Buffalo and Uniondale, N.Y.

Principal officers: Hollis Boss, president; Richard Nepolitano, vp.

G

GAB Business Services Inc.

123 William St., New York, N.Y. 10038; 212-306-8000

Parent company: UAL Inc.

Year founded: 1885.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 15% workers compensation, 12% general liability, 10% automobile, 43% property damage, 5% professional liability, 2% bonds, 5% ocean marine, 5% inland marine, 3% health insurance.

Number of claims: 825,000 total claims adjusted.

Staff: 4,400 total staff, including adjusting staff of 2,300, which in-

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Continued from previous page
cludes 2,000 field adjusters, 100 telephone adjusters and 200 administrative supervisors. Administration staff of 100. Auditing staff of 50.

Clients: 1,400 total adjusting clients.

Compensation: Percent of incurred claims, percent of paid claims, percent of annual premium, per claim, per covered employee, time and expense for adjusting and administration services.

1983 gross revenues: $165 million.

Locations: More than 650 offices nationwide.

Principal officers: Irv Williamson, chairman; John P. Holloway, president; Paul Dougherty, Robert Roland and William H. Scholl, senior vps.

Claims auditing: 6 audits conducted, 50% for self-insurers.

Claims auditing charges: Time and expense, flat fee.

Gallagher Bassett Insurance Service

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

Parent company: Arthur J. Gallagher & Co.

Year founded: 1961.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 45% workers compensation, 20% general liability, 16% property damage, 10% health insurance, 8% automobile, 1% professional liability.

Number of claims: More than 450,000 total claims adjusted and administered, all for self-insurers; 80% by field adjuster and 20% by telephone adjuster.

Staff: 460 total staff, including adjusting staff of 247. Administration staff of 247. Auditing staff of 21.

Clients: Total adjusting and administration clients, 387; all self-insured.

Compensation: Percent of payroll; per claim; per covered employee, $25-$45; time and expense, $40-$50 per hour-senior/field adjuster, $25-$35 per hour-general adjuster; annual fee for adjusting and administration services.

1983 gross revenues: $20 million.

Locations: 64 branches throughout the nation.

Principal officers: R.E. Gallagher; J.P. Gallagher; J.G. Campbell; R.J. McKenna; R.C. Strom.

Claims auditing: 13 audits conducted, 75% for self-insurers.

Claims auditing charges: Time and expense, $40-$50 per hour.

Gilsbar Inc.

P.O. Box 998, Covington, La. 70434; 504-892-3520

Year founded: 1957.

Services provided: Claims adjusting, administration.

Region served: Southeast.

Specialty: Both property/casualty and group insurance claims: 10% professional liability, 70% health insurance, 20% life insurance and long-term disability.

Number of claims: 36,000 total claims adjusted in 1983, 25,000 for self-insurers. 40,000 total claims administered in 1983, 3,000 for self-insurers.

Staff: 43 total staff, including adjusting staff of seven, which includes six field adjusters, one administrative supervisor. Administration staff of five. Auditing staff of one.

Clients: 9,300 total adjusting clients, of which 1,264 are self-insured; 7,000 total administration clients.

Compensation: Percent of annual premium, per covered employee, for adjusting services. Percent of annual premium for administration services.

1983 gross revenues: $1.27 million.

Locations: Ruston, La.

Principal officers: Henry Miltenberger, president; Rod Olps, executive vp; Bob Ellis, senior vp; Hank Miltenberger, vp.

H

Handel Group Inc.

P.O. Box 709, 53 Academy St., Poughkeepsie, N.Y. 12602; 914-454-4041

Year founded: 1957.

Services provided: Claims adjusting, administration, auditing.

Region served: New England; Mid-Atlantic states.

Specialty: Both property/casualty and group insurance claims: 1% professional liability, 60% health insurance, 39% miscellaneous.

Number of claims: 5,000 total claims adjusted in 1983, about 60% for self-insurers; 75% by field adjuster, 25% by telephone. More than 100,000 total claims administered in 1983, about 50% for self-insurers.

Staff: 30 total staff, including adjusting staff of 20, which includes one field adjuster, nine administrative supervisors. Administration staff and auditing staff of 20, are also adjusting staff.

Compensation: Per claim, per covered employee, for adjusting services. Per covered employee for administration services.

1983 gross revenues: Not reported.

Locations: Newburgh and New York, N.Y.

Principal officers: Bernard Handel; Gilbert Krom; Shirley M. Handel.

Claims auditing: No audits conducted in 1983.

Claims auditing charges: Time and expense.

Hartford Specialty Co.

Hartford Plaza, Hartford, Conn. 06115; 203-547-5000

Parent company: Hartford Insurance Group.

Year founded: 1810.

Services provided: Claims adjusting, administration, auditing.

Regions served: Nationwide.

Specialty: Property/casualty and group insurance claims: 14% workers compensation, 6% general liability, 22% automobile, 1% professional liability, 8% property damage, 45% health insurance, 3% inland marine, 0.5% bonds, 0.5% ocean marine, 3% inland marine.

Number of claims: 1.25 million total claims adjusted and administered, 52,000 for self-insurers; 34% by field adjusters and 66% by telephone adjusters.

Staff: 19,400 total staff, including adjusting staff of 3,600, which includes 3,300 field adjusters, 200 telephone adjusters, 100 administrative supervisors. Administration staff of 3,600. Auditing staff of 114.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, per claim, per covered employee, various cash-flow programs, contract fees for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: 235 offices.

Principal officers: J. Quinn, president; J.P. Griffin, executive vp; G. Allen, vp-claims; A. Nork, vp-marketing; D. Walker, vp-field operations.

Claims auditing: More than 400 audits conducted, about 33% for self-insurers.

Claims auditing charges: Time and expense, flat fee.

Hewitt, Coleman & Associates Inc.

P.O. Box 3665, Greenville, S.C. 29608; 803-242-4350

Parent company: Continental Group Inc.

Year founded: 1923.

Services provided: Claims adjusting, administration.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 75% workers compensation, 15% health insurance, 5% general liability, 5% automobile.

Number of claims: 66,000 total claims adjusted.

Staff: 150 total staff, including adjusting staff of 90. Administration staff of 90.

Clients: 109 total adjusting and administration clients, all self-insured.

Compensation: Percent of annual premium, 5%; per claim, $40-$300, per covered employee, $2-$10 for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: Richmond, Va.; Raleigh, N.C.; Orlando, Fla.; Jackson, Miss.; Versailles, Ky.; Oklahoma City; Santa Ana and San Mateo, Calif.; Roseland, N.J; Atlanta.

Principal officers: James G. Lane, president; James Cady; William Whitley; Dennis Balentine; Fred Misenheimer.

Heyenrath & Associates

1142 Manhattan Ave., Suite 240, Manhattan Beach, Calif. 90266; 213-546-1108

Year founded: 1980.

Services provided: Claims auditing.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 50% workers compensation, 20% general liability, 10% automobile, 10% property damage, 5% professional liability, 5% health insurance.

Staff: Three total staff, including auditing staff of three.

1983 gross revenues: $85,000.

Principal officers: Leo Heyenrath, senior partner; Richard Saver, partner.

Claims auditing: 25 audits conducted, 100% for self-insurers.

Claims auditing charges: Time and expense, $75 per hour; flat fee.

Hospital Audit Control Ltd.

3820 Whitney Ave., New Haven, Conn. 06510; 203-248-9053

Parent company: Self Funding Administrators Diversified Group Brokerages.

Year founded: 1983.

Services provided: Claims auditing.

Region served: New England.

Specialty: Both property/casualty and group insurance claims: 2% workers compensation, 98% health insurance.

Staff: 10 total staff, including auditing staff of 10.

1983 gross revenues: Not reported.

Locations: Hamden, Glastenbury, East Norwalk, Conn.

Principal officers: Robert Soleau; Fred Brown; Eleanor Kissinger.

Claims auditing: 100 audits conducted, all for self-insurers.

Claims auditing charges: Time and expense, $25 per hour.

I

Imperial Industries

3200 Wilshire Blvd., Los Angeles, Calif. 90010; 213-487-6320

Parent company: Bayly, Martin & Fay International Inc.

Year founded: 1947.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 5% workers compensation, 80% health insurance, 15% life insurance, dental and profit-sharing.

Number of claims: 160,000 total claims administered in 1983, 60,000 for self-insurers.

Staff: 76 total staff, including adjusting staff of 33, which includes three administrative supervisors. Administration staff of 24. Auditing staff of seven.

Clients: 25 total adjusting and administration clients, of which 15 are self-insured.

Compensation: Percent of paid claims, 4%-5%; per covered employee, $4.25-$4.90; time and expense, $50 per hour for adjusting services. Percent of annual premium, per covered employee for administration services.

1983 gross revenues: $2.8 million.

Locations: Burlingame, Calif.; Reno, Nev.

Principal officers: Robert L. Jenkins, president; Robert O. Glaza, vp-claims; Jack O. Moore, vp-administration; Wayne Fong, vp/treasurer; Ludean Brown, vp-accounting.

Claims auditing: None conducted in 1983.

Claims auditing charges: Time and expense.

J

James Benefits/Fred S. James & Co. Inc.

55 Water St., New York, N.Y. 10041; 212-747-6600

Parent company: Transamerica Corp.

Year founded: 1858.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 72% health insurance, 15% workers compensation, 1% automobile, 1% general liability, 3% property damage, 2% professional liability, 3% bonds, 1% ocean marine, 1% inland marine, 1% pension claims.

Number of claims: 100,000 total claims adjusted, 95,000 for self insurers. 3.05 million claims administered, 2.9 million for self-insurers.

Staff: 800 total staff, including adjusting staff of 80. Administration staff of 640. Auditing staff of 51.

Clients: 1,670 total administration clients, of which 1,190 are self-insured.

Compensation: Percent of incurred claims, percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting services. Percent of incurred claims, percent of paid claims, percent of annual premium, per claim, per covered employee for administration services.

1983 gross revenues: $22.5 million (James Benefits).

Locations: 49 branch offices.

Principal officers: Charles A. O'Malley; Timothy J. Mahoney; John C. Crane; Charles L. Ruoff; Richard J. Galbraith.

Claims auditing: 98% of projects conducted for self-insurers.

Claims auditing charges: Time and expense, flat fee.

Jemark Administrators Inc.

1801 Ave. of the Stars, Los Angeles, Calif. 90067; 213-203-0206

Parent company: Jemark Corp.

Year founded: 1976.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 7.6% workers compensation, 8.8% automobile, 82.1% health insurance, 1.5% miscellaneous.

Number of claims: Approximately 30,850 total claims adjusted; 2% by field adjuster, 98% by telephone.

Staff: 25 total staff, including adjusting staff of 10, which includes 10 telephone adjusters. Administration staff of two. Auditing staff of one.

Clients: 275 total adjusting clients, of which 22 are self-insured; four total administration clients, of which two are self-insured.

Compensation: Percent of annual premium, per claim, per covered employee, time and expense for adjusting services.

1983 gross revenues: $1 million.

Locations: Hamilton, Bermuda.

Principal officers: A.R. Killingsworth; John C. Moore; Harry L. Baldwin; Karen A. Williams; John J. Fry.

Claims auditing: Two audits conducted, none for self-insurers.

Claims auditing charges: Vary.

Johns Eastern Co. Inc.

P.O. Box 4175, Sarasota, Fla. 33578; 813-957-3041

Year founded: 1946.

Services provided: Claims adjusting, administration, auditing.

Region served: Florida; Maryland; Washington, D.C.; Northern Virginia; Eastern Pennsylvania; Southern New Jersey; Delaware.

Specialty: Both property/casualty and group insurance claims: 55% workers compensation, 24% general liability, 5% automobile, 5% property damage, 7% professional liability, 2% bonds, 1% inland marine, 1% health insurance.

Number of claims: 20,421 total claims adjusted and administered in 1983, 11,500 for self-insurers; 75% by field adjuster, 25% by telephone.

Staff: 124 total staff, including adjusting staff of 82, which includes 66 field adjusters, 10 telephone adjusters, six administrative supervisors. Administration staff of 16. Auditing staff of 16.

Clients: 500 total adjusting clients, of which 10 are self-insured; 500 total administration clients, of which 13 are self-insured.

Compensation: Percent of annual premium; per claim; time and expense, $26 per hour, for adjusting services. Percent of annual premium; per claim; per covered employee; time and expense, $26 per hour, for administration services.

1983 gross revenues: $4.7 million.

Locations: St. Petersburgh/Clearwater, Tampa, Lakeland, Orlando, West Palm Beach and Miami, Fla.; Washington, D.C.; Baltimore; Philadelphia.

Principal officers: C.T. Johns, chairman; D.L. Johns, president; K.M. Johns III, executive vp; Norman Sensinger, vp/regional manager; K.V. Keller, comptroller.

Claims auditing: Three audits conducted, two for self-insurers.

Claims auditing charges: Time and expense.

Joseph/Anthony & Associates Inc.

1965 Bernice Road, Lansing, Il. 60438; 312-895-7020

Year founded: 1973.

Services provided: Claims adjusting, administration, auditing.

Region served: Midwest.

Specialty: Both property/casualty and group insurance claims: 10% workers compensation, 90% health insurance.

Number of claims: 2,582 total claims adjusted and administered; 100% by field adjuster.

Staff: Eight total staff, including adjusting staff of four. Administration staff of four. Auditing staff of four.

Clients: Eight total adjusting and administration clients, of which two are self-insured.

Compensation: Percent of annual premium for adjusting serv-

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ices. Per claim for administration services.

1983 gross revenues: $225,000.

Locations: Chicago and Rockford, Ill.

Principal officers: Michael G. Linder; Joseph T. Groenwald.

Claims auditing: Six audits conducted, 60% for self-insurers.

Claims auditing charges: Flat fee, $3-$6 per claim.

K

R.L. Kautz & Co.

17880 Sky Park Circle, Irvine, Calif. 92714; 714-261-1900

Parent company: Emett & Chandler Cos. Inc.

Year founded: 1933.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 63% workers compensation, 15% health insurance, 3% general liability, 12% electronic data processsing, 1% automobile, 1% property damage, 2% professional liability, 3% loss control.

Number of claims: Approximately 120,000 total claims adjusted and administered, 92% for self-insurers.

Staff: 221 total staff, including adjusting and administration staff of 152. Auditing staff of five.

Clients: Total adjusting and administration clients, 307, of which 282 are self-insured.

Compensation: Percent of payroll, percent of annual premium, per claim, per covered employee, time and expense for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: Chicago; Syracuse and Buffalo, N.Y.; Detroit; Milwaukee; Pittsburgh; San Diego, Bakersfield and Union City, Calif.

Principal officers: E.V. Schmidt, chairman; Robert C. Emett, president; Dan Huggins, president-Midwest; Deborah J. Hunter, Hans Helling, senior vps.

Claims auditing: 14 audits conducted, four for self-insurers.

Claims auditing charges: Time and expense, flat fee.

Kepple & Co. Inc.

405 W. Northmoor Road, Peoria, Ill. 61614; 309-692-7330

Year founded: 1982.

Services provided: Claims administration.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 2% workers compensation, 3% automobile, 2% property damage, 2% professional liability, 1% bonds, 90% health insurance.

Number of claims: 55,000 total claims administered in 1983, 43,000 for self-insurers.

Staff: 12 total staff, including adjusting staff of five.

Clients: 11 total administration clients, of which 10 are self-insured.

Compensation: Percent of paid claims, per covered employee for administration services.

1983 gross revenues: $400,000.

Principal officers: Michael D. Kepple, president; Linda P. Kepple, vp; Brenda Dagata, brokerage manager.

L

LJR Insurance Services Inc.

5801 Christie Ave., Suite 300, Emeryville, Calif. 94608; 415-547-3110

Services provided: Claims adjusting, administration.

Region served: Nationwide; workers compensation only in the Western states.

Specialty: Both property/casualty and group insurance claims: 30% workers compensation, 30% general liability, 15% automobile, 10% property damage, 10% product liability; 5% health insurance.

Number of claims: 75,000 total claims adjusted, 60,000 for self-insurers; 40% by field adjuster and 60% by telephone adjuster. 60,000 total claims administered, all for self-insurers.

Staff: 275 total staff, including adjusting staff of 185, which includes 60 field adjusters, 110 telephone adjusters and 15 administrative supervisors. Administration staff of 125.

Clients: Total adjusting clients, 350 to 500; self-insured, 90. Total administration clients, 90; all self-insured.

Compensation: Percent of paid claims, per claim, per covered employee, time and expense, cost per claim for adjusting services. Percent of paid claims, per claim, per covered employee, time and expense for administration services.

1983 gross revenues: $7.5 million.

Locations: San Jose, San Francisco, San Rafael, Sacramento, Redding, Riverside, Orange and Los Angeles, Calif.; Phoenix, Ariz.; Portland, Ore.; Honolulu.

Principal officers: Leonard J. Russo, president; Edward F. Pinger, executive vp; James L. Thompson, chief financial officer; Lane Sickles, vp-marketing; Hallie Mitchell, vp.

M

Mass Insurance Consultants & Administrators Inc. (MICA)

209 S. LaSalle St., Chicago, Ill. 60604; 312-346-2626

Year founded: 1952.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Both property/casualty and group insurance claims: 7% professional liability, 90% health insurance, 3% disability insurance.

Number of claims: 160,000 total claims adjusted in 1983, 2,411 for self-insurers.

Staff: 150 total staff, including adjusting staff of 50, which includes 45 telephone adjusters and five administrative supervisors. Administration staff of 50. Auditing staff of eight.

Clients: 41 total adjusting clients, of which three are self-insured; 40 total administration clients, of which three are self-insured.

Compensation: Percent of annual premium, per claim, per covered employee, time and expense for adjusting services. Percent of annual premium, per claim, per covered employee, time and expense for administration services.

1983 gross revenues: $5 million.

Principal officers: Edward F. Mack III, vice chairman and chief executive officer; Robert Cardinal, president and chief operating officer; Kenneth Krispin, vp-finance and administration; Thomas O'Neill, vp-operations.

Claims auditing charges: Time and expense.

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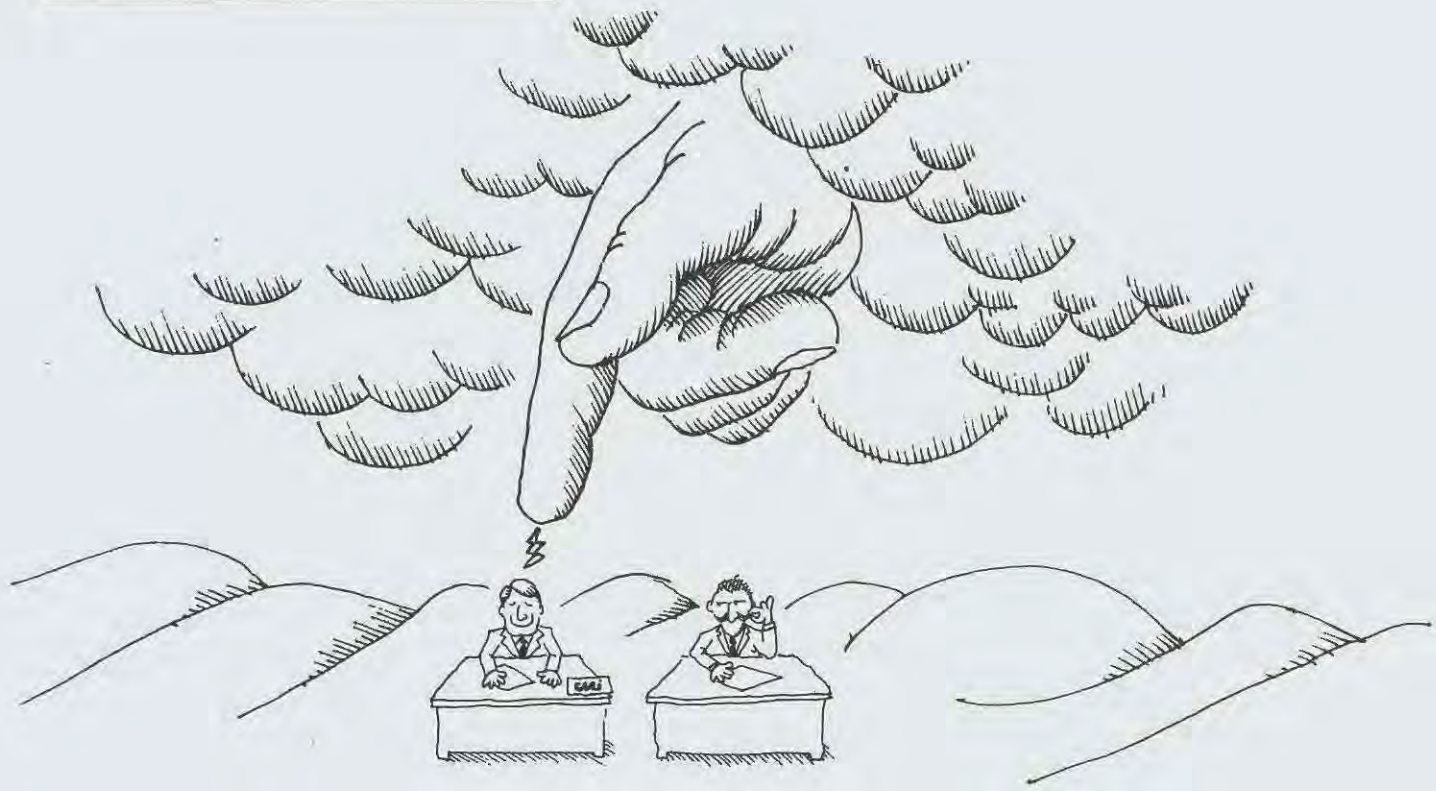
All intermediaries were not created equal



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ASHFORD HOLDING CORPORATION **The Decisive People**

Continued from previous page

The McElroy-Minister Co.

141 E. Town St., Columbus, Ohio 43215; 614-228-5565

Year founded: 1875.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide. Workers compensation, Ohio only.
Specialty: Both property/casualty and group insurance claims: 5% workers compensation, 75% health insurance, 20% student medical.
Number of claims: 1,026 total claims adjusted in 1983, 390 for self-insurers; 10% by field adjuster, 90% by telephone.
Staff: 99 total staff, including adjusting staff of three, which includes two field adjusters and one telephone adjuster. Administration staff of 30. Auditing staff of five.
Clients: 27 total adjusting clients, of which 12 are self-insured; 181 total administration clients, of which 77 are self-insured.
Compensation: Per claim for adjusting services. Per covered employee for administration services.
1983 gross revenues: $1.5 million.
Principal officers: John C. Glandon, president; H. Thorp Minister, chairman; Keith Pierce, James Creek, William R. Gillam, executive vps.
Claims auditing: 27 audits conducted, 12 for self-insurers.
Claims auditing charges: Included in fees.

Joseph P. Minardi, Attorney-at-Law P.C.

1500 Main St., Springfield, Mass. 01115; 413-734-1562

Year founded: 1980.
Services provided: Claims adjusting, administration.
Region served: Massachusetts.
Specialty: Property/casualty and group insurance claims: 60% workers compensation, 30% health insurance, 10% accident and disability.
Number of claims: 700 total claims adjusted, all for self-insurers; 30% by field adjusters. 500 total claims administered, all for self-insurers.
Staff: 5½ total staff, including adjusting staff of 2½, which includes 1½ field adjusters.
Compensation: Negotiated with each client.
1983 gross revenues: Approximately $300,000.
Principal officer: Joseph P. Minardi.

N

The NBA Group Inc.

1225 Franklin Ave., Garden City, N.Y. 11530; 516-747-7177

Year founded: 1982.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Property/casualty and group insurance claims: 80% health insurance, 15% group life, 5% workers compensation.
Number of claims: 2,000 total claims adjusted, all for self insurers. 35,000 total claims administered, all for self-insurers.
Staff: Nine total staff, including adjusting staff of six, which includes one field adjuster, five telephone adjusters and two administrative supervisors. Administration staff of six. Auditing staff of two.
Clients: Six adjusting clients, all self-insured. 78 administration clients, all self-insured.
Compensation: Per claim, $25 to $100; time and expense for adjusting services. Per covered employee, $4 to $12, for administration services.
1983 gross revenues: Not reported.
Locations: Columbus, Ohio; Westchester, Pa.; Stanton, Calif.; New York.
Principal officers: Roger M. Slotkin, president; Michael Kooper, executive vp; David Cantlon, Douglas Hanson, Thomas Lindsey, vps.
Claims auditing: Three audits conducted, all for self-insurers.
Claims auditing charges: Time and expense, flat fee.

P

PJR Cos.

Box 324, Blue Bell, Pa. 19422; 215-643-1320.

Year founded: 1969.
Services provided: Claims adjusting, administration, auditing.
Region served: Mid-Atlantic states.
Specialty: Both property/casualty and group insurance claims: 75% health insurance, 23% life and pension, 2% workers compensation.
Number of claims: 145,000 total claims adjusted and administered in 1983, 115,000 for self-insurers; 100% by field adjusters.
Staff: 35 total staff, including adjusting staff of 11, including 11 field adjusters and two administrative supervisors. Administration staff of 16. Auditing staff of two.
Clients: 475 total adjusting and administration clients, of which 175 are self-insured.
Compensation: Per covered employee for adjusting and administration services.
1983 gross revenues: $256,000.
Locations: Philadelphia, Pittsburgh, Allentown, Pa.; Washington; Baltimore; Wilmington, Del.
Principal officers: Paul J. Roman; Whitney A. Knopf; Dennis P. Fuller.
Claims auditing: 12 audits conducted, all for self-insurers.
Claims auditing charges: Range of fees.

Stephen R. Palange & Associates Inc.

10 Post Office Square, 975, Boston, Mass. 02109; 617-542-5700

Year founded: 1980.
Services provided: Claims administration, auditing.
Region served: Eastern states.
Specialty: Both property/casualty and group insurance claims: 20% workers compensation, 15% general liability, 5% automobile, 10% property damage, 25% reinsurance in casualty lines, 25% health insurance.
Number of claims: 1,000 total claims administered in 1983, for 200 self-insurers.
Staff: Seven total staff, including administration staff of four, includes one administrative supervisor. Administration staff of four. Auditing staff of four.
Clients: 25 total administration clients, of which five are self-insured.
Compensation: Time and expense for administration services.
1983 gross revenues: Not reported.
Principal officers: Stephen R. Palange, president; Norman C. Tardif, executive vp; Alan H. Gray, assistant vp; Michele N. Alexanian, secretary.
Claims auditing: 112 audits conducted, 30% for self-insurers.
Claims auditing charges: Time and expense.

Jack A. Parker & Associates Inc.

135 St. Charles Ave., Suite 600, New Orleans, La. 70130; 504-596-3155

Year founded: 1978.
Services provided: Claims adjusting, administration.
Region served: New Orleans.
Specialty: Both property/casualty and group insurance claims: 10% automobile, 80% health insurance, 10% prescription drug program insurance.
Number of claims: 20,000 total claims adjusted in 1983, 18,500 for self-insurers. 22,000 total claims administered in 1983, 21,950 for self-insurers.
Staff: 18 total staff, including adjusting staff of eight, which includes six telephone adjusters and two administrative supervisors. Administration staff of 14. Auditing staff of eight.
Clients: Five total adjusting clients, three of which are self-insured; five total administration clients, three of which are self-insured.
Compensation: Percent paid claims; per covered employee, $4-$5 per employee charge range for administration services.
1983 gross revenues: Not reported.
Principal officers: Jack A. Parker, chairman; Anthony Noe, president; Mary Guthrie, vp.

Penn General Service Corp.

11620 Wilshire Blvd., Los Angeles, Calif. 90025; 213-820-7070

Parent company: Republic Hogg Robinson Inc.
Year founded: 1978.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Both property/casualty and group insurance claims: 40% workers compensation, 60% health insurance.
Number of claims: 200,000 total claims adjusted and administered in 1983, all for self-insurers; 65% of work comp claims by field adjuster, 35% of work comp claims and 100% of health claims by telephone.
Staff: 205 total staff, including adjusting staff of 83, which includes 20 field adjusters, 45 telephone adjusters, 18 administrative supervisors. Administration staff of seven. Auditing staff of three.
Compensation: Percent of annual premium, per claim, per covered employee, time and expense for adjusting services. Percent of payroll, per claim, per covered employee, time and expense, $50 to $75 per hour, for administration services.
1983 gross revenues: Not reported.
Locations: Miami; Caribou, Falmouth and Jackson, Maine; Southfield, Cadillac and Grand Rapids, Mich.; Springfield, Mass.; Barrington, N.H.; Dallas.
Principal officers: Richard P. Shea, Richard Wos, Douglas Coats, John Hettrick, senior vps; Dan Cox, vp.

R

Rasmussen Agency Inc.

60 Evergreen Place, East Orange, N.J. 07018; 201-675-3940

Year founded: 1975.
Services provided: Claims administration, auditing.
Regions served: New Jersey; Pennsylvania.
Specialty: Property/casualty and group insurance claims: 60% workers compensation, 15% general liability, 15% automobile, 2% property damage, 8% health insurance.
Number of claims: 53,300 total claims adjusted, all for self-insurers; 6% by field adjustor and 94% by telephone adjuster. 84,670 total claims administered, all for self-insurers.
Staff: 110 total staff, including adjusting staff of 67, which includes eight field adjusters, 45 telephone adjusters and 14 administrative supervisors. Administration staff of 25. Auditing staff of six.
Clients: Total adjusting clients, 112; all self-insured. Total administration clients, 122; all self-insured.
Compensation: Percent of annual premium, 8% to 9%; per covered employee, $4 to $6 for administration services; adjusting fee included in administration fee.
1983 gross revenues: $4.2 million.
Locations: Atlantic City, N.J.; Havertown, Pa.
Principal officers: Richard H. Rasmussen, president; Robert F. Hughes, C. David Martin, Lawrence E. Small, senior vps; Anthony J. Constantino, vp-claims.
Claims auditing: Six audits conducted, all for self-insurers.
Claims auditing charges: Time and expense, $35 to $50 per hour.

S

Self Insurance Programs Inc.

2041 Mission College Blvd., Santa Clara, Calif. 95054; 408-980-0210

Parent company: Frank B. Hall & Co. Inc.
Year founded: 1975.
Services provided: Claims administration.
Region served: Nationwide.
Specialty: Both property/casualty and group insurance claims; 45% workers compensation, 55% short- and long-term disability.
Number of claims: 32,000 total claims administered, all for self-insurers.
Staff: 70 total staff. Administration staff of 56.
Clients: Total administration clients, 70; all of which are self-insured.
Compensation: Percent of payroll for administration services.
1983 gross revenues: Not reported.
Locations: Burbank, Calif.
Principal officers: Thomas E. Sitter, chairman; Michael L. Oliver, president; Thomas H. Larkin, vp-consulting services; David F. Nolan, vp-operations; Louise A. Roman, corporate secretary/controller.

T

Toplis & Harding Inc.

222 S. Riverside Plaza, Chicago, Ill. 60606; 312-648-1300

Parent company: Lloyd's of London.
Year founded: 1792.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide and worldwide.
Specialty: Both property/casualty and group insurance claims: 51% ocean marine, 22% property damage, 4% inland marine, 10% general liability, 4% professional liability, 1% health insurance, 1% workers compensation, 1% automobile, 1% bonds, 5% product liability.
Number of claims: 23,000 total claims adjusted, 700 for self-insurers; 98% by field adjuster and 2% by telephone adjuster. 22,100 total claims administered, 200 for self-insurers.
Staff: 305 total staff, including adjusting staff of 122, which includes 110 field adjusters, 10 telephone adjusters and two administrative supervisors. Administration staff of 42. Auditing staff of 10.
Clients: Total adjusting clients, 675, of which 45 are self-insured. Total administration clients, 55, of which 10 are self-insured.
Compensation: Time and expense, $45-$75 for adjusting and administration services.
1983 gross revenues: Not reported.
Locations: Anchorage, Alaska; Atlanta; Baltimore; Boston; Detroit; Honolulu; Houston; Jacksonville, Miami, and Tampa, Fla.; Los Angeles; New Orleans; New York; Portland, Ore.; San Francisco; Seattle; Edmonton, Alberta; Montreal; Toronto; Vancouver, British Columbia.
Principal officers: M.G. Fitt, W.B. Remdt, R.E. Trompeter, R.K. Tisdall, F.D. Ratcliff.
Claims auditing: 12 audits conducted, four for self-insurers.
Claims auditing charges: Time and expense, $50-$75.

Total Group Services Inc./Total Compensation Services Ltd.

500 Cascade West Parkway S.E., Grand Rapids, Mich. 49506; 616-942-9780

Year founded: 1971.
Services provided: Claims adjusting, administration, auditing.
Region served: Nationwide.
Specialty: Both property/casualty and group insurance claims: workers compensation, health insurance.
Number of claims: 542 total claims adjusted in 1983, all for self-insurers; 82% by field adjusters, 18% by telephone. 5,020 total claims administered in 1983, all for self-insurers.
Staff: 15 total staff, including adjusting staff of five, which includes three field adjusters, one telephone adjuster, one administrative supervisor. Administration staff of eight. Auditing staff of two.
Clients: 40 total administration clients, of which all are self-insured.
Compensation: Per claim for adjusting and administration services. Bonus for reduced losses in second year.
1983 gross revenues: Not reported.
Locations: Lansing, Mich.; Dayton, Ohio; Des Moines, Iowa.
Principal officers: George E. Gale III, president and chief executive officer; R. Harvey Nolen, senior vp-marketing; Timothy M. Casey, senior vp-operations; John McClain, vp-marketing; Thomas Dugan, assistant vp-claims.
Claims auditing: Three audits conducted, all for self-insurers.
Claims auditing charges: Time and expense, $15-$30 per hour; flat fee, $250-$2,500.

U

Underwriters Safety & Claims

11405 Park Road, P.O. Box 23790, Louisville, Ky. 40201; 502-244-1343

Year founded: 1941.
Services provided: Claims adjusting, administration, auditing.
Region served: Mid-Atlantic.
Specialty: Both property/casualty and group insurance claims: 50% workers compensation, 5% general liability, 10% bonds, 35% health insurance.
Number of claims: 3,560 total claims adjusted in 1983, 3,000 for self-insurers; 20% by field adjusters, 80% by telephone. 72,000 total group claims administered in 1983, all for self-insurers.
Staff: 67 total staff, including adjusting staff of 35, which includes 10 field adjusters, 23 telephone adjusters, two administrative supervisors. Administration staff of 17. Auditing staff of four.
Clients: 132 total adjusting clients, of which 125 are self-insured; two total administration clients, all of which are self-insured.
Compensation: Percent of paid claims, percent of payroll, percent of annual premium, per claim, per covered employee for adjusting services. Percent of paid claims, percent of payroll, percent of annual premium, per claim, per cov-

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ered employee, time and expense for administration services.

1983 gross revenues: Not reported.

Locations: Paintsville, Ky.; Knoxville, Tenn.; Marion, Ill.; Norton, Va.; Pittsburgh.

Principal officers: Bruce L. Ferguson; Bruce W. Ferguson; Jack D. Stewart; Gary Mongilutz.

Claims auditing: Five audits conducted, all for self-insurers.

U.S. Administrators Inc.

3540 Wilshire Blvd., Los Angeles, Calif. 90010; 213-383-1100

Year founded: 1962.

Services provided: Claims adjusting, administration.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 99% health insurance, 0.5% workers compensation, 0.5% prepaid legal and pensions.

Number of claims: 13.15 million total claims administered, 12.6 million for self-insurers.

Staff: 492 total staff. Administration staff of 379.

Clients: Total administration clients, 103; self-insured, 92.

Compensation: Per covered employee for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: Universal City, Calif.; Shrewsbury, N.J.; Dallas; Montreal.

Principal officers: Samuel X. Kaplan, president; Sue M. Kaplan, vp/secretary; Bron Wlecial, treasurer.

W

Scott Wetzel Services Inc.

500 Pacific Ave., Suite 700, P.O. Box 418, Bremerton, Wash. 98310; 206-479-0200

Parent company: The Home Group Inc.

Year founded: 1941.

Services provided: Claims adjusting, administration, auditing.

Region served: Nationwide.

Specialty: Property/casualty and group insurance claims: 70% workers compensation, 15% general liability, 8% automobile, 5% health insurance, 2% professional liability.

Number of claims: 167,300 total claims adjusted, 165,000 for self-insurers; 25% by field adjusters and 75% by telephone adjusters. 213,000 total claims administered, 165,000 for self-insurers.

Staff: 450 total staff, including adjusting staff of 315, which includes 122 field adjusters, 164 telephone adjusters and 29 administrative supervisors. Administration staff of 34. Auditing staff of 19.

Clients: More than 450 total adjusting clients, of which 400 are self-insured; 50 total administration clients, of which 17 are self-insured.

Compensation: Percent of incurred claims, percent of paid claims, per claim, per covered employee, time and expense for adjusting and administration services.

1983 gross revenues: Not reported.

Locations: Anchorage and Juneau, Alaska; Beaverton, Ore.; Bethesda, Md.; Boise, Idaho; Boston and Scituate, Mass.; Chicago; Dallas; Las Vegas and Reno, Nev.; Concord, Culver City, Los Angeles and Orange, Calif.; Albany and New York, N.Y.; Omaha, Neb.; Phoenix, Ariz.; Salt Lake City; Tacoma, Seattle and Spokane, Wash.; Tampa, Fla.; Cleveland; Philadelphia; Englewood, Colo.; Springfield, N.J.

Principal officers: E. Scott Wetzel Jr., president/chief executive officer; Donald W. Mulliner, executive vp; Robert B. Spratt, Myron A. Soltau, senior vps.

Claims auditing: 200 audits conducted, all for self-insurers.

Claims auditing charges: Time and expense, $35-$45 per hour; flat fee. ■

Insurers say broker should pay Australian fire claims

Continued from page 2

The series of bush fires, which began Feb. 16, 1983, killed more than 40 people and caused an estimated $400 million Australian ($364 million U.S.) in damages.

The SECV is conceding liability for two of eight separate fires that ravaged the countryside, said Mr. Steyn, the utility's attorney. Since the utility considers each fire a separate occurrence, it maintains it has $115 million Australian ($104.7 million U.S.) in coverage for fires.

Mr. Steyn told the court both fires were caused by the negligence of SECV inspectors.

But he noted that senior SECV management was not aware of the problems before the fires started and did not deliberately cover up this information. And, he added, the utility is disputing in court liability for the third fire that government sources say it caused.

Mr. Steyn also admitted in court that last year's blazes were not the first for which the SECV has been held responsible, adding that the utility was held liable for similar fires in both 1969 and 1977.

In the 1977 incident, insurers for the utility paid about $24 million Australian ($21.8 million U.S.) for damage caused by the fires, he said.

Mr. Pollack, the attorney for Gerling, the primary insurer, noted in his statement that a retired Australian judge was appointed to investigate the SECV's loss-prevention program following the 1977 fire. His report, the attorney said, concluded that equipment needed to be replaced, power lines needed to be separated, more inspections needed to be made on private property and a central safety board should be formed.

The SECV followed most of these recommendations but not all of them, Mr. Pollack charged and Mr. Steyn agreed, noting that following all of the suggestions would have cost the utility $1.4 billion.

Most notably, inspections of private property were not fully conducted and the SECV did not set up a central safety board, believing that decentralized loss prevention would be superior, Mr. Steyn said.

Despite the suggestions, Mr. Pollack said a special bush fire committee formed by the utility in 1979 found that loss-control procedures were doing little to improve results and the number of small fires started by SECV equipment had not diminished.

At the same time, the SEVC found that it was unable to secure liability insurance for bush fires through its broker, Bain Dawes P.L.C., because insurers either refused to write it or charged an excessive premium, Mr. Pollack added. The SECV began self-insuring its bush fire liability exposures.

In an effort to place the SECV's coverage, Bain Dawes put together a detailed report containing the SECV's loss statistics and the loss-control methods it had employed, Mr. Pollack said.

However, the utility was not able to find reasonably priced coverage until 1982 when Sedgwick, which has been the SECV's property insurance broker, replaced Bain Dawes as its broker for liability coverage, he said.

Sedgwick then placed the coverage in effect at the time of the fires, paying a premium of $75,000 Australian ($68,250 U.S.) for the primary layer, by removing the "guts" of the Bain Dawes report given to the broker by the utility, Mr. Pollack told the court. He noted that Sedgwick removed any mention of the 1977 fire losses.

"(Sedgwick's) guiding light was to try to ensure that underwriters did not realize the true nature of the risk they were being asked to write," he said.

Mr. Waller, Sedgwick's attorney, retorted in court that "Sedgwick strenuously denies there was any Machiavellian scheme" to hide facts from underwriters. He said information was shown to underwriters on request about the 1977 bush fires and loss information was also mentioned in a leaflet about bush fires.

Mr. Waller stressed, however, that a broker's duty is to place its client's risk in the best way it can.

A broker must be fair in dealing with an underwriter, he said, "but he has a duty to his client to broker a risk at the price and conditions he requires. All underwriters are well-aware of this.

"(The broker) was not required to include details of those claims on those fires in a written presentation," Mr. Waller said, adding that it was up to the underwriters to request further information.

The trial is expected to last 12 weeks. Scheduled to testify as expert witnesses are Robin Jackson, director of Merrett Holdings P.L.C., and Ian Posgate, who was regarded as one of Lloyd's most successful underwriters until he was dismissed by Alexander Howden Group P.L.C. for allegedly diverting assets for his personal use. ■

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Liability denied

Continued from page 2

To combat such claims, Global Marine filed a limitation of liability action in federal court in Houston just five days after the ship is believed to have sunk.

In the action, the company denies all liability, but in the event that the court does hold it liable, the company has asked that its liability be limited to $4.3 million, the amount surveyors have determined the ship and its unpaid freight were worth just after the accident, explains Mr. Baron.

The filing is based on the federal Limitation of Liability Act of 1851, which allows vessel owners to limit their liability to the value of the ship after the accident or to $60 per ton, whichever is greater.

According to the law, Global Marine must notify all potential claimants, including the families of crew members, the owners of any cargo carried by the vessel and the service companies that had employees and equipment aboard ship.

Typically, potential claimants are given 30 or 60 days to present claims, but Global Marine has set an April 1 deadline "to allow ample time for the families to decide what action they will take," he says.

The 1851 statute is "a peculiar remnant of ancient maritime law," explains Michael E. Shelton of the Houston firm of Shelton & Bein, who represents four plaintiffs. "It's impractical and pretty outmoded now because of insurance."

Mr. Shelton wants to pierce the $4.3 million liability limit claimed by Ocean Marine by proving the company showed negligence and knowingly operated the vessel in an unseaworthy manner. If he does so, he says he could then sue for greater amounts.

He alleges Global Marine knew the ship was in a dangerous situation and failed to act responsibly.

"I think Global knew there were problems out there and didn't take the proper steps," he asserts. He says the firm disregarded its own emergency mooring and typhoon plans, and didn't take appropriate steps to evacuate workers.

Apart from the liability claims, Mr. Baron says Global Marine received about $35 million in property insurance settlements on the Glomar Java Sea last month.

Global Marine's hull and property coverage was led by New York Marine Managers Inc., a syndicate composed of marine insurers. ■

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Financial Institutions	385
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Others allied to the field	1,020
TOTAL	**42,383**

*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983, BPA Publisher's Statement.

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Ratemaking report

Continued from page 1

"In fact, it has become negative.

"On an all-lines basis, the underwriting margin for property/casualty insurers probably will remain negative so long as interest rates and leverage remain at high levels and some measure of competition exists in the market."

In developing a system that tracks an insurer's actual rate of return, regulators also must take care not to underestimate investment income, the report says.

Though insurance industry experts have suggested that regulators base their investment income estimates on either previous-year average returns or a likely range of returns, the task force suggests that regulators focus on what insurers are likely to expect in actual income, rather than past history.

"All three categories of investment income (net investment income, expected capital gains and unrealized capital gains) should be taken into consideration," the report says. "Net investment income is normally the largest of these and it is also the most stable. Before recent volatility in interest rates, net investment income held few surprises and might have been estimated without significant problems.

"In recent years, however, high interest rates have caused net investment income to grow at an accelerating pace. In light of this, the use of averages of past investment income returns in ratemaking would have resulted in significant underestimations of net investment income every year," it continues. "In fact, as the industry's yield has been growing steadily for the last 20 years, the use of retrospective investment income data would have resulted in underestimations for the entire period."

Although some authorities believe that capital gains, usually the result of a major sale of investment assets, should not be considered in the ratemaking process, the task force believes that ignoring capital gains also leads to underestimating insurers' real profits.

"Capital gains are part of the income hoped for by investors in common stocks. If gains were not expected, stocks would be replaced with higher-yielding bonds. Because capital gains are not extraordinary items, but planned increments to the industry's total income, omission of capital gains and losses will result in a methodology which is incomplete and not in keeping with the 'total return' concept," the report says.

In this case, however, the task force notes that historical averages of capital gains income is probably an adequate predictor of future returns.

As an alternative to an actual rate-of-return ratemaking model, the task force also suggests regulators consider a "risk-free rate of return" linked to an accepted investment instrument such as Treasury bills.

This method of investment income calculation is "legitimate" and somewhat easier to derive than an actual rate-of-return method, the study says, but is prone to a couple of disadvantages.

First, the study notes that a risk-free calculation ignores rapid changes in interest rates and thus insulates the policyholders from sharing in any of their insurers' gains or losses above or below the risk-free rate.

Moreover, the report says that any methodology using a risk-free rate is theoretical and likely to vary from actual returns, producing a problem in establishing the insurer's future tax rate, another factor used in predicting net investment income.

A hearing on the draft report will be held March 8 following the NAIC quarterly meeting at the Marriott Hotel in Portland, Ore. If the NAIC approves the report, it would be up to individual states to incorporate it into their ratemaking laws. ■

Property/casualty rates beginning to rebound: AIG chief

Continued from page 2

ting "the longest-enduring and worst in insurance industry history." It was caused by excess capacity and high interest rates, which permitted insurers to offset underwriting losses with investment income.

A change in industry management philosophy also was to blame, he said. Underwriting discipline broke down as companies struggled to increase market share. Today, though, he believes that so-called cash-flow underwriting has been completely discredited, and emphasis on market share in the insurance business is "plain dumb."

Although Mr. Greenberg now believes market conditions are changing, he hesitates to term the phenomenon an upswing in the cycle. That's because he believes the industry is undergoing a complete restructuring. New, more efficient operators are entering the business, he noted, adding that some of them come from outside the insurance industry. Weak players are starting to disappear.

Companies that can find a niche with a product can succeed, he said.

But, he was extremely pessimistic about future prospects for the major insurance companies that rely on "old, archaic" independent agency systems to distribute their products. "Many national agency companies are mesmerized—captives of an agency plant," he said.

These companies will be unwilling to be as adventurous as those that don't have this "albatross around their neck," he observed.

Mr. Greenberg went on to outline AIG's operations and to explain why the company's results have outpaced the industry's.

During the first nine months of 1983, AIG's combined ratio was 99.5%, putting it 12 percentage points ahead of the industry overall and making it one of the few major insurance groups with profitable underwriting operations last year.

AIG had positive cash flow during 1983 of $200 million in its property/casualty operations and $500 million in its life insurance business. Mr. Greenberg expects those numbers to increase during 1984.

During the past five years, AIG's common stock portfolio has ranked No. 1 among insurance organizations, he said.

AIG's broad geographical spread of operations in 130 countries is one of its greatest strengths, noted Mr. Greenberg. And, he said that the organization's corporate culture, which dictates a strong, disciplined policy of underwriting profits, is its "front line of offense."

AIG maintains strong control over its expense ratio, which is eight points better than the industry average, reported Mr. Greenberg. This gives the company a tremendous competitive advantage, he stressed. This low expense component is achieved through AIG's distribution system, which relies heavily on the national brokers that place big risks with big premiums for big corporations.

AIG believes strongly in "gross lines underwriting," added Mr. Greenberg. That means that brokers are strongly urged to place all or most of their clients' risks with AIG. The insurer gets a better chance to evaluate all of the risks' characteristics through this approach, he said. The insurer then reinsures the portion of the risk it doesn't want to retain. ■

Greenberg on CIGNA-AFIA deal

LOS ANGELES—CIGNA Corp.'s planned acquisition of AFIA Worldwide Insurance is "good for AIG," says Maurice R. Greenberg, president and chief executive officer of American International Group Inc.

That's because "CIGNA gets very little in the way of new-country entries through the purchase," Mr. Greenberg told a group of financial analysts at a luncheon meeting last week in Los Angeles.

His remarks were the first public comment from international insurance leader AIG on the sale of AFIA to CIGNA, which will double the size of CIGNA International when the expected acquisition is finalized Jan. 31 (*BI*, Dec. 26, 1983).

Mr. Greenberg went on to say that he questions AFIA shareholders' reasons for wanting to sell their holdings in the international property/casualty insurance network. "Probably, reserve deficiencies are substantial," he said. He also said he had heard from sources he did not identify that losses in AFIA's London book alone could run as high as $300 million to $500 million.

Mr. Greenberg said he believes there is a perception among AFIApeople who work in countries where CIGNA International also has offices that CIGNA managers will eventually dominate.

And, finally, he questioned whether a domestic, conservative life insurance company (referring to Connecticut General Life Insurance Co., a partner with INA Corp. in the merger that formed CIGNA) had the right corporate culture to manage a multinational insurance operation.

A spokesman for CIGNA said that the company is satisfied that the terms of its agreement with AFIA protect CIGNA against any possible deficiencies in AFIA's reserves.

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Risk Management Board survey

Continued from page 1

argue that banks are now at a competitive disadvantage against other emerging financial services networks, like Dean Witter/Allstate/Coldwell Banker and American Express/Fireman's Fund/Shearson.

Proponents of removing restrictions on bank holding companies' insurance activities also contend that the new competition would create better products and services and introduce more efficiency to transactions.

One-stop shopping for both individual and commercial clients would be possible, they add.

Some even predict that new commercial insurance products that combine elements of conventional bank credit and conventional catastrophe insurance could be developed by affiliations of banks and insurance companies.

The risk managers responding to the *BI* survey, however, are swayed only by the argument that competition would be increased if bank holding companies could expand into insurance. Thirty-four would expect more competition and only 16 would not. One risk manager said there would be no effect on the competitive environment if bank holding companies owned insurance companies or agencies.

Only 26 of the board members agreed that bank holding companies are at an unfair competitive disadvantage under current restrictions on their insurance activities.

Only 12 risk managers—not even 25% of the respondents—expect bank affiliates could offer better products and insurance arrangements. Two-thirds of the board—33—said they did not expect to be able to negotiate a better deal though a bank-affiliated broker or purchase a better insurance product from a bank-affiliated insurance company. The other risk managers were undecided.

And, only 17 of the 51 risk managers agreed that banks are more efficient than insurance companies, while 10 said insurers are more efficient than banks. The others wouldn't accept such generalities.

The panel was split on whether a bank holding company with insurance company or insurance brokerage subsidiaries could improve overall service to business customers. Twenty-one said "no," 20 said "yes," seven said "it depends" and three didn't answer.

"The best of both is most often secured by unbundling," advised the assistant vp for risk management for retail drug stores with $2 billion in sales. The former agent/broker added, "It is dubious that the bank would have the caliber of insurance expert that a business customer would need."

The risk manager for a software and computing services company with $140 million in sales said, "The quality of services could be hurt in the insurance area due to a lack of expertise."

The controller and assistant secretary of a manufacturing company with $33.8 million in sales warned, "Under some circumstances, the bank could view established banking customers as a 'captive' insurance customer and therefore might not provide the highest level of service."

Most of the risk managers on the board—32 of the 51 responding—aren't concerned about banks using their credit leverage to sway commercial customers to buy insurance from an affiliate. This two-thirds of the respondents said that current laws that prohibit banks from combining loan transactions and insurance sales are adequate.

Nineteen risk managers disagreed and said banks would use their credit leverage and combine loan transactions with the sale of commercial insurance. More risk managers, 24, thought that when it comes to dealing with individual consumers, banks would use their credit leverage to combine loan transactions with the sale of insurance. And 30 risk managers agreed with the statement that banks in small towns were more likely to use their credit leverage than banks in metropolitan areas.

Of the 20 risk managers who see the possibility for improved services, the risk manager for a government entity said a bank holding company owning an insurer "would be a benefit—offering greater capacity and perhaps even a more sophisticated product."

But a bank holding company owning a brokerage would not be a benefit, he said. "Bank support functions are too impersonal. I don't believe that banks are currently geared up to administer sophisticated risk management programs."

The corporate insurance administrator for a conglomerate in high technology with $40 million in sales disagreed on the brokerage issue. "Banks' natural tendency toward service and generally pleasing customers would be a welcome relief to the current brokerage marketplace where size is king and small is often ignored. Banks treat depositors in a more uniform manner to the benefit of customers."

Significantly, risk managers for two banks were even more optimistic. "Delivery systems for underwriting, claims, policy processing would be streamlined," predicted the second vp for a commercial bank.

"It should improve both (banking and insurance) services because it should be possible to develop a better balance between products and services, which fall on either side of the line and sometimes are hybrids in between," said the vp and manager of the risk management division of another bank.

The director of insurance for a $1 billion conglomerate predicted that "the bank holding company has a better understanding of money and would provide innovative cash-flow programs."

The concept of a risk-financing product from a bank that combines conventional bank credit and conventional catastrophe insurance intrigued half the panel. Twenty-six said they would be interested in such a product. But 21 said they would not be interested in the product. Four didn't comment.

Many of the risk managers concerned that banks might coerce customers to use affiliated insurance services commented that the affiliated businesses should be kept separate.

But, more than half—29—said they thought that one financial institution could service a commercial client's entire financial services needs such as borrowing, raising capital and insurance. And just as many thought it would be advantageous to the consumer to consolidate purchasing for more buying clout, although three fewer—26—said it could be done.

But, less than 25% of the risk managers—only 12—said they would want to integrate the insurance products they are buying with the other financial products and services purchased by the chief financial officer.

Thirty-four, or two-thirds, of the panel said they would not want to integrate their insurance product and service purchasing with the financial products and services purchased by the CFO. Five were undecided.

Twenty of the 34 risk managers opposing consolidated purchasing said that one institution could not provide all financial service needs and that it would not be advantageous to the consumer.

Given the choice of buying financial products and services from independent suppliers or affiliations of suppliers, 33 said they prefer buying their banking, insurance products and services from unaffiliated banks, insurers and brokers. Seven said they would prefer to deal with an insurance company that also owns a bank, four said they would prefer dealing with a bank that owns an insurer and three said they would want to deal with a bank that owns an insurance broker.

Commented the director of risk management and insurance for a company with $3.8 billion in sales in business machines and computers: "I believe that relationships with a number of brokers and insurance companies greatly improve the performance of the risk management department because diverse ideas are obtained from each...More importantly, competitive proposals can be secured."

While acknowledging that banks could be a new source of ideas and products, the risk manager noted, "I also believe in unbundling all the diverse service needed to maintain a risk management plan. By evaluating the cost and performance of each service separately, improvements in both result."

If a company were to consolidate the purchase of all financial products and services, should the copany make one individual responsible for the purchasing? "No," said two-thirds or 33 of the panel members. Only 17 said "yes" and one said "probably."

"There would be a tendency to work a grand deal in an oversimplified fashion until the big loss came along and then the glossed-over details would sour the deal and create havoc," predicted the risk manager of a manufacturing company with $420 million in sales.

What would happen to the position of risk manager if a company were to focus the responsibility for procuring all its financial service needs with one individual?

More than half the panel—27—said the position of the risk manager would be diminished and only 15 said it would be elevated. Six said there would be no change and three did not comment.

The director of risk management for a government entity, who has been a risk manager for five years and a broker for five years, predicts the risk manager's role would be diminished. "While certain risk managers, primarily of financial background, may benefit by obtaining the responsibility to administer the firm's entire financial program, the vast majority of risk managers will lose the flexibility and the responsibilities of choosing carriers, brokerage firms and perhaps even lose the ability to design their own programs."

The vp of a health care institution who holds an MBA and has 10 years of risk management experience also fears a diminished role. "More than likely, the risk manager would be reduced to a lower-level support person. It is possible that the risk manager could become the senior financial person, however, in most organization this would be unlikely."

The risk manager for the retail drug stores agrees the risk manager's role would be diminished. "When there is a conflict, the risk manager's needs would be subservient to the financial officer's needs. It is hard enough to sell programs on their merits without the interference of corporate politics or conflicting interests."

The director of risk management for a chemical and food products manufacturer with $4 billion in sales and a 22-year veteran of risk management predicts that consolidating responsibility for purchasing all financial products and services "would increase the emphasis of risk financing rather than the other 90% of risk management which is risk reduction, etc."

But the insurance and risk manager for a hospital predicts an elevated role for the risk manager should all financial services purchasing be placed with one person. "The risk manager would need to be consulted with more frequency and be seen as more important in the overall financial scheme."

The vp and manager of the risk management division for a bank also sees an elevated postiton for the risk manager. "The risk manager should become a strong contributor to the full financial and strategic planning function of the company, thereby becoming more visible, more credible and eventually a primary contender for elevation in the corporate ranks."

Among the six risk managers who predicted no change was a 15-year risk manager with a law degree who is the assistant financial manager of a service company with $60 million in gross revenues. "Insurance/borrowing is only one facet of risk management. Safety, loss control, risk avoidance, etc., have at least equal if not more importance than the last act of transferring some part of the risk to an insurance company," he said.

While 29 risk managers could foresee some increased buying clout if a company consolidated the purchasing of all financial services and products, 21 also foresee the possibility that the greatly diversified bank holding company could wield more negotiating strength than the customer. But, 22 maintained that the buyer would have more clout. Four said the clout would depend on the parties involved and four didn't answer.

Risk managers also expressed concern that finances of one subsidiary of a bank holding company could affect another. Twenty-seven of the risk managers said allowing a bank holding company to own an insurer could jeopardize the financial soundness of the affiliated bank. Twenty-four said it could not. Only 20 thought the insurer could be jeopardized if it were owned by a bank holding company.

If bank officers were to begin to offer insurance services, it would be a brand-new contact for many risk managers.

More than half the panel-28-said they did not have any monthly contact with a bank officer. Another 15 said they were in contact with a bank officer fewer than five times a month. Three said six to 10 times a month. Five didn't answer.

Only eight risk managers indicated no monthly contact with their insurance broker. Sixteen said they were in contact with their broker at least five times a month, six said six to 10 times a month, nine said 11 to 15 times a month and 13 said more than 16 times a month. Seven didn't answer.

Risk managers also identified their working relationship with their insurance broker as the strongest when compared with an insurance company underwriter and a bank officer. Only three said a bank officer was their closest relationship and they were a controller, a treasurer and a risk manager who is president of an insurance subsidiary. Five risk managers said their strongest relationship was with an underwriter. ■

Would personal lines improve?

Risk managers see little more room for better service to individuals than commercial customers if banks had insurance affiliates.

Only 21 risk managers said they thought the individual would get improved service, 18 said the individual would not, eight said "it depends" and four didn't answer.

On service to commercial clients, only 20 risk managers expected improved service, 21 did not, seven said "it depends" and three didn't answer.

Most observers expect bank holding companies to target individual customers first if they are allowed to expand their insurance activities.

"Service is likely to improve because more outlets are bound to be available for individuals," said the risk manager for a software and computing services firm who predicted service to individuals would improve. "Quality could decline because of the lack of expertise in the procedures."

"The convenience of completing two transactions at one location and automatic payment deductions from checking/savings accounts would be available, but service regarding the cost and quality of the insurance purchased would not be as good. The opportunity for coercion would be too great," said the assistant vp-risk management for retail drug stores with $2 billion in sales who said service to individuals would not improve.

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Fireman's Fund

Continued from page 1

Mr. Hupp. who was executive vp-claims and insurance services, resigned last fall to become president and chief executive of San Francisco-based Rathbone, King & Seeley, a managing general agency and underwriting manager unit of Seibels, Bruce & Co. of South Carolina.

Although other property/casualty insurers are battling the same problems of underwriting losses, dwindling profits and underfunded reserves and have cut staff, it is the style as much as the substance of American Express actions that is raising eyebrows in the insurance industry.

"Shooting the management and taking a bath is not in the insurance company culture," said an outside industry observer.

Securities analysts agree that American Express' methods seem harsh by industry standards, though not on Wall Street.

"Managers on Wall Street have to pay up a lot faster for their mistakes," noted David Seifer, vp of First Boston Corp. in New York.

But with this move, "Sandy Weill is challenging the insurance industry that he can do it better," he continued. "I think he will be under a lot of scrutiny by the investor public."

Although analysts have a lot of respect for Mr. Weill and confidence in his managerial abilities, they are uncertain about how he can make a difference at Fireman's Fund.

Conjecture about future changes at the company run the gamut from restructuring of the distribution system through grooming for sale. Many industry observers expect the new management to narrow its customer base and to concentrate on niches of marketing strength.

Neither American Express nor Fireman's Fund has publicly discussed plans for improving the insurer's performance.

But some industry observers hint that the shoot-em-up style of taking control may be calculated to bring rank-and-file underwriters into line. They note that insurers find it tough to persuade field underwriters to reject bad business when they know their jobs may hinge on their track record.

Too much talk about growth and not enough attention to underwriting discipline is one of the charges made by American Express against Fireman's Fund former management. Analysts agree that the emphasis shifted last year to market-share growth and away from firm pricing.

This change was articulated by Mr. Meenaghan at an analysts' meeting last May, says A. Michael Frinquelli, managing director of Salomon Brothers Inc. in New York.

He believes that Fireman's Fund looked for a significant upturn in prices during 1984. By winning new business in 1983, the insurer would have a better base for future renewals when higher prices could be charged.

Unfortunately, cascading losses—especially in workers compensation and liability lines—came ahead of a pricing turnaround. During the third quarter, the insurer's combined ratio on all lines rose to 115.6% from 105.6%.

The company will still be profitable this year, but American Express' 1983 earnings will fall about 10% from last year due to a $230 million increase in the insurer's reserves during the fourth quarter.

A market upturn, if it does arrive in 1984, will come too late for the old management.

Among the darker scenarios suggested by some analysts is that Mr. Weill—by taking over when the cycle is at or near bottom—is poised to come out looking like a hero.

This impression is strengthened by the decision at American Express last month to add the $230 million to reserves, when Fireman's Fund actuaries estimated that only $105 million was needed to cover expected losses. The extra reserves will give the new management a cushion to fall back upon.

"History has shown that people who have grabbed the helm in the worst of times have often come out looking good at the best of times," notes William D. Laemmel, vp at Laidlaw Adams & Peck Inc. in New York. "Of course, this may not be the worst of times. Timing is everything."

Even so, many analysts say that insurers in general, and Fireman's Fund in particular, can benefit from "fresh blood" that brings a new perspective to the persistent problems of the property/casualty insurance industry.

They pooh-pooh the fact that neither Mr. Weill nor Mr. McCormick has insurance experience.

"If a Pepsico executive can take over Apple Computer, then a financial guy can run Fireman's Fund," one analyst quipped.

Like other insurance company executives, the new management at Fireman's Fund will be searching for ways to reduce operating expenses over which they have some control. Prices, after all, are set in the marketplace and not by individual companies.

"The business is very competitive, there's not a lot of flexibility," says Mr. Laemmel. The only way to show a large measure of success is by writing a sizable volume of risks relative to expenses, he explains.

American Express Chairman James D. Robinson III and Mr. Weill both have been widely quoted as saying that Fireman's Fund is "a high-cost producer." And, much of their thinking about expense reductions is likely to sooner or later take the form of rethinking the insurer's distribution system.

This possibility must be uppermost in the minds of independent agents who currently generate a substantial portion of Fireman's Fund's business. It can hardly be comforting to them that Mr. McCormick, who is running day-to-day operations at the insurance company, comes from the charge card, traveler's check and travel services unit of American Express.

"McCormick understands marketing on a direct basis," said one analyst. "Nobody wants to be quoted in print saying that Fireman's Fund is going to can all the agents, but it's got to make them nervous."

One of the first major announcements from Fireman's Fund since the management shake-up is its decision earlier this month to merge its independent agency computer system, ARC Automation Services, with Agency Automation Systems, owned by a consortium of major U.S. insurance companies.

Fireman's Fund acquired Agency Records Control (ARC) in August 1982 to improve its service to independent agents. At the time, the insurer said it was embarking on an interface program that involved the largest developmental project ever undertaken by Fireman's Fund.

Now the insurer is saying it believes that agency automation can best be achieved though a consortium rather than an independent approach.

"This move will facilitate the development of hardware and software; it will work better than the single-company approach," said a Fireman's Fund spokesman. He pointed out that the insurer will join other consortium members to market the system.

Terms of the merger transaction were not disclosed.

To find out how the management shake-up might affect agents, the executive committee of the Independent Insurance Agents & Brokers of California requested a meeting with American Express last month. The meeting was held two weeks ago with Mr. McCormick and five or six others.

The agents were favorably impressed by Mr. McCormick, who seemed to "know the jargon" and to be a "quick study on insurance," says George Porter, president of El Camino Insurance Agency in Vista, Calif.

"We were reassured by the meeting," he sums up. "They said they will continue to market through independent agents and want to keep business they have on the books."

Despite previously announced personnel reductions at Fireman's Fund, Mr. McCormick insisted that it is the company's intention to operate better and to improve service to agents, according to Mr. Porter. There were no specifics discussed at the meeting.

Since Fireman's Fund is built on the independent agency system, it doesn't make sense for the insurer to alienate its marketing arm, some observers say. But, they wonder whether Fireman's Fund is a good fit with the strategic plans of American Express.

"It wouldn't be a bad strategy to sell off Fireman's Fund, if they could find someone to buy it," said one analyst.

To stay at the forefront of financial services, American Express needs a property/casualty insurance company. But does it need a big multiline insurer with a large book of commercial business?

A personal lines insurer, whose products could be distributed through credit cards and the recently acquired Investors Diversified Services, a major marketer of mutual funds and insurance, might be a better fit.

"Ideally, if it (American Express) were starting from scratch, they would want GEICO (Corp.)," said the analyst.

But, it could be five years before the insurance industry recovers from its current slump to make Fireman's Fund an attractive buy—assuming American Express even wants to sell, he adds.

In the meantime, the parent company has hinted that it will re-examine the insurer's customer base—which today is just about everybody. In a Business Week interview published last month, Mr. Weill said that "Fireman's had a silly philosophy of being all things to all people in all places."

Many analysts expect the company to build more on its existing strengths and to emphasize products that blend in with the parent company's credit card, securities brokerage and international banking operations.

These would include underwriting of entertainment and financial risks like municipal bond insurance. It also might include new specialty products similar to the company's prestige homeowners insurance program and its commercial package for florists, which can be marketed through credit cards. ■

British Issues

24 Jan Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	187	31.2	16.86	9.0	194—	187
Eagle Star	695	21.1	27.86	4.0	707—	695
Genl Accident	465	13.7	26.43	5.7	468—	460
Gdn Royal Exch	525	13.5	30.71	5.9	530—	520
Phoenix	437	19.0	26.00	5.9	450—	440
Royal	525	13.5	39.28	7.5	530—	520
Sun Alliance	1475	17.0	78.57	5.3	1500—	1475
Brokers						
CE Heath	347	8.7	22.86	6.6	347—	345
Hogg Robinson	148	11.4	9.43	6.4	148—	138
JH Minet	146	11.2	7.57	5.2	147—	146
Sedg Grp	240	12.0	11.43	4.8	250—	240
Stenhouse Hldg	135	13.0	9.43	7.0	135—	134
Stew Wrightson	312	10.4	22.57	7.2	312—	305
Willis Faber	695	14.5	30.00	4.3	703—	694

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

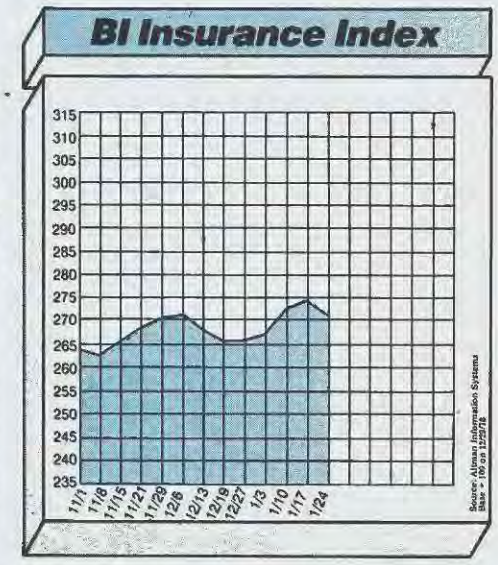
JAN. 24, 1984 — 1/18/84 THRU 1/24/84

Insurance Cos.		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE	36.00	0.0	5.7	2.64	7.3	36.13	35.75	639.1
American Bankers Ins Group	OTC	14.88	-3.3	12.0	0.50	3.4	15.13	14.88	138.3
American Gen Ins Co	NYSE	22.25	-2.7	9.8	0.80	3.6	22.88	22.25	3,478.5
American Indty Finl Corp	OTC	23.50	-2.1	12.6	1.12	4.8	24.00	23.50	3.0
American Intl Group Inc	OTC	62.00	-0.8	10.4	0.44	0.7	63.00	62.00	596.7
American Natl Ins Co	OTC	23.50	2.2	8.5	0.96	4.1	24.50*	23.50	145.1
Aneco Reins Ltd	OTC	3.75	0.0	26.8	0.00	0.0	3.75	3.75	2.3
Aveaco Corp	AMEX	20.25	1.2	12.5	0.58	2.9	20.25	19.63	9.6
Banks Iowa Inc	OTC	48.00	1.1	15.5	1.52	3.2	48.00	47.50	5.9
Bitco Corp	OTC	16.50	-5.7	0.0	1.33	8.1	17.75	16.50	36.7
Carolina Cas Ins Co	OTC	6.75	0.0	0.0	0.20	3.0	6.75	6.75	2.3
Chubb Corp	OTC	68.75	0.0	9.0	3.12	4.5	69.38	68.75	184.8
Combined Intl Corp	NYSE	35.63	-12.6	10.6	2.00	5.6	40.50	35.63	365.9
Continental Corp	NYSE	27.00	-4.8	36.5	2.60	9.6	27.88	26.75	294.0
Crawford & Co	OTC	16.25	14.0	11.5	0.66	4.1	16.25	15.75	42.0
Crown Life Ins Co	OTC	123.50	2.9	8.1	3.20	2.6	123.50	120.00	1.1
Employers Cas Co	OTC	32.00	0.0	7.1	1.20	3.8	32.00	32.00	15.2
Equifax Inc	NYSE	26.75	-4.5	11.1	1.60	6.0	27.88	26.75	25.3
Farmers Group Inc	OTC	41.13	-3.5	10.2	1.36	3.3	42.63	41.13	244.5
Foremost Corp Amer	OTC	26.75	-4.5	8.2	0.88	3.3	27.75	26.75	57.8
Fremont Gen Corp	OTC	15.00	-8.4	0.0	0.48	3.2	16.25	15.00	285.0
Great West Life Assurn Co	OTC	270.00	0.0	9.7	11.00	4.1	270.00	270.00	0.0
Hanover Ins Co	OTC	52.75	-4.1	6.8	0.88	1.7	55.25	52.75	33.7
Hartford Steam Boiler Insptn	OTC	55.00	0.0	10.7	3.00	5.5	55.50	55.00	10.5
Jefferson Natl Life Ins Co	OTC	44.00	-1.1	14.8	0.76	1.7	44.00	44.00	3.9
Kemper Corp	OTC	37.88	-7.1	8.2	1.80	4.8	40.50	37.88	60.0
Lincoln Natl Corp Ind	NYSE	65.25	-0.4	9.4	3.36	5.1	65.50	65.00	106.7
Mission Ins Group Inc	NYSE	25.00	0.0	10.1	1.00	4.0	25.13	25.00	37.5
Nationwide Corp Ohio	OTC	41.75	0.0	15.3	0.70	1.7	0.00	DID NOT	TRADE
Northwestern Natl Life Ins	OTC	36.25	0.7	9.6	1.50	4.1	36.50	36.00	25.2
Ohio Cas Corp	OTC	46.25	-3.1	8.6	2.52	5.4	47.88	46.25	35.3
Old Rep Intl Corp	OTC	35.63	0.0	7.9	0.90	2.5	35.63	35.63	51.7
Orion Cap Corp	NYSE	29.50	6.3	14.2	0.76	2.6	29.50	27.25	54.6
Preferred Risk Life Ins Co	OTC	20.75	0.0	7.9	0.67	3.2	20.75	20.75	0.5
Provident Life & Acc Ins Co	OTC	69.50	6.1	8.6	2.60	3.7	69.50*	67.00	36.8
St Paul Cos Inc	OTC	57.25	-2.1	7.7	2.80	4.9	59.13	57.25	177.1
SAFECO Corp	OTC	55.75	3.7	7.8	2.60	4.7	55.75	53.50	89.2
Sri Corp	OTC	18.00	-6.5	7.8	0.68	3.8	19.25	18.00	114.0
Seibels Bruce Group Inc	OTC	21.38	-0.6	12.1	0.80	3.7	21.38	21.25	64.9
Statesman Group Inc	OTC	9.75	-1.3	8.5	0.15	1.5	9.75	9.63	68.7
Tokio Marine & Fire Ins Co	OTC	115.25	-5.1	23.3	0.96	0.8	120.50	115.25	9.9
Travelers Corp	NYSE	32.25	1.6	8.1	1.92	6.0	32.25	31.50	946.6
United Fire & Cas Co	OTC	32.00	0.0	11.4	0.88	2.8	32.00	32.00	1.2
United States Fid & Gty Co	NYSE	55.88	-1.1	9.8	3.84	6.9	56.25	55.75	240.5
United Svcs Life Ins Co	OTC	25.38	6.3	7.4	1.00	3.9	25.63	23.88	32.7
Uslife Corp	NYSE	27.25	-0.5	7.8	0.96	3.5	27.88	27.13	92.3
Washington Natl Corp	NYSE	26.50	-0.5	12.6	1.08	4.1	26.75	26.00	112.1
Zenith Natl Ins Corp	OTC	14.25	0.0	10.0	0.60	4.2	14.50	14.25	19.5
INSURANCE COMPANIES	AVERAGE			10.0		3.8			
Agents Brokers									
Alexander & Alexander Svcs	NYSE	22.25	-0.6	0.0	1.00	4.5	22.50	22.00	112.9
Baldwin & Lyons Inc	OTC	38.00	0.0	15.8	0.80	2.1	38.00	38.00	0.2
Corroon & Black Corp	NYSE	25.50	1.5	16.0	1.00	3.9	25.50	24.88	14.0
Crump E H Cos Inc	OTC	10.63	-1.2	14.6	0.40	3.8	11.00	10.63	130.8
Emett & Chandler Cos Inc	OTC	11.63	-6.1	31.4	0.00	0.0	12.50	11.63	18.2
Hall Frank B & Co Inc	NYSE	24.00	-2.5	21.8	1.53	6.4	25.38	24.00	363.7
Integrated Res Inc	AMEX	26.75	-3.6	8.7	0.00	0.0	26.75	25.13	213.0
Marsh & Mclennan Cos Inc	NYSE	48.88	1.3	14.2	2.20	4.5	49.00	48.63	190.2
Poe & Assoc Inc	OTC	5.00	-4.8	0.0	0.00	0.0	5.25	5.00	6.3
Reed Stenhouse Cos Ltd	OTC	12.25	0.0	14.9	0.60	4.9	12.25	12.25	245.0
AGENTS/BROKERS	AVERAGE			17.4		3.3			
Conglomerates Holding Cos.									
American Express(Fireman's Fd)	NYSE	30.88	-6.8	8.9	1.28	4.1	32.63	30.88	2,483.0
Anderson Clayton(Ranger/PanAm)	NYSE	32.50	0.8	15.1	1.32	4.1	32.50	31.50	33.3
Armco Inc	NYSE	22.75	1.7	0.0	0.40	1.8	22.75	21.88	979.1
Baldwin Utd Corp	NYSE	2.88	-4.2	0.0	0.00	0.0	2.88	2.75	307.8
CIGNA Corp	NYSE	42.13	-2.0	7.2	2.48	5.9	42.88	42.13	901.5
City Investing Co. (Home Ins.)	NYSE	38.63	-2.8	11.4	1.80	4.7	39.63	38.13	608.3
CNA Finl Corp (CNA)	NYSE	22.00	-2.2	7.2	0.00	0.0	22.50	22.00	85.9
Control Data (Comml. Credit)	NYSE	46.63	-2.6	11.4	0.66	1.4	48.00	46.00	440.2
General Re Corp	NYSE	62.25	-1.4	13.2	1.28	2.1	64.00	61.75	459.5
Gulf Utd Corp	NYSE	30.75	-0.8	9.5	1.32	4.3	31.25	30.75	1,185.4
ITT (Hartford Group)	NYSE	45.50	-3.4	10.2	2.76	6.1	46.88	45.50	1,368.0
Optimum Hldg Corp	OTC	5.50	2.3	42.3	0.00	0.0	5.50	5.25	10.2
Sears Roebuck & Co. (Allstate)	NYSE	36.38	-4.6	10.5	1.52	4.2	37.63	36.38	1,913.2
Teledyne Inc (Argonaut)	NYSE	169.00	-3.4	11.4	0.00	0.0	172.88	168.38	788.5
Transamerica Corp (Occidental & Fred S. James)	NYSE	28.00	-1.3	10.1	1.56	5.6	29.00	28.00	299.1
CONGLOMERATES/HOLDING COS.	AVERAGE			14.7		2.7			

*Record high/low since Jan. 1, 1983

System design: Altman Information Systems

BI Insurance Index



Insurance industry stocks dipped for the first time in 1984 as the *Business Insurance* stock index dropped 2.6 points, declining to 271.6 from 274.2 at the close of the trading period ending Jan. 24. Fourteen issues closed up, 32 lost ground and 16 closed unchanged. The largest gains were reported by Crawford & Co., 14.0%; Orion Capital Corp., 6.3%; United Services Life Insurance Co., 6.3%; Provident Life & Accident Insurance Co., 6.1%; and Crown Life Insurance Co., 2.9%. The largest losses were reported by Combined International Corp., 12.6%; Fremont General Corp., 8.4%; Kemper Corp., 7.1%; SRI Corp., 6.5%; and Emett & Chandler Cos. Inc., 6.1%. The *BI* index posted a 1.0% decrease for the trading period, while the New York Stock Exchange composite reported a 1.2% decrease for the same interval.

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