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Update

Facility forming to replace disbanded EIL reinsurance pool

DOWNERS GROVE, Ill.—A successor to the Pollution Liability Insurance Assn. is expected to begin writing environmental impairment liability insurance policies sometime next month.

At a hazardous substances conference in London last week, PLIA Chairman James C. Morrow said he hoped to have a facility ready by the end of February.

Ten to 12 insurance companies already are interested in the new group, *Business Insurance* learned.

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Insurers refuse E&O cover for bad-faith award

By DOUGLAS McLEOD

DALLAS—Republic Insurance Co. is battling with its errors and omissions and its general liability insurers over coverage for a whopping $22.9 million bad-faith verdict.

A Nevada state court jury last year ordered Republic to pay $418,000 in compensatory damages and $22.5 million in punitive damages to a man who charged the insurer with bad-faith failure to settle a $15,000 homeowners insurance claim.

Dallas-based Republic, a unit of Winterthur Swiss Insurance Co., is now suing its lead E&O insurer, National Union Fire Insurance Co. of Pittsburgh, Pa., and several other insurers in a Texas state court for a judgment that the entire bad-faith award is covered.

However, National Union, an American International Group Inc. unit, filed suit against Republic and Winterthur in New York federal court earlier this month charging that Republic knew of the bad-faith lawsuit for more than a year but failed to notify National Union about the suit until two months after the May 1988 Nevada jury verdict.

In addition to arguing that Republic and Winterthur failed to provide timely notice of the claim, National Union charges that the insurers submitted fraudulent applications for their E&O coverage renewal last July.

Republic's application—submitted through Republic Financial Services Inc., an intermediate holding company—was executed more than two weeks after the jury verdict but did not mention the Nevada case. National Union renewed the E&O coverage on July 21, 1988, and was notified of the $22.9 million loss four days later by Republic's broker, Alexander & Alexander Inc., court papers filed by National Union say.

An attorney for Republic declined to comment on the allegation of late notice by National Union. A National Union attorney also declined to comment on the litigation.

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IRS considers rule complicating FSAs

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service is preparing a new assault on flexible spending accounts that could force employers with FSAs to cover employee health care expenditures that they never intended to pay.

Currently, employers fully reimburse employees participating in FSAs for eligible medical expenses only after the employee contributes to the FSA through pretax salary reduction enough money to cover the expense.

But under IRS regulations now nearing the final stages of development, companies would have to reimburse employees within a reasonable amount of time—perhaps within 30 days—after an employee files an FSA claim, even if there are not sufficient funds in the FSA to cover the reimbursement.

The IRS proposal 'puts the company at risk. You are transferring risk from the employee to the employer,' says James Waters of TPF&C.

For example, assume an employee agreed to make pretax contributions of $1,200 to his or her FSA to cover uninsured health care expenses. The FSA contributions are made in $50 increments twice a month. Thus, after the first month, the FSA would contain $100 in employee contributions.

Suppose the employee incurs a $1,000 medical care expense in the first month of the plan year, pays the bill and submits the claim to the employer for reimbursement. The company, under the expected IRS regulations would have to reimburse the employee for $1,000, even though there is only $100 in the FSA.

If the employee quit his job, the company could be stuck with a $900 loss.

"This puts the company at risk. You are transferring risk from the employee to the employer," said James Waters, a vp with TPF&C, the benefits and actuarial consulting division of Towers, Perrin, Forster & Crosby Inc. in New York.

"There is a real potential for abuse," warned John Hickey, a partner with benefit consultant Kwasha Lipton in Fort Lee, N.J.

The proposal would affect hundreds—if not thousands—of employers around the country that have established FSA programs.

Some consultants estimate that more than 50% of Fortune 500 companies offer FSAs. And, Hewitt Associates of Lincolnshire, Ill., reports in a new study that 95% of 330 surveyed employers with flexible benefit plans offer FSAs.

While it is clear that the proposed IRS rules would apply to FSAs used to pay health care expenses, there still is debate within the IRS and the Treasury Department on whether the proposal should be expanded to apply to FSAs used to finance dependent care expenses.

The new FSA regulations are expected to be released at the same time the IRS unveils its long-awaited rules to help employers comply with Section 89's non-discrimination tests for welfare plans, an IRS spokesman said. The FSA regulations probably would not be effective until next year, consultants say.

Observers point out that, under the proposed FSA regulation, employees who are planning to quit their jobs could schedule expensive and predictable treatment, like dental bridgework, early in the year before they contributed large amounts to their FSAs. Then,

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Legislative assault on McCarran builds

By JERRY GEISEL

WASHINGTON—Congressional foes of the McCarran-Ferguson Act are expected to launch their strongest attack ever this year.

Already, Sen. Howard Metzenbaum, D-Ohio, and Rep. Don Edwards, D-Calif., are drafting legislation to repeal or sharply modify McCarran-Ferguson, the 1945 federal law that gives insurers limited immunity from antitrust law and allows the industry to engage in certain joint activities.

While McCarran-Ferguson repeal drives have been launched with little success in previous sessions, the latest effort likely will capture more congressional support, observers predict.

"Support for McCarran-Ferguson changes will be bipartisan. I'm optimistic that a bill will go further than ever," predicts Lorraine Driscoll, legislation liaison for Citizen Action, a Washington, D.C.-based federation of consumer organizations.

Congressmen understand—because of public anger at insurers—that they cannot "kowtow" to the industry on McCarran-Ferguson, Ms. Driscoll added.

"Dismantling McCarran-Ferguson may be a way for some congressmen to demonstrate to constituents angry at insurers that they are trying to do something," said Jon Harkavy, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York.

"My sense is there is broad-based sentiment, at least in the House, for McCarran-Ferguson changes," Mr. Harkavy said.

The effort to amend or scrap the McCarran-Ferguson Act is just one of several issues affecting risk managers that Congress may tackle during the 101st session. Other issues on which Congress could act include:

- Legislation to establish a uniform federal product liability reform law.
- Legislation to clear up ambiguities and uncertainties in the 1986 amendments to the Risk Retention Act.

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Congressional risk management agenda

- ✔ Challenges to McCarran-Ferguson Act
- ✔ Product liability reform
- ✔ Risk Retention Act modifications
- ✔ Reinsurance premium excise tax increase
- ✔ High-risk notification legislation
- ✔ OSHA reform

Graphic: Holly Seguine

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Update

PLIA successor forming

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But, the companies will not write the coverage on a joint and several basis, as PLIA members did, a source said. The successor EIL market may be a syndicate type of arrangement.

PLIA, which provided pollution reinsurance to its members, announced earlier this month its dissolution as of Jan. 1 because of declining membership and capacity (*BI*, Jan. 16). Membership in PLIA, which had provided $1 million in EIL coverage, fell to 14 insurers last year from a high of 49 companies in 1983 and 1984.

PLIA will continue to service in-force policies.

PLIA President Thomas Knowlton only would state that PLIA has dissolved and would not comment on a successor market.

Accountants hit with E&O suits

WASHINGTON—The Federal Home Loan Bank Board is suing 10 accounting firms, including three Big Eight firms, in connection with insolvencies at several savings and loan associations. The three Big Eight firms are Deloitte Haskins & Sells, Coopers & Lybrand and Touche Ross & Co.

Reports place the board's outstanding obligations for insolvent thrifts at $39 billion.

The Deloitte case involves the firm's audit of the Sunrise Savings & Loan Assn. of Boynton Beach, Fla., which the board took over in 1986. The board is seeking $250 million in an amended complaint filed earlier this month in federal court in Philadelphia, a board spokesman said. A Deloitte spokesman was unavailable.

Coopers & Lybrand originally was sued in June 1987 as a third-party defendant in federal court in Oklahoma City by the First Federal Savings & Loan Assn. First Federal had extended letters of credit to an investment company based on a Coopers & Lybrand audit of the company, the board spokesman said.

"We're trying to determine what the situation is at the moment," a Coopers & Lybrand spokesman said.

The board's 1987 suit in federal court in Los Angeles against Touche Ross seeks $300 million in connection with the firm's 1982 and 1983 audits of Beverly Hills Savings & Loan Assn. of Mission Viejo, Calif., said Anne Sobol, the board's associate general counsel.

Montreal-based Minet International Professional Liability Ltd. places coverage for the Big Eight accounting firms—much of it in the London market. Sources estimate the largest accounting firms are able to purchase between $50 million to $100 million in primary and excess coverage worldwide (*BI*, Oct. 10, 1988).

New judge voids Wal-Mart fine

FORT WORTH, Texas—A judge in Fort Worth, Texas, has vacated $11.5 million in sanctions leveled in December against Wal-Mart Stores Inc. because the company's chairman, Sam Walton, delayed in testifying in a personal injury case.

Judge Bruce Auld of the 352nd District Court in Tarrant County on Jan. 20 overturned the judgment handed down by Judge John Street, whom Judge Auld defeated in the November elections.

Judge Auld's decision will not affect the $36,000 jury award to Andrew Carrizales of Houston, who sued Bentonville, Ark.-based Wal-Mart after he suffered a slip-and-fall back injury in a Wal-Mart store in 1986 (*BI*, Jan. 9).

Mr. Walton failed to honor several subpoenas to testify and was ordered on Nov. 18 by Judge Street to give his deposition on Nov. 28 or face monetary fines that would double daily. Mr. Walton did appear in court on Dec. 15.

In a prepared statement, Wal-Mart said it "wasn't surprised by Judge Bruce Auld's order modifying the judgment, thereby canceling the irresponsible action of the previous judge."

Wallace Craig, the attorney representing Mr. Carrizales, who would have received the fines, said he would appeal Judge Auld's decision to the 2nd Texas Court of Appeals in Fort Worth.

J&H exec seeks industry study

ATLANTA—The president of Johnson & Higgins is calling for a presidential commission to study the operation of the U.S. property/casualty insurance industry and recommend reforms.

David A. Olsen, J&H's president and chief operating officer, said a blue-ribbon commission of risk managers, underwriters, intermediaries, regulators and others should be formed to examine some of the problems that have plagued insurers for years.

Mr. Olsen suggested last week at the 1989 Educational Conference sponsored by the Atlanta Chapter of the Risk & Insurance Management Society that the panel study:

- How the insurance and liability system restricts the competitiveness of U.S. companies in today's global economy.
- How liability insurance works as a compensation method.
- Whether it is desirable from a public policy standpoint for the government to insure risks like pollution or earthquakes.
- How claims can be paid faster and more efficiently.
- Whether insurers should be taxed differently.
- Whether insurers should be federally or state-regulated.
- How to better protect consumers from insolvent insurers and how to keep solvent insurers from paying insolvent insurers' debts.

Hazard rule decision appealed

WASHINGTON—The U.S. Supreme Court is considering hearing a case challenging a U.S. appellate court ruling that the construction industry must comply with the federal hazard communication standard.

However, Justice William J. Brennan Jr. last week lifted a temporary stay he issued earlier this month that exempted the industry from complying with the rule until the court makes its decision.

The Associated General Contractors of America said it plans to seek reinstatement of the stay.

A panel of the 3rd U.S. Circuit Court of Appeals in Philadelphia had

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Kemper makes mutuals commercial specialists

By MARK A. HOFMANN

LONG GROVE, Ill.—Kemper Group's decision to split into two units will help insulate publicly owned Kemper Corp. from the cyclical commercial property/casualty insurance business.

Under the split, announced last week, the vast bulk of Kemper Group's commercial property/casualty insurance business will be written by mutual insurers.

The remainder of Kemper Group's business—life insurance, most personal lines property/casualty insurance, reinsurance and financial service operations—will be part of stockholder-owned Kemper Corp.

"My interpretation is that they're trying to enhance the value of the stock" by cutting Kemper Corp.'s exposure to the "volatile" commercial property/casualty insurance market, said Gloria Vogel, associate director with Bear Stearns & Co. Inc. in New York.

"This is very positive. I don't see that there are any negatives," said Udayan D. Ghose, senior vp at New York-based Shearson Lehman Hutton Inc. He noted that the decision will improve Kemper Corp.'s business mix by reducing its commitment to commercial property/casualty business.

Investors apparently agree. The price of Kemper Corp. shares rose $2.75 to $26.75 within 24 hours after the plan was announced on Jan. 23. The stock closed at $27 on Jan. 26.

Under the terms of the reorganization, Kemper Corp. will swap American Motorists Insurance Co.—Kemper Corp.'s current national property/casualty insurance subsidiary—for $280 million to $300 million in Kemper Corp. stock held by Lumbermens Mutual Casualty Co., a mutual insurer and Kemper Group member that now owns 49% of Kemper Corp. stock.

The resulting national property/casualty unit will consist of Lumbermens, AMICO and American Manufacturers Mutual Insurance Co., all based in Long Grove, Ill. Federal Kemper Life Assurance Co.—an AMICO unit—will remain a part of Kemper Corp.

After the transaction is completed in April, Lumbermens will hold about 37% of Kemper Corp. stock, said Gerald L. Maatman, president of Kemper's National Property/Casualty Cos.

Dividing Kemper Group's business into a commercial property/casualty insurance unit and a unit composed of all other operations is "a sound move for both sides," explained Joseph E. Luecke, chairman and chief executive officer of Kemper Group.

Breaking Kemper Group into distinct investor-owned and mutual units will make the organization easier to manage and more easily understood by the public and stock analysts, he said.

In addition, Kemper Corp.'s "earnings stream will be less volatile" without the commercial property/casualty book of business, Mr. Luecke said.

The deal will remove about $500 million of long-tail loss reserves from Kemper Corp.'s balance sheet.

The division into two units also will allow Kemper Group's national property/casualty companies to pursue longer-term marketing strategies without having to worry about the effect of short-term losses on Kemper Corp.'s stock, Mr. Luecke said.

Kemper Corp.'s goal is to post a 15% return on equity, he said. "Any national property/casualty company will be hard-pressed to make" a 15% return.

Mr. Luecke emphasized several times, though, that Kemper Group is not turning its back on the commercial property/casualty insurance market.

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Antitrust suit judge rebuffs reinsurers' litigation tactics

By JUDY GREENWALD

SAN FRANCISCO—U.S. District Court Judge William Schwarzer says he is not ready to consider motions filed by five reinsurers seeking to be dismissed from the massive antitrust litigation against property/casualty insurance industry defendants.

The five reinsurers claim there is little if any evidence linking them to the alleged antitrust conspiracy among insurance industry defendants.

In a two-paragraph pretrial order on Jan. 3, Judge Schwarzer said he is deferring a decision on these motions "until after decision has been entered on pending motions based on dispositive legal issues, and no such motions shall be filed without further order of the Court."

Pending motions include one filed by all defendants seeking dismissal of the litigation on the grounds that they did not engage in a boycott.

Such activity would void insurers' limited immunity from federal antitrust laws provided by the McCarran-Ferguson Act (*BI*, Jan. 9).

Attorney Lewis A. Kaplan of New York-based Paul, Weiss, Rifkind, Wharton & Garrison, who represents one of the five reinsurers, Constitution Reinsurance Co., said he was not necessarily dissatisfied with the judge's decision.

"It all depends on how he grants the other motions, doesn't it?" he asked.

"If he grants the other motions, I'm going to be happier than a pig in mud," Mr. Kaplan said.

Mr. Kaplan speculated that "it may have crossed the judge's mind" that there may be no need to consider the five reinsurers' motion because the litigation would be dismissed anyway if the defendants' other motions are granted.

Several fellow insurance company defendants, along with attorneys general plaintiffs, opposed the five reinsurers' motions, stating they believed the motions drew energy away from the defendants' broader motions and ran counter to the judge's own instructions.

"We're satisfied with the issue," said a spokesman for one of the insurers, Hartford Insurance Group. "We felt the reinsurers' motions could possibly delay reaching the legal issues which we feel would be dispositive of the case."

"We're not terribly surprised by that order, I must say," commented Jesse W. Markham Jr., a deputy attorney general for California.

Mr. Markham added that the judge's instructions that additional motions of this type not be filed without further court order "is a real slap in the face" to the reinsurer defendants.

Other reinsurers that sought dismissal of the litigation were: Mercantile & General Reinsurance Co. of America, Winterthur Swiss Insurance Co., Prudential Reinsurance Co. and North American Reinsurance Co.

Responses to all the motions filed are due by April 28. Replies will be due on June 16, and a hearing is scheduled for July 7. ■

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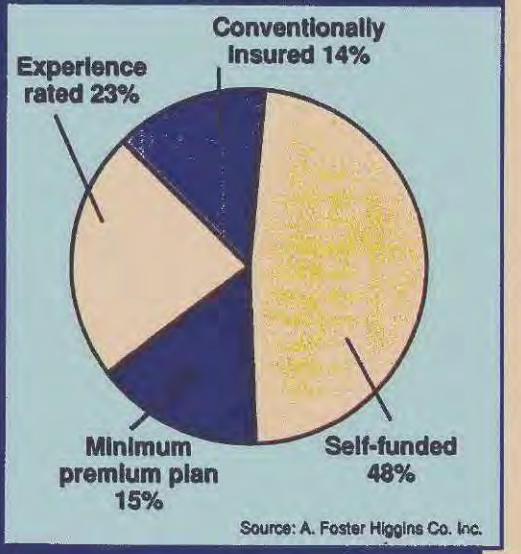
Self-insurance

Self-funding benefits at peak of popularity?

How employers fund health plans
(Based on percentage of employers)



By DEBORAH SHALOWITZ

Although self-funding continues to be far and away the most popular method for companies to finance group health care benefits, the percentage of self-funding employers no longer is rising, according to a new survey.

Some 48% of 1,519 employers surveyed in mid-1988 said they self-fund their health care benefits, down from 49% the previous year, according to a survey to be released today by the Princeton, N.J., office of A. Foster Higgins & Co. Inc.

And, some experts predict that some employers that currently self-insure their group health care benefits may again purchase group health insurance to take advantage of some insurers' new managed care products.

But employers aren't likely to turn their backs on self-funding anytime soon, experts note.

In mid-1986, the first year of the Foster Higgins survey, some 46% of employers surveyed said they self-funded health care benefits.

Other consultants, however, suggest that more employers self-fund their health care plans.

A 1988 survey of 170 companies by The Wyatt Co. revealed that 66% self-fund group health benefits, up from 57% in 1986 and 56% in 1984. And, the trend of employers moving to self-funding of group health benefits "is definitely continuing," asserted Laird Post, group flex practice leader in the Los Angeles office of Wyatt.

"We have seen more employers switching to self-funding. . .and many more are looking at it," agreed Craig Adams, group services director-New York metropolitan area of Buck Consultants Inc. in Secaucus, N.J.

Continued on next page

Dissatisfied risk execs exit commercial market

By MICHAEL BRADFORD

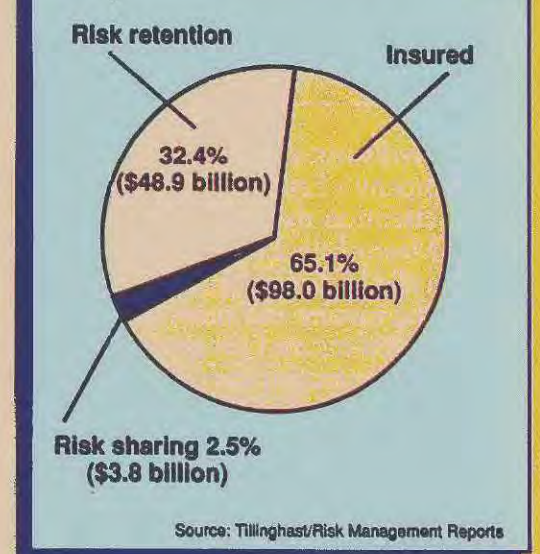
Insurance buyers weary of the cyclical commercial insurance market are turning in ever greater numbers to alternative methods of funding their property/casualty risks.

Consultants, brokers and risk managers say the ups and downs of the commercial property/casualty insurance market have produced a hardened—yet savvy—insurance buyer looking for long-term stability rather than the short-term gratification of price breaks.

"The insurance-buying community has had it with the insurance market and they continue to look aggressively to self-insurance," said Richard S. Betterley, president of Betterley Risk Consultants Inc. in Worcester, Mass.

"Self-insurance is the hottest thing we're seeing," echoed Jane Rastallis, senior consultant with Betterley. "It's well over 50% of our work right now. We all expected a belt-tightening around here—insurance is cheap and you don't need consultants—but, in fact, we're flabbergasted."

How companies fund property/casualty risks



Insurance buyers are fed up with the cyclical nature of the commercial insurance market, she said, noting there is a lot of "disgust with the system. That's what we're seeing now. When a CEO sees a quote 40% lower, instead of jumping up and down with glee, he's jumping up and down with disgust. They know there's going to be a 100% increase down the road."

R. Jane Hill, president of Fred S. James' Risk Management Services in Nashville, Tenn., observed that "we've seen a significant interest and movement still in the direction of self-insurance options. It has not been dampened by the soft market."

Ms. Hill said there is a "movement by management of major companies to

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Largest claims administrators

Third-party claims administrators are expanding their services to accommodate the growing sophistication of risk managers and employee benefit managers.

For example, TPAs that specialize in handling liability claims are offering employers more services on an unbundled basis as risk management information systems increasingly become more sophisticated and risk managers bring more of their administrative operations in house.

And, many benefits claims administrators are developing total service packages that not only handle claims but also provide utilization review.

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

A report on the largest claims administrators specializing in employee benefits begins on page 17, and a report on the largest claims administrators handling liability claims begins on page 26.

A directory of claims administrators serving self-insured employers, organized by claim specialty, begins on page 34.

12 largest claims administrators serving self-insurers

Company (Ownership)	Claims paid for self-insurers (in millions of dollars)	Number of self-insured clients	Types of claims for self-insurers					Staff serving self-insurers	1988 gross revenues (in millions of dollars)	
			Health[1]	Non-health benefits[2]	Workers comp	General liability	All other		Total	From claims administration
ALTA Health Strategies Inc. (Privately held)	$1,100	713	93%	7%	0	0	0	1,050	$56.5	$45.2
Crawford & Co. (Publicly held)	1,000	948	0	0	60%	20%	20%	N/A	295	115
GAB Business Services Inc. (SGS North America Inc.)	820	483	6	0	38	24	32	N/A	200	N/A
U.S. Administrators Inc. (Crownx)	800	35	100	0	0	0	0	760	41.6	39.6
ESIS Inc. (CIGNA Corp.)	749	1,100	0	0	19.5	48.2	32.3	N/A	N/A	N/A
The Travelers Plan Administrators Inc. (The Travelers Corp.)	607	460	90	10	0	0	0	330	15.1	14.9
American Benefit Plan Administrators Inc./ MICA Inc. (TPA of America Inc.)	550	390	60/85	30/15	0	0	10/0	580	33	19
Gallagher Bassett Services Inc. (Arthur J. Gallagher & Co.)	546	735	30	2	34	19	15	778	44.9	N/A
Alexsis Inc. (Alexander & Alexander Services Inc.)	500	2,820	0	0	70	15	15	N/A	68	N/A
Adjustco Inc. (Privately held)	480	240	26	2	67	2	3	760	42.7	40
Employee Benefit Plans Inc. (Summit Ventures)	465	3,172	100	0	0	0	0	591	38.2	19.4
McDonough Caperton Insurance Group (Privately held)	419	292	88	4	6	0	2	285	28.4	11

[1] Includes medical, dental, vision and prescription drug plans.
[2] Includes pensions, flexible compensation, disability and life.

N/A-Not available
Source: *BI* survey

Benefits funding

Continued from previous page

However, according to the Foster Higgins survey results, "time has almost stood still" from last year to this year, said David Rahill, a principal in Foster Higgins' Princeton office.

For example, according to the survey, 23% of employers in 1988 purchased experience-rated health insurance plans, the same amount as in 1987. Some 15% of employers in 1988—the same amount as in 1987—bought minimum premium plans, which combine aspects of conventional insurance and self-insurance.

In addition, the percentage of employers purchasing conventional group health insurance climbed only 1% to 14% of employers in 1988 from 13% in 1987.

"There isn't a continuing run toward self-insurance to control health care costs," said Bob Cliff, a Foster Higgins principal in Chicago. "Most companies (already) have selected a funding mechanism and they're going with it."

'There isn't a continuing run toward self-insurance to control health care costs,' says Bob Cliff, a principal in Foster Higgins' Chicago office. 'Most companies (already) have selected a funding mechanism and they're going with it.'

Instead, companies are focusing on managing health care costs by working with providers of health care, he continued.

There is 'more hesitancy this year to convert from insurance to self-funding" because of rising health care costs, said Larry Tucker, a consultant in Hewitt Associates' Santa Ana, Calif., office.

"Self-insurance is not the answer to most employers' problems," said Domenick Ciarniello, a principal in the New York office of William M. Mercer Meidinger Hansen Inc. Self-insurance is "not the panacea it was thought to be."

"Employee claims don't go away simply because you've self-insured them," Mr. Ciarniello continued.

Now, "more and more employers are beginning to realize that the real issue (in controlling health care costs) is underlying plan design and utilization," he said.

Furthermore, in some cases a third-party administrator may pay claims more liberally than an insurer would because the insurer has more self-interest in keeping claims costs low, suggested Ed Freedman, director-national group practice of the Alexander Consulting Group Inc. in Lindhurst, N.J.

"Even though it's the same plan, same employees, same illnesses, it doesn't mean the same dollars will be paid," he said. That assumption is "patently incorrect."

For example, he speculated that some insurers may be more diligent in reviewing coordination-of-benefits rules than a TPA might.

But at least one TPA sees the situation in a different light.

Employers that self-fund "take a look at the plan closer," said Tom O'Neill, executive vp and chief operating officer of Mass Insurance Consultants & Administrators Inc. in Chicago.

When those companies bought insurance, Mr. O'Neill said, they took "more of a back-seat approach" to claims review.

Several consultants predicted that new types of managed care options offered by insurers—which do not allow self-funding—may induce some employers to stop self-funding their group health benefits.

For example, Prudential Health Care Plans Inc.'s "Prudential Plus" open-ended health maintenance organization—which allows enrollees a choice of providers from whom they receive services—cannot be self-funded, the consultants noted.

As a result, "many large employers are looking at going back to fully insuring," said Mr. Post.

These types of managed care options "would tend to start sliding it back to insurers," agreed Mr. Tucker.

In addition, "the concept of going back to fully insured was marketed heavily during the last year," noted Mr. Rahill.

He pointed out that Allied-Signal Inc.'s 1988 switch from self-insurance to a national managed health care plan administered by CIGNA Corp. is an example of what other companies may do in the future (*BI*, Feb. 22, 1988).

Some regional differences in the proportion of employers that self-fund group health benefits seem to exist, according to the Foster Higgins survey.

For example, some 31% of companies in the Mid-Atlantic and 36% of companies in New England said they self-fund health benefits, compared with 62% of employers in the South Central region and 57% in the North Central region.

These differences could be attributed to the discounts that some states allow hospitals to grant to Blue Cross/Blue Shield plans, explained Mr. Freedman.

For example, states in which the Blues qualify for substantial hospital discounts include Massachusetts, New York, New Jersey and Pennsylvania, he said, while states in which the Blues do not benefit from attractive discounts on hospital services include Michigan, Ohio, Minnesota, Wisconsin and Indiana.

Buying coverage from BC/BS is much more attractive in those states where the insurer enjoys substantial hospital discounts, he said.

Nonetheless, for many employers the advantages of self-insurance remain substantial, experts said.

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

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

Contrary to what experts said they see in the marketplace, the Foster Higgins survey found that more employers last year went totally bare than the previous year. According to the survey, 16% of employers self-funded their plans without buying stop-loss insurance last year, up from 14% in 1987.

At the same time, some 32% of employers last year bought stop-loss insurance, down from 35% in 1987.

However, Mr. Rahill said these statistics could be the result of fewer small companies—defined as having fewer than 1,000 employees—responding to the 1988 survey than responded to the 1987 survey. Self-insured small companies are more likely to buy stop-loss insurance, he said.

For example, MICA's Mr. O'Neill noted that none of the TPA's clients—which primarily are companies with 500 to 1,000 employees—forgoes stop-loss insurance.

Continued on page 6

Fred's not complaining anymore because the company's health plan is finally paying him the kind of attention that he deserves.

Meanwhile, Fred's employer couldn't be happier. Since he called Corporate Health Administrators, he's actually saving money and time in administrating the benefits of their self-insured program.

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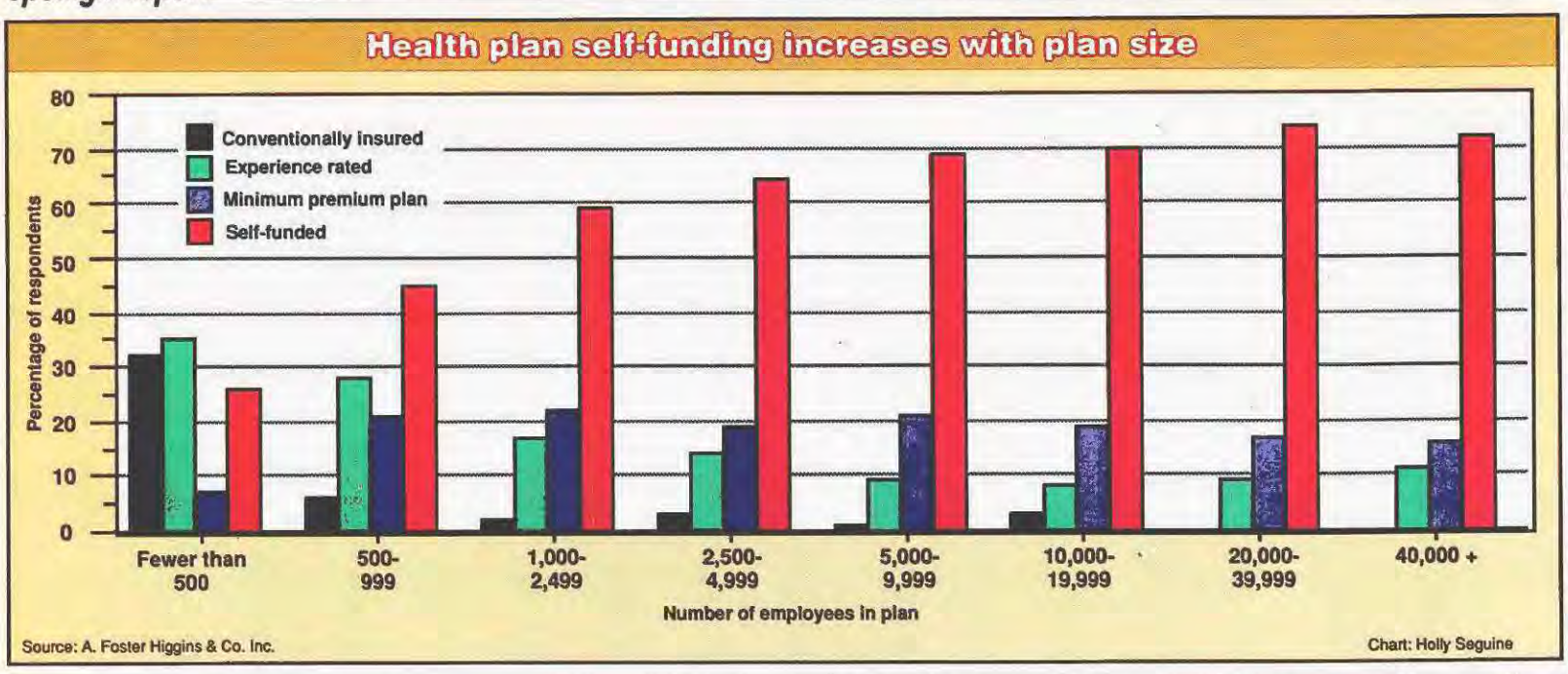


Benefits funding

Continued from page 4

"An employer would really be very foolish, in my opinion, to go totally bare," said Mr. Post.

"Employers are more concerned today about going totally bare than they were just a little while ago," said Hewitt's Mr. Tucker.

Of self-funding employers that purchase stop-loss insurance, significantly more bought specific stop-loss coverage in 1988 than in 1987, according to Foster Higgins.

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

Foster Higgins found that 80% of self-funding employers with stop-loss insurance bought specific stop-loss coverage in 1988, up from 62% the previous year.

If an employer does not purchase both specific and aggregate stop-loss insurance, it generally will buy specific stop-loss coverage to guard against catastrophic claims, said MICA's Mr. O'Neill.

For example, Joseph LaPorte, vp of corporate relations for General Binding Corp., an office equipment manufacturer headquartered in Northbrook, Ill., said GBC purchases specific stop-loss insurance with a trigger point of $100,000 to guard against catastrophic claims. And "it doesn't take a lot to get to $100,000," he added.

Specific stop-loss insurance is particularly attractive to smaller employers, says Foster Higgins.

Specific stop-loss insurance is particularly attractive to smaller employers, says Foster Higgins.

Eighty-six percent of self-funded companies with fewer than 500 employees and 89% of companies with between 500 and 999 employees said they bought specific stop-loss coverage in 1988, compared with 43% of companies with between 20,000 and 39,999 employees.

However, Mr. Tucker pointed out that specific stop-loss coverage may not protect employers from a high volume of claims. He speculated that financial officials, who look at a situation with an eye toward the bottom line, tend to lean toward buying aggregate stop-loss.

While more employers are purchasing stop-loss insurance, the amount of risk that self-funded employers are assuming also is rising, a reflection of the increase in health care inflation.

Trigger points for specific stop-loss insurance are "inching up. . .more all the time," said Mr. Adams, adding this is "a direct result of medical cost inflation."

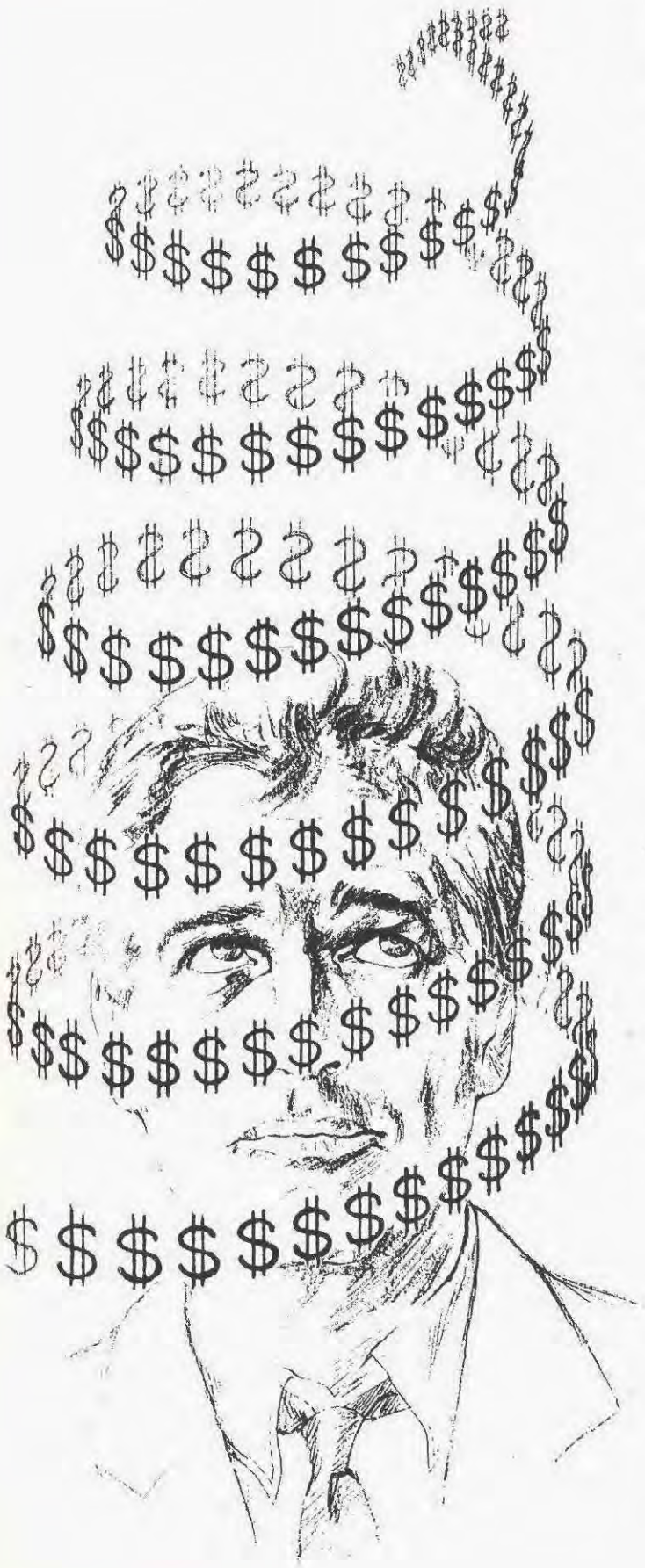
Five years ago, for example, it was not uncommon for specific stop-loss policies to provide coverage for individual claims exceeding $25,000. Today, trigger points of $75,000 to $100,000 are more common, experts said.

Foster Higgins found that in 1988, 28% of employers purchasing specific stop-loss insurance had coverage with a trigger point of less than $50,000, down from 38% two years ago. Comparable data does not exist for 1987.

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

The Foster Higgins survey found that last year 15% of employers—the same amount as in 1987—pur-

Continued on page 10



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Opinions

Reform solvency regulation

THE RECEIVERSHIP order against two American Mutual Insurance Cos. earlier this month brings into sharp focus the need to rethink how insurance regulation for solvency functions.

Is it best to keep dying companies on life-support systems in an effort to avoid a liquidation, as is the current regulatory thinking, or is it best to promptly remove insolvent insurers from the marketplace?

We have come to the conclusion that it is best to promptly take insolvent insurers out of the marketplace, as Stewart Economics Inc. recommends in its recent report, "Managing Insurer Insolvency," prepared for the National Assn. of Insurance Brokers (*BI*, Dec. 5, 1988).

As Stewart Economics explains, the regulatory mission to prevent insolvencies "was achieved by government support for cartel pricing, which covered the costs of the weak. When that did not do the job, the regulators prevented insolvency by forcing the strong to accept the weak in merger."

But, that system does not work in the current insurance environment of over-supply of capacity, price competition and domination of the market by highly volatile liability insurance rather than more predictable property insurance, according to Stewart Economics. The insolvencies are bigger and it is more difficult to calculate the extent of the insolvency.

Nonetheless, "the leftover ethic of preventing insolvency" has grown into "the practice of delaying insolvency," the Stewart report says. "That means trying to prevent it in the old sense, though without the old tools, and meanwhile pretending it is not there."

The result: "Delaying insolvencies makes insolvencies worse and the public damage worse."

The longer an insolvent insurer is kept alive and allowed to try to write its way out of insolvency, the more policies it issues and the number of policyholders that will be hurt by its insolvency mounts. This is of particular concern to insurance buyers whose policy limits likely exceed the coverage extended by most guaranty funds.

We cannot say when the Massachusetts department should have taken the two American Mutual insurers out of the market. We do not have the facts to know. But, if one accepts Stewart Economics' analysis of regulation for solvency, the receivership order should have been issued sooner.

In taking this position, we are in no way criticizing the people involved in the effort to save the two companies. The management of American Mutual tried valiantly to rescue the failing companies (*BI*, Jan. 23). The Massachusetts regulators also tried their best to keep the companies alive. The problem is that both were operating under the assumption that the insolvency could be prevented.

American Mutual is not alone in the marketplace. The adverse loss development on its old insurance business surely is occurring at other insurers without adequate surplus to survive. The problem is their names are known only to their managements and some regulators.

As the Stewart report points out: "The insurer insolvency problem is going to get worse rather than better in the years ahead. Prevention is no longer possible and delay is ineffective and unwise."

Insurance buyers and sellers should demand that regulators reform their approach to regulating for solvency. Insolvent insurers should be taken out of the marketplace quickly so insurance buyers can be more confident that the insurer to which they are paying their premiums will be in business in the years ahead to pay claims.

Letters

More data needed to monitor success of psychiatric care

To the editor: We read with interest the recent *Business Insurance* Perspective article on psychiatric case management, "Case Management: Will More Psychiatric Patient Screening Lead to Disaster?" which highlighted opinion expressed by Dr. Kenneth D. Gaver, president of the National Assn. of Private Psychiatric Hospitals (*BI*, Nov. 14, 1988).

While the recent NAPPH survey might have been structured to obtain somewhat more objective data, it does adequately reflect some of the very reasonable concerns about the growing impact of various psychiatric review programs.

As a major national psychiatric case review and management firm, Preferred Health Care Ltd. acknowledges that these concerns legitimately reflect difficulties that are being encountered in the new era of accountability into which all of us have entered. The changes that are being initiated by providers or thrust upon them in response to payers' cost-containment and quality assurance imperatives are both troubling and promising.

We agree with a basic premise behind the NAPPH survey that there are significant variations in the professionalism, expertise and effectiveness of various review companies.

We also should agree with the building consensus that review operations should be consistent in process and outcome, compatible with professional and scientific standards regarding "medically necessary" care and sensitive to such factors as the therapist's time and legal responsibilities, available local psychosocial resources and facility administrative expenses.

Basic requirements of all psychiatric treatment and managed care programs should be a common concern for the patient and family, which also should have an understanding of what services are both efficacious and cost effective.

Preferred Health Care uses as the foundation for all its clinical reviews the standards of psychiatric care developed by the major national mental health organizations (e.g., the American Psychiatric Assn. and the National Institute of Mental Health) as well as those scientific standards of psychiatric care that are published in the current psychiatric literature.

As such, these standards and related review criteria are in the public domain, should be consistently applied by all providers and case management entities and should not be a source of secrecy or confusion to anyone.

The greater burden under which both providers and companies like ours labor is the general lack of efficacy data in psychiatric services.

We applaud the beginning efforts that are focusing on outcome rather than anecdotal reports. Clear national consensus now exists that statistically and clinically sound outcome data is one of the major requirements for establishing a balance between necessary costs and quality outcome.

Companies like Preferred Health Care could be instrumental in contributing to the eventual integrated outcome data systems that are being called for by such health services experts as Dr. Paul Ellwood.

Until such systems are funded and developed, we will all have to mediate medical necessity within the available national standards and data that now exist.

Dr. Alex R. Rodriguez
Corporate Medical Director
Stephen L. White
Chief Operating Officer
Preferred Health Care Ltd.

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Consumer groups don't grasp economics of Proposition 103

To the editor: Oh, goody! Cheap insurance in California!

Now, how about cheaper automobiles —ordering dealers and manufacturers to roll back prices to those of 1987, plus a further 20% reduction and then another year's price freeze!

That must be followed, of course, in such industries as aircraft, electronics, supermarkets, hotels, construction, vineyards, real estate, transportation, energy supplies, etc., etc., until finally, *lawyers*.

The economy will then rest safely in the hands of the economic wizards of consumer groups—who have conveniently forgotten that most "consumers" are also directly or indirectly "producers"—until poor old California reverts to what it looked like around 1500 A.D.: beautiful but empty.

Graham Langmead
London

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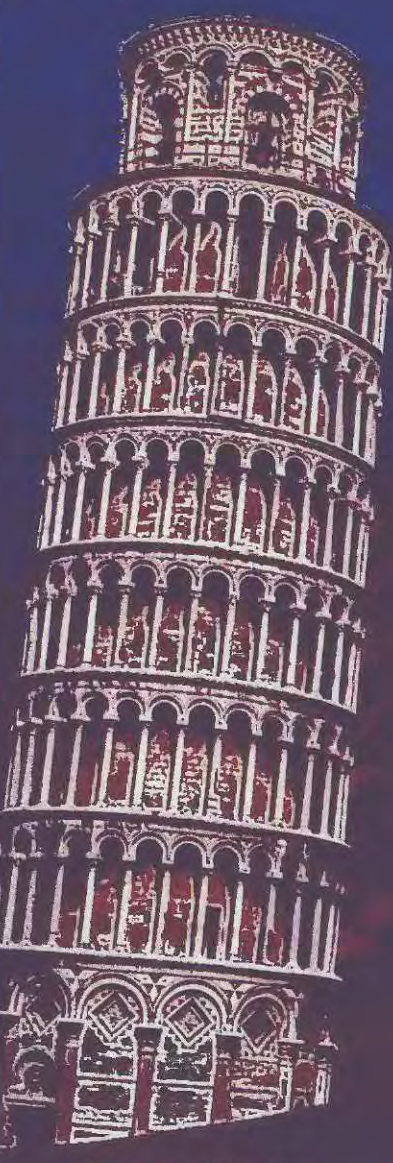

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Benefits funding

Continued from page 6
chased minimum premium plans, a type of coverage that frequently is described as a hybrid that combines commercial health insurance and self-funding.

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

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

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

'Other states will look' increasingly at taxing minimum premium plans as a way to offset budget deficits, predicts Alexander Consulting Group's Mr. Freedman. It is 'another way of taxing business that other states may well turn to.'

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

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

However, in California the tax advantages associated with minimum premium plans no longer exist and experts say it is only a matter of time before other states attempt to follow suit.

Last year, the U.S. Supreme Court refused to review an appellate court decision upholding the state's authority to tax benefit payments made under minimum premium health care plans (*BI*, March 21, 1988).

The premium tax is 2.35% of an insurer's gross premiums—or the amount of benefits paid by an employer under a minimum premium plan. However, insurers usually recover the cost of the tax from employers with that plan, experts noted. Most insurers have a contractual agreement with their policyholders requiring the policyholders to assume any premium taxes imposed on the insurer.

Experts have estimated that California employers and insurers could be liable for up to $100 million annually in new taxes on minimum premium plans.

Employers and insurers in the early 1980s challenged the state's authority to impose the premium tax. In October 1983, General Motors Corp. and the American National Red Cross fought the California State Board of Equalization's authority to tax their minimum premium plans on the grounds that ERISA pre-empts all state laws that regulate or tax self-funded benefits plans (*BI*, June 8, 1987).

However, the 9th U.S. Circuit Court of Appeals in 1987 upheld the state's authority to impose taxes on minimum premium plans.

The Board of Equalization's authority to tax benefit payments made under minimum premium plans first was upheld by the California Supreme Court in 1982 in *Metropolitan Life Insurance Co. vs. the State Board of Equalization*, better known as the Minimet case.

"Other states will look" increasingly at taxing minimum premium plans as a way to offset budget deficits, predicted Alexander Consulting Group's Mr. Freedman. It is "another way of taxing business that other states may well turn to."

"Many states are going to at least look very hard at taxing minimum premium plans because of the need for revenue," agreed Buck's Mr. Adams.

"I'm sure we'll see" other states taxing minimum premium plans, stated MICA's Mr. O'Neill.

"The state premium tax issue has been growing in magnitude," commented Bob Braddick, a managing consultant in the New York office of Foster Higgins.

In anticipation of other states imposing minimum premium taxes on insurers, "we suspect that there are going to be an increasing number of insurers that are going to be requiring companies" to set aside money up front to cover these taxes, he said.

Because of this, "many (employers) will seriously consider going self-funded," he predicted.

But even self-funded plans are being scrutinized for tax potential.

The Texas Legislature in 1987 passed a law requiring companies that self-fund their group health benefits to pay a 2.5% tax on all benefits paid and expenses (*BI*, Aug. 24, 1987).

Numerous lawsuits challenging the law have been filed, arguing that ERISA pre-empts all state regulation of self-funded employee benefit plans. The actions were consolidated into one lawsuit, *Birdsong vs. Smith*, which is pending in the U.S. District Court for the Western District of Texas in Austin, according to Gary Amaon, an attorney with Vinson & Elkins in Houston.

Experts said they have not seen similar proposals in other states.

Another way of self-funding employee benefits is through the use of specially tax-favored trusts, called Voluntary Employee Beneficiary Assns. or 501(c)(9) trusts. Under a VEBA arrangement, an employer contributes tax-deductible funds to a trust to finance employee benefits, including health care. Reserves earn tax-free investment income.

A VEBA uses the funds to pay claims and can purchase stop-loss insurance or a minimum premium plan. However, under the 1984 tax law, VEBA reserves held to pay employee health care claims generally cannot exceed 35% of the claims paid the prior year.

According to Foster Higgins, 35% of self-funded plans had a 501(c)(9) trust in 1988. Another 1% of self-funded plans said they planned to establish a 501(c)(9) trust in 1988 or 1989. This is the first year the consultant has collected this data.

Larger companies were more likely to have VEBAs than smaller companies, according to Foster Higgins.

For example, the survey found that 60% of self-funded companies with between 20,000 and 39,999 employees and 52% of self-funded companies with between 10,000 and 19,999 employees had VEBAs, compared with 16% of companies with less than 500 employees and 31% of companies with between 500 and 2,499 employees.

"People think the 501(c)(9) is more common than it is," commented Mr. Cliff.

Even though the funds are tax sheltered, many companies can put the money to better use in the running of the company, he said. ■

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Continued from page 3
take a long-term perspective and strategy in handling risks."

"There's an increase in awareness on the part of today's buyer for the value of self-insurance and risk services that can really accomplish their objectives," she added.

Richard B. Hall, president of Anistics Inc., a New York-based subsidiary of Alexander & Alexander Services Inc., agreed that "more and more buyers are getting a long-range outlook" and are self-insuring to avoid the swings in the commercial insurance market.

Indeed, while estimates vary, the few sources that gather statistics tracking the amount of risk funded by self-insurance and other alternative mechanisms bear out the notion that the alternatives' popularity is increasing.

New York-based broker Fred S. James & Co. Inc. reports that of an estimated $167.5 billion property/casualty risk financing market in 1988, alternative risk financing mechanisms comprised 29.2%, or $48.9 billion.

That's an 11.6% increase from $43.8 billion in the alternative market in 1987, when alternatives claimed 27.2% of the $161.2 billion risk financing market.

The alternatives included in James' analysis were self-insurance, captives, pools, risk retention groups, surplus lines insurance companies and policyholder-owned facilities like A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd.

James estimates that commercial insurance commanded 70.8%, or $118.6 billion, of the risk financing market last year.

James estimates the size of the risk financing market based on its own forecast of the size of the commercial property/casualty insurance market in 1988, said Senior Vp Charles L. Ruoff.

James predicts that by the end of 1992, 32.7%, or $85.2 billion, of a total $260.4 billion property/casualty risk financing market will involve alternative risk financing methods, while $175.2 billion will remain in the traditional commercial property/casualty insurance marketplace.

Meanwhile, the Tillinghast division of Towers, Perrin, Forster & Crosby estimates that self-insurance and other alternative risk financing mechanisms comprised more than one-third of the total commercial risk financing market in 1988 (see chart, page 3).

In the November/December 1988 issue of its Risk Management Reports, Tillinghast estimates that of a total commercial insurance market of $150.7 billion in 1988, alternative risk financing mechanisms comprised 35%, or $52.7 billion.

The mechanisms included in Tillinghast's analysis included risk retention—which includes unfunded retentions and single-parent captives—and risk sharing—which includes group captives, pools, risk retention groups and "private insurers" like A.C.E. and X.L.

The remaining 65% of the total market, or $98 billion, remained in the traditional property/casualty insurance market, estimates Tillinghast.

Tillinghast uses numerous sources, including its own Captive Insurance Company Reports, to gauge the size of the self-insurance market. It then compares that estimate to the best estimate available of the size of the conventional insurance market, said Consultant Michael R. Levin.

Charles T. Tagman Jr., vp and principal of Tillinghast in Boston, said that a couple of factors are fueling the popularity of self-insurance among U.S. companies.

The first is large companies' "latent ability to take more risk," he said.

Another factor is that commercial insurers have "precluded segments of commercial products" with limited capacity and high prices, Mr. Tagman said. Such lines of coverage include medical malpractice, environmental impairment liability and, in some states, workers compensation.

Looking ahead, the Tillinghast report predicts that alternative mechanisms will garner a greater share of the market in the 1990s.

"When the next hard market hits. . .we believe that we will see substantial risk funding moving to the alternative market. By 1995, in fact, the self-insurance and alternative risk financing components may well be 50% of the total market.

"This could occur if we have an even more drastic reduction of capacity and price increase as compared to 1985-86. The self-insurance and alternative risk financing vehicles are in place this time, adequately funded and ready to claim their market share," the Tillinghast report says.

Mr. Tagman added: "With every soft market, the economics of self-insurance become more attractive, and very few companies move" back to the traditional market.

Conning & Co. of Hartford, Conn., which collects figures based on interviews with insurance industry officials, estimates that as early as 1990, $72 billion or 33.5% of a $215 billion property/casualty risk financing market will come from alternative mechanisms.

Consultants and brokers say much of the increase in self-insurance activity is attributable to workers compensation.

"It seems like it's really comp-driven," especially in the New England area where workers compensation coverage is particularly expensive, said Mr. Betterley.

"It's mostly all comp-driven, from the public sector to hospitals to universities," agreed David A. Tweedy, a senior consultant at Betterley.

Employers that have been forced to purchase workers comp coverage from assigned risk pools now are self-funding their risks, observed Tillinghast's Mr. Tagman.

James' Ms. Hill noted that other employers are self-insuring workers comp in part because of the high cost of assigned risk pool assessments and other "loadings" like state guaranty fund assessments on insurers. These costs are passed on to policyholders in the cost of premiums.

Mr. Tagman pointed out that self-insuring workers comp exposures is more complicated than self-funding other risks.

"If you want to self-insure general liability, you can make that decision behind your desk and implement it almost immediately," he noted. But self-insuring workers comp risks means meeting state requirements.

"They want an expectation of your losses and want you to have excess insurance," Mr. Tagman said of state regulators. "Unless you have a half-million in losses in a state, it probably doesn't make sense to self-insure comp."

Boston University recently began self-insuring its workers comp risk, a move that Director of Risk Management Paul Clancey says has been a smart one.

"We looked upon it as a long-term commitment," said Mr. Clancey. "We felt we were in the range that it would be much better to self-insure."

Mr. Clancey said although the program is only 3 months old, "it's working very well."

Mr. Clancey pointed out that the university contracts out its dining services and, therefore, is not re-

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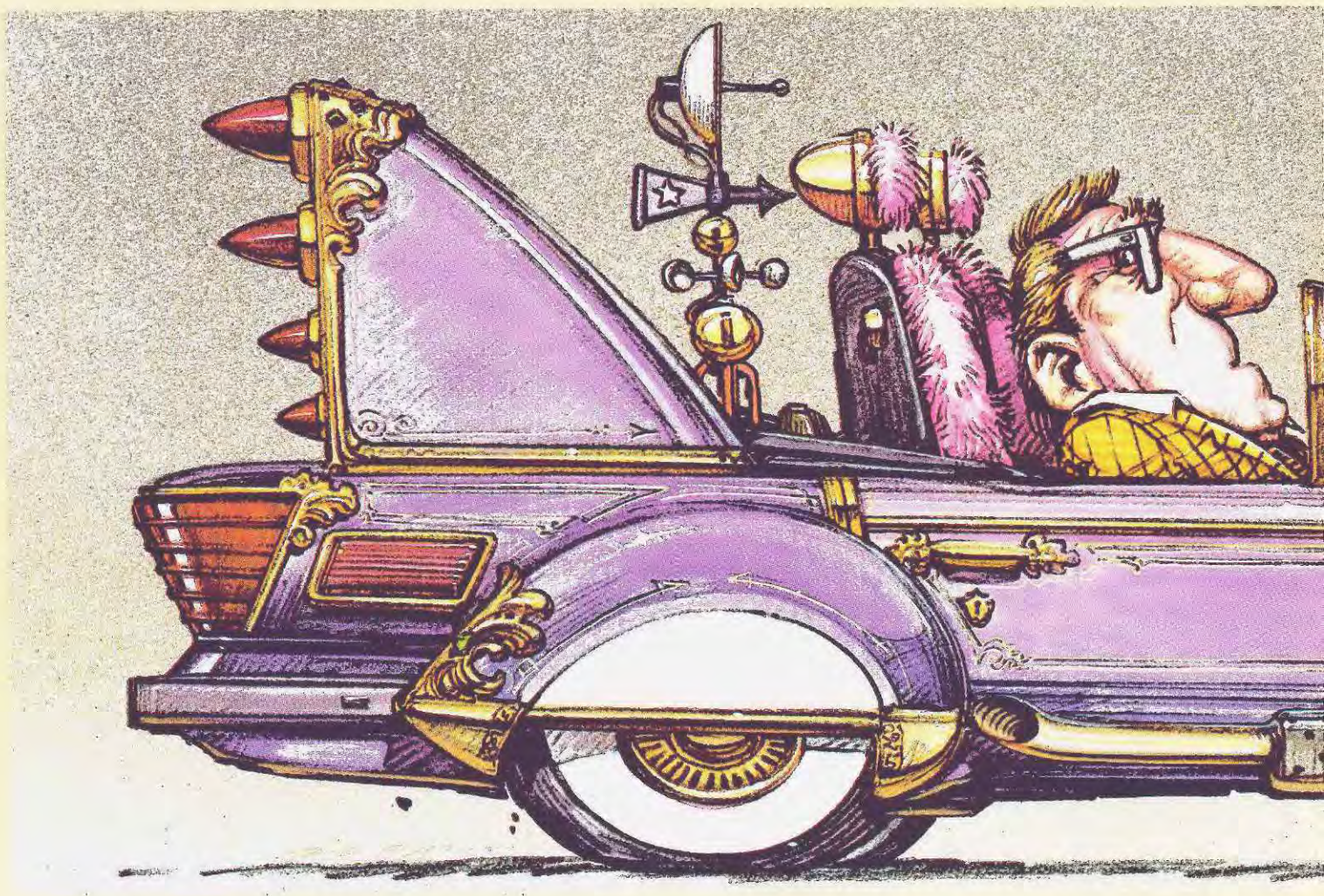

Designing customized workers' comp claim management isn't as simple as some people think.

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Continued from previous page

sponsible for food workers' claims. "So we're missing that exposure, which I hear can be a pretty bad one. Most of our comp claims come from our physical plant."

Phil Petronis, managing director of the Risk Management Services Group of Marsh & McLennan Inc. in New York, said that the wave of leveraged buyouts in recent years also is increasing self-insurance activity.

Debt created by leveraged buyouts, he explained, means management takes a "real focus on minimizing costs" through programs like self-insurance.

However, "the issue of LBOs can go both ways" with regard to self-insurance, Mr. Petronis said.

As an example, he pointed to a client that carried a self-insured retention of $25 million But, after a leveraged buyout was completed, "the bankers and management felt that with the debt it was more prudent to buy insurance."

However, the company is now concerned that the commercial market may again harden, increasing the company's premium, he said. "We're in the process of evaluating that now."

Mr. Petronis said the company first self-insured to escape the ups and downs of insurance costs, "but on the other hand, the market is reasonable now and they feel they need the protection."

There is still steady interest in forming captives and pooling arrangements, consultants and brokers say, but interest in risk retention groups has faded in the soft market.

And, while observers agree that giant policyholder-owned facilities like A.C.E. and X.L. are continuing to operate as planned, similar facilities probably won't be formed until another tight market creates a need.

"My office in Bermuda is real surprised that they've got seven jobs out of Massachusetts," said Mr. Betterley, referring to captive feasibility studies. "And it seems there will be more coming in the door."

Ms. Hill of James said "our captive consulting group is as active as ever."

There is still a healthy interest in the formation of association captives by groups of businesses that need coverage in "distressed lines" like pollution liability and professional liability, Ms. Hill said.

Michael Murphy, principal consultant at Risk Consultants Inc. in Denver, said weathering three hard market cycles has led him to believe the future is bright for both offshore and domestic captives.

"Captives are being set up much more intelligently than in the '70s," he remarked. "People are not setting them up with letters of credit, then, when the soft market comes, bailing out. They're taking a much more long-term view."

However, the formation of additional excess liability insurers like A.C.E. and X.L. probably won't be seen for awhile, Mr. Murphy said. "I don't think that will happen until the next crisis. Then, we will probably see quite a bit of that. They certainly have a very legitimate place in the market," he said.

Richard R. Huntington, a principal with Advanced Risk Management Techniques in Laguna Hills, Calif., said: "I don't think we'll see any more until the market hardens again—not until buyers see significant increases in premiums and get upset with the market again."

"A.C.E. and X.L. have been very successful and I don't know if there's a need for competition," he added.

Pooling, on the other hand, appears to have a healthy future, according to Mr. Huntington.

"In the public sector, those continue to grow," he remarked. "We are very active in public sector pooling."

In Massachusetts, pooling of risks by unaffiliated companies "is starting to get some attention," said Mr. Betterley.

"We've seen some pooling in workers comp where states allow pools," said M&M's Mr. Petronis.

However, "we have a lot of concern about the security of those pools. They're difficult to monitor and they're not rated by Best's," he added.

Therefore, Mr. Petronis said he urges risk managers considering forming or joining a pool use "extreme caution." "It's hard for us to get background information on them. It's difficult for us to evaluate them," he said.

Although he could not point to any pools that have failed, Mr. Petronis remarked that the arrangements are "writing distressed business and at a discount to attract business. We just don't think that's healthy. . . . .Many probably have noble intentions, but we're concerned about their security."

Consultants specializing in risk retention groups say business is slower than in the days of the hard market.

Karen Cutts, managing editor of the Risk Retention Reporter, said that since Congress amended the 1981 Risk Retention Act, 54 risk retention groups have been formed. Of those, around 50 currently are issuing policies, said Ms. Cutts.

In comparison, in October, 44 of the 52 groups that had been formed were operational.

Risk retention groups currently generate aggregate premiums of around $300 million, she said.

Charles LaBarge, president of Berkley-Nobel Risk Retention Group Managers in Dallas, pointed out that interest in risk retention groups "has slowed considerably in the soft market."

Mr. LaBarge noted that a number of companies that had contemplated the formation of risk retention groups "parked their plans" when the market softened. "Of the ones that have formed, several have just put a hold on their activities."

And those that are up and running "are experiencing less production than originally planned," Mr. LaBarge said.

Berkley-Nobel currently is meeting with industry groups interested in forming risk retention groups and expects to form two new groups this year, he said.

Douglas Dolan, senior vp at Victor O. Schinnerer & Co. Inc. in Chevy Chase, Md., agreed that "most of the ones (risk retention groups) that had their genesis in the last hard market are going more slowly than their original sponsors anticipated, but they're holding their own and will be well-positioned for the next market turn."

Mr. Dolan said Schinnerer, which helps form and manage risk retention groups, is encouraging insurance businesses that were hurt by the last tight market to "look beyond the current soft market and start the legwork to explore risk retention groups and other self-insurance options."

We're advising clients "not to actually do anything in terms of capitalization yet, but to get their ducks in a row so they will have an alternative," Mr. Dolan added.

Ralph Korn of consultant Ralph Korn & Associates Inc. of Phoenix, Ariz., remarked that he thinks risk retention groups will continue to offer an alternative to the commercial market. "I think it's a good idea. In the long run, it can be a successful vehicle."

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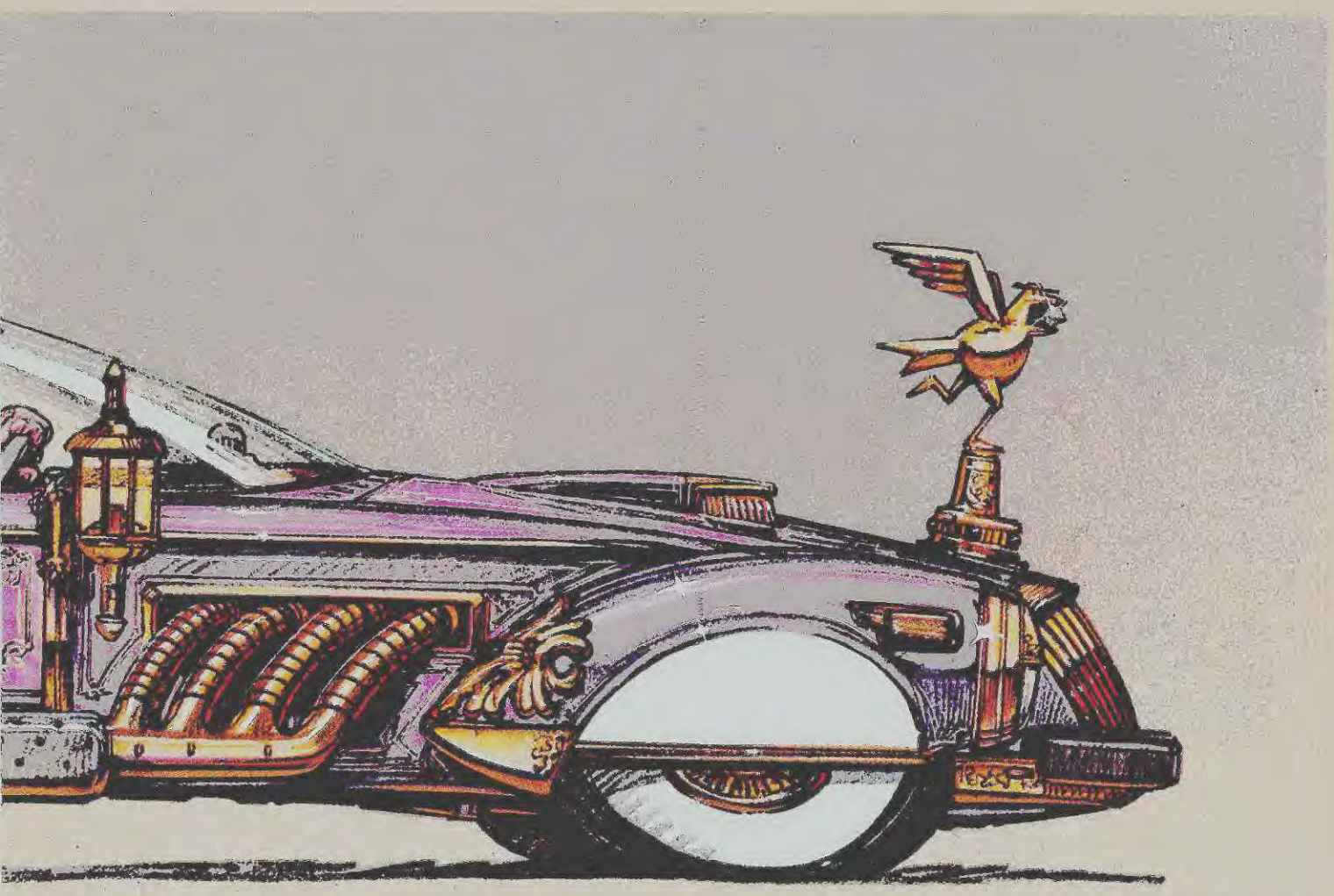

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Risk financing

Continued from page 15

Not all consultants, however, are fans of risk retention groups.

Risk retention groups are "too problematic" for insurance buyers because, "if for no other reason, the NAIC is dead-set against them," said Risk Consultants' Mr. Murphy, referring to the National Assn. of Insurance Commissioners.

"We say to clients, 'Why do a risk retention group when you can do a group captive' " in a U.S. domicile?

Although there are some advantages to a risk retention group "on paper," unless the law allowing the formation of the groups is revised, they are too cumbersome and problematic to form, Mr. Murphy says.

"We would much rather see group captives set up in a domicile that knows how to regulate self-insurance plans," he said.

Most of the businesses that now are adopting alternative risk financing strategies will never return to the commercial marketplace, experts say, pointing out that buyers in the past were more likely to move in and out of the commercial marketplace depending on market conditions.

"I think the primary carriers are beginning to realize that they did lose a good chunk of business and they're not going to get it back," said Mr. Korn. "I don't think we will ever see a return to the conditions of 10 or 20 years ago when everybody was insured and anybody who self-insured was a maverick."

Betterley's Ms. Rastallis said she, too, believes insurers have lost a lot of premium dollars for good. "They're not coming back to the traditional marketplace," she said of buyers who have chosen to self-insure.

Risk managers who have taken the leap to self-insurance say they're in it for the long haul, regardless of what happens in the conventional property/casualty market.

Nelson Chanfrau, risk manager for the Port Authority of New Jersey and New York, noted that the Port Authority has self-insured its workers compensation risks in New York since 1931 and its New Jersey risks since 1955.

The Port Authority, which also self-insures its automobile fleet, is not considering abandoning any of its self-insurance program in the current soft market, Mr. Chanfrau said. However, he pointed out that the Port Authority is taking advantage of lower prices on other lines of casualty coverage that it does purchase from commercial insurers.

Rather than lowering liability insurance retentions that were increased during the hard market, Mr. Chanfrau said he elects to buy higher limits above his self-insured retentions when prices become competitive.

"Depending on what the market is like, those figures fluctuate up and down," he said.

Although he would not reveal specific policy limits, Mr. Chanfrau said he increased the Port Authority's liability limits by 15% this year.

Las Vegas, Nev.-based Boyd Group two years ago established a $100,000 self-insured retention for its liability risks and a $50,000 retention for its property risks. The hotel-casino operator's previously retained $25,000 of all property/casualty risks.

According to Francis Lynch, director of loss control and security, Boyd keeps an eye on rates in the commercial market but does not expect to reduce the amount of risk it retains.

"We examine that every six months," he said. "I don't think we will make that change."

By increasing its retention, Boyd has realized a savings of "well into seven figures" on premium costs, Mr. Lynch said.

However, one risk manager pointed out that while he continues to examine the possibility of self-insuring his workers comp risks, his insurer offered incentives that were too good to pass up when it came time to renew the coverage.

"The traditional markets have always restricted and continue to restrict the move into self-insurance," said David Higbee of the risk management department at Sinclair Oil Co. in Salt Lake City.

During its most recent renewal, CIGNA Corp. offered Sinclair "more attractive financial incentives for our overall property/casualty program if we didn't move our workers comp," said Mr. Higbee. ■

Benefit TPAs expand to meet market needs

By KARI BERMAN

Third-party administrators specializing in employee benefit claims are expanding their services to accommodate the changing needs of a more sophisticated market.

And, the trend toward consolidation among benefit TPAs is continuing as more and more smaller TPAs combine their resources to gain economies of scale.

The need for sophisticated resources helped catapult The Travelers Plan Administrators Inc., a Travelers Corp. unit, to a spot among the top TPAs as ranked by *Business Insurance*.

However, at least one benefits claims administrator—TPA of America Inc.—has foundered because it expanded too far too quickly, observers say.

As predicted by benefits TPAs last year, employers that self-insure their employee benefits are looking for more than basic claims administration from their TPAs.

The emphasis continues to shift toward a total benefits service package that includes tracking all procedures from claim filing to utilization review, said William R. Horne, president of Travelers Plan Administrators in Hartford, Conn., the sixth-largest TPA in the *BI* rankings and the third-largest TPA specializing in benefits.

Most benefit TPAs are no longer limiting available services to claims administration and typically are offering advanced data processing, utilization review and specially designed computer software to help employers comply with federal benefits laws, like the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

"Today, TPAs need the ability to manage claims effectively throughout the entire process. They are becoming more health care managers than claims administrators," Mr. Horne said.

James M. Pennington, president of McDonough Caperton Benefit Services in Charleston, W.Va., agreed.

"The TPA marketplace is growing more sophisticated in response to clients with more sophisticated needs. They are looking for both better and superior communication and information of benefit information data," said Mr. Pennington, who heads the 12th-largest TPA ranked by *Business Insurance*

Continued on page 20

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Benefit TPAs

Continued from page 17

and the sixth-largest TPA specializing in employee benefits.

In addition, "Employers are looking for cost containment, and the TPA has to give them what they want," stressed Samuel X. Kaplan, chairman of U.S. Administrators Inc. in Los Angeles, the nation's fourth-largest TPA and the second-largest TPA specializing in benefits.

"I think the key for savings results is in tracking the costs of procedures and providers and getting all the information you can so that you can evaluate which providers are best at controlling costs," Mr. Kaplan said.

But this client demand for more data requires the purchase of advanced computer technology—an expenditure many new and smaller TPAs cannot afford, Mr. Pennington pointed out.

"It costs money to have the computer systems and facilities to give self-insured clients the service that they want. The little TPAs usually don't have the capital to do it. The largest TPAs survive and compete to offer the most comprehensive and advanced service," he said.

Because more capital is needed to enter and stay competitive in the TPA business, the TPA market will continue to stabilize in 1989, bringing both fewer acquisitions and start-up TPAs, predicts Robert Shomer, executive vp at ALTA Health Strategies Inc. in Salt Lake City, the nation's largest TPA.

"Employers demand more from TPAs now, and those that can only do claims administration won't make it. There will always be mom-and-pop TPAs springing up, but it will be harder to stay because they don't have the capital or the technology needed," Mr. Shomer said.

Travelers' Mr. Horne agreed: "For $100,000 you used to be able to open up a TPA. Now, because of the sophistication involved and the capital needed, it isn't as easy to get into the market."

As a Travelers Corp. subsidiary, "we have resources available to us for research, development and any type of technology expertise that we need," Mr. Horne explained.

But not all TPAs have such resources. And, at least one TPA discovered that expanding services to enhance its competitiveness can do more harm than good.

Rapid expansion has been blamed for the demise of Los Angeles-based TPA of America, which will close its doors next month.

For example, TPA of America purchased First Transcontinental Life Insurance Corp. of Milwaukee in late 1986 to expand its health care cost containment, preferred provider organization and other services to insured as well as self-insured employers (*BI,* Jan. 26, 1987). However, the insurer was ordered liquidated in October 1988 because it did not have the minimum capital and surplus of $2 million required by Wisconsin law (*BI,* Oct. 24, 1988).

As a result of the First Transcontinental liquidation, another TPA of America subsidiary, Management Employer Group Administrators Corp., also will close. MEGACO's only business was derived from an administrative-services-only contract with First Transcontinental.

"The liquidation will be complete by the end of March," said Arthur R. McGimsey, president and chief executive officer of TPA of America. "We were trying to cover both the insured and self-insured markets and we got out because it was a venture that had too much risk involved," he explained.

TPA of America also has sold its two other TPA subsidiaries: American Benefit Plan Administrators Inc. and Mass Insurance Consultants & Administrators Inc.

ABPA and MICA were sold to Harrington Services Corp., an employee benefits consulting and administration firm in Columbus, Ohio.

According to Mr. McGimsey, TPA of America next month will merge with its only remaining subsidiary, Healthcare Strategies Inc., a utilization review firm in Columbia, Md. "TPA (of America) will become Healthcare Strategies and will only provide utilization review services and no claims administration," he said.

TPA of America fell two notches to the No. 7 spot among TPAs ranked by *Business Insurance.* TPA of America is the fourth-largest TPA specializing in employee benefits.

TPAs that grow to become bigger do not necessarily become better, according to McDonough Caperton's Mr. Pennington, who believes the key to success for a TPA is a combination of quality of service and flexibility to meet the clients' needs.

For example, in addition to conducting in-depth hospital bill audits and utilization review for all medical procedures, McDonough Caperton conducts frequent reviews of its clients' entire benefit structures to see exactly where money is being spent, he explained.

ALTA also views itself as a multifaceted health care management company rather than as a TPA.

"We are more than a TPA, we do utilization review, operate PPO networks and offer data process review to our clients," said Mr. Shomer.

One new service ALTA introduced in 1988 and will continue to offer in 1989 is hospital and physician bill auditing.

After a bill is computed, the auditing team reviews it, verifying that treatment and cost were necessary and reasonable and that the procedure was medically appropriate, according to Mr. Shomer.

"We find that you have to check the physician as well as the hospital because they are the ones that give the orders. We can track and find the doctors who over-prescribe and over-treat patients, raising the claims costs," Mr. Shomer said.

ALTA saved clients an estimated average of 19% on hospital bills and 36% on physician bills in 1988, Mr. Shomer said.

And, ALTA will offer an additional service this year directed at reducing hospital outpatient expenses.

"We see a trend toward outpatient utilization review. Although it is cheaper to treat individuals as outpatients, there is still overutilization and unnecessary care administered," Mr. Shomer said.

Following are profiles of the six largest TPAs specializing in employee benefit claims:

ALTA Health Strategies Inc.

Salt Lake City-based ALTA Health Strategies Inc. remained the nation's largest TPA for the third consecutive year, despite a reduction in the amount of claims paid.

ALTA reported it paid self-insured claims totaling $1.1 billion in 1988, down almost $10 million from 1987 when ALTA paid $1.18 billion in self-insured claims.

Bob Shomer, executive vp of marketing at ALTA, offered no explanation for the reduction in claims paid.

ALTA reported 1988 gross revenues of $56.5 million, $45.2 million of which was from claims services on behalf of self-insured clients.

While ALTA did not disclose its gross revenues for 1987, the leading TPA reported 1986 gross revenues of $36 million, $31 million of which was derived from claims administration services.

Approximately 80% of ALTA's gross revenues were generated by claims administration for self-insured clients, down from 83% last year. The remaining 20% of the firm's 1988 gross revenues is attributable to managed care services provided for clients other than self-insurers.

As in 1986 and 1987, health insurance claims accounted for 93% of

Continued on page 22

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ax′i·a, *n.* [Gr. aξia. s.f.]

1. value, merit.
2. thing or quality having intrinsic worth.

Syn.—excellence, virtue.

Gr. axios, worthy.

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Benefit TPAs

Continued from page 20
those paid by ALTA on behalf of its self-insured clients in 1988. Flexible compensation and short- and long-term disability claims accounted for 5% and 2%, respectively, of claims paid on behalf of self-insured clients.

ALTA increased the number of employees serving self-insured clients to 1,050 in 1988.

ALTA's number of self-insured clients dropped to 713 in 1988 from 777 in 1987. ALTA serviced 720 self-insured clients in 1986.

The company administered self-insured benefit plans covering 795,000 employees and 1.3 million dependents, up from 722,000 employees and 1.1 million dependents in 1987.

"ALTA is strong because it is not only a claims administrator but also is a total managed care company that can meet all of the needs of the client," Mr. Shomer pointed out.

ALTA plans to expand its utilization review procedures to include more involved outpatient hospital audits, he added.

"We see 1989 as bringing more of a shift toward outpatient care review because we want to make sure that appropriate services are being rendered in that setting as well as in the inpatient situation."

U.S. Administrators Inc.

Although claims payments also fell at U.S. Administrators Inc., the Los Angeles-based TPA maintained its position as the second-largest employee benefit claims administrator in *BI*'s TPA rankings.

U.S. Administrators reported self-insured claims payments of $800 million in 1988, down from $1.15 billion.

Chairman Samuel X. Kaplan attributed the decrease in claims paid to a major client's purchase of medical equipment.

"Our client used to rent the medical equipment for ill employees and paid expensive claims on the rental use," Mr. Kaplan said. "We found that it would be cheaper to buy rather than rent. Now, because the company owns the equipment, their claim cost is substantially lower," he said, declining to name the client.

Although U.S. Administrators did not release its gross revenues in 1986 and 1987, Mr. Kaplan reported 1988 gross revenues totaling $41.6 million, about $39.6 million of which was derived from claims administration services for self-insured clients.

Approximately 92% of U.S. Administrators' 1988 revenues were generated by claims administration for self-insured clients, while the remaining 8% came from claims administration services for insurers.

Of U.S. Administrators' 800 employees, 760 exclusively service the TPA's 35 self-insured clients. Last year, all 817 employees were assigned to self-insured clients.

The number of covered employees reached 806,000 in 1988 and insured dependents totaled 1.8 million.

Mr. Kaplan believes that the goal of all TPAs, and specifically that of U.S. Administrators, is to manage health care costs in ways that keep the employer involved and aware of health care expenses.

"If not properly managed, the health care system will eat the employer up," Mr. Kaplan said.

During 1989, U.S. Administrators plans to promote its prescription drug utilization review program, which the TPA launched last year.

The Travelers Plan Administrators Inc.

After a record-breaking year, The Travelers Plan Administrators Inc. captured the No. 3 slot in the *BI* rankings of TPAs specializing in employee benefit claims.

The TPA subsidiary of Travelers Corp. reported a 176% increase in the amount of claims paid on behalf of self-insurers to $607 million in 1988 from $220 million in 1987.

Travelers Plan Administrators, the nation's sixth-largest TPA overall, saw its gross revenues skyrocket to $15.1 million in 1988 from $8 million in 1987.

Virtually all of the TPA's gross revenues were derived from services for self-insured clients, including 95% from claims administration and 3% from claims auditing. Two percent of Travelers Plan Administrators' revenues were derived from services for clients other than self-insurers.

President William R. Horne attributes the TPA's success to quality service and the Travelers' extensive data resources.

"The Travelers name has given us a respected name in the TPA market and offers the financial stability that clients seek," he said.

Approximately 90% of the claims paid by the company were health care claims, while flexible compensation claims accounted for 8% and short- and long-term disability claims accounted for 2%.

To properly service the 315,000 employees and 787,500 dependents covered by health care plans serviced by Travelers Plan Administrators, the TPA boosted its staff to 342 last year from 176 employees in 1987.

In 1987, Travelers Plan Administrators administered health plans covering 208,000 employees and 320,000 dependents.

The Travelers Plan Administrators has 13 branch offices in 12 cities.

TPA of America Inc.

For publicly held TPA of America, 1988 was a year of financial turmoil that led to the company's demise.

The court-ordered liquidation of TPA of America's First Transcontinental Life Insurance Corp. of Milwaukee subsidiary and the imminent sale of two other units—American Benefit Plan Administrators Inc. and Mass Insurance Consultants & Administrators Inc.—leaves the financially troubled company without the bulk of its business.

Both subsidiaries were sold to Harrington Services Corp., a Columbus, Ohio-based benefit consulting and claims administration firm.

After the sale, which will be final in February 1989, TPA of America will merge into its only surviving subsidiary, Healthcare Strategies Inc., a utilization review firm based in Columbia, Md.

Last year, TPA of America fell to the No. 4 spot from the No. 3 slot in the *BI* rankings of TPAs specializing in employee benefits.

Overall, TPA of America ranked as the nation's seventh-largest TPA, down two slots from fifth last year.

The company paid $550 million in self-insured claims in 1988, a 14.9% decrease from the $646 million paid in 1987. ABPA paid $400 million of the claims, while MICA paid $150 million.

ABPA reported 1988 gross revenues of $24 million, while MICA reported gross revenues totaling $9 million.

According to documents filed with the Securities and Exchange Commission, TPA of America's revenues totaled $26.5 million in the first nine months of 1988, up 12.6% from $23.5 million in the corresponding period of 1987. The company's net loss, however, grew to $9.6 million from $4.4 million due to a $10.1 million loss on disposal of its insurance operations.

The company's benefit administration operation remained in the black, producing an operating profit of $2.1 million in the first nine months of 1988, down slightly from the comparable period of 1987.

TPA of America officials refused to comment further.

Altogether, TPA of America serviced 390 self-insured employee benefit plans covering 475,000 employees and 850,000 dependents in 1988. Of that, ABPA serviced 280 self-insured employee benefit plans covering 400,000 employees and 800,000 dependents, while MICA service[illegible]10 self-insured clients' benefi[illegible]

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Continued from previous page
covering 75,000 employees and 50,000 dependents.

Approximately 65% of ABPA's gross revenues was generated by claims administration for self-insured clients, while 35% was attributable to claims services for non-self-insured clients.

The majority of ABPA's self-insured clients were Taft-Hartley plans, followed by corporations and associations.

About 95% of MICA's revenues were generated by claims administration for self-insured clients, with the remainder coming from services for clients other than self-insured employers.

A total of 450 of ABPA's 510 employees were assigned to serve self-insured clients exclusively, while 130 of MICA's 200 employees serviced only self-insured clients.

Employee Benefit Plans Inc.

Employee Benefit Plans Inc., the fifth-largest TPA specializing in employee benefits, reported a 24% increase in claims paid on behalf of self-insured clients in 1988.

The TPA, which administers health care claims solely, paid $465 million in self-insured claims in 1988, up compared with $375 million the previous year.

EBP's 1988 gross revenues also increased 25.7% to $38.2 million from $30.4 million in 1987. About $19.4 million of the TPA's 1988 gross revenues were derived from services for self-insured clients, compared with $15.6 million in 1987.

About 51% of EBP's business is claims administration services for self-insured clients, while 49% involves claims services for non-self-insured clients.

Most of EBP's self-insured clients are corporations and public/government entities.

All of the TPA's 591 employees service both self-insured and non-self-insured clients.

EBP administered claims for 3,172 self-insured benefit plans covering 298,000 employees and 447,000 dependents in 1988. This compares with 3,025 self-insured benefit plans in 1987 covering 268,000 employees and 402,000 dependents.

"Our No. 1 goal for 1989 is enhanced customer service, and we want to be able to offer quality help and service to all of our clients," said Rob Brooks, vp of employee benefits marketing.

To achieve that goal, EBP has hired a new senior manager and four additional customer service specialists. The TPA also has opened offices in Albuquerque, N.M., and Pasadena, Calif., bringing to 18 its number of branch offices.

McDonough Caperton Insurance Group

McDonough Caperton Insurance Group, the 12th-largest TPA in the nation, holds the No. 6 slot among those specializing in employee benefits administration.

The firm paid $419 million in claims on behalf of self-insured clients in 1988, up about 12% from $345 million in 1987.

McDonough Caperton's 1988 gross revenues also increased 9.2% to $28.4 million from $26 million in 1987.

About $11 million of McDonough Caperton's 1988 gross revenues were generated by services provided for self-insured clients.

While 61% of McDonough Caperton's revenues is derived from insurance brokerage services, 35% is related to claims administration services. Another 2% is related to claims auditing and 2% to claims adjusting.

A total of 88% of McDonough Caperton's claims administration business for self-insured clients is for health insurance, while 2% is for disability claims. Pensions and flexible compensation each account for 1% of McDonough Caperton's claims administration business.

Workers compensation claims account for 6% of the TPA's claims administration business, while professional liability claims account for 2%.

"We are very aggressive and flexible and have an ear to the ground for clients' needs," said James M. Pennington, president of the McDonough Caperton Benefit Services division in Charleston, W.Va.

"We listen to the client and work with them to best achieve their goals for accuracy and savings," he added.

McDonough Caperton administered claims for 292 self-insured clients in 1988 covering 248,000 employees and 329,000 dependents. Most of the TPA's clients are corporations and public/government entities.

About 285 of McDonough Caperton's 560 employees exclusively serve self-insured clients from five administrative offices and 12 sales offices. In 1987, 260 of the company's 500 employees serviced self-insured clients. ■

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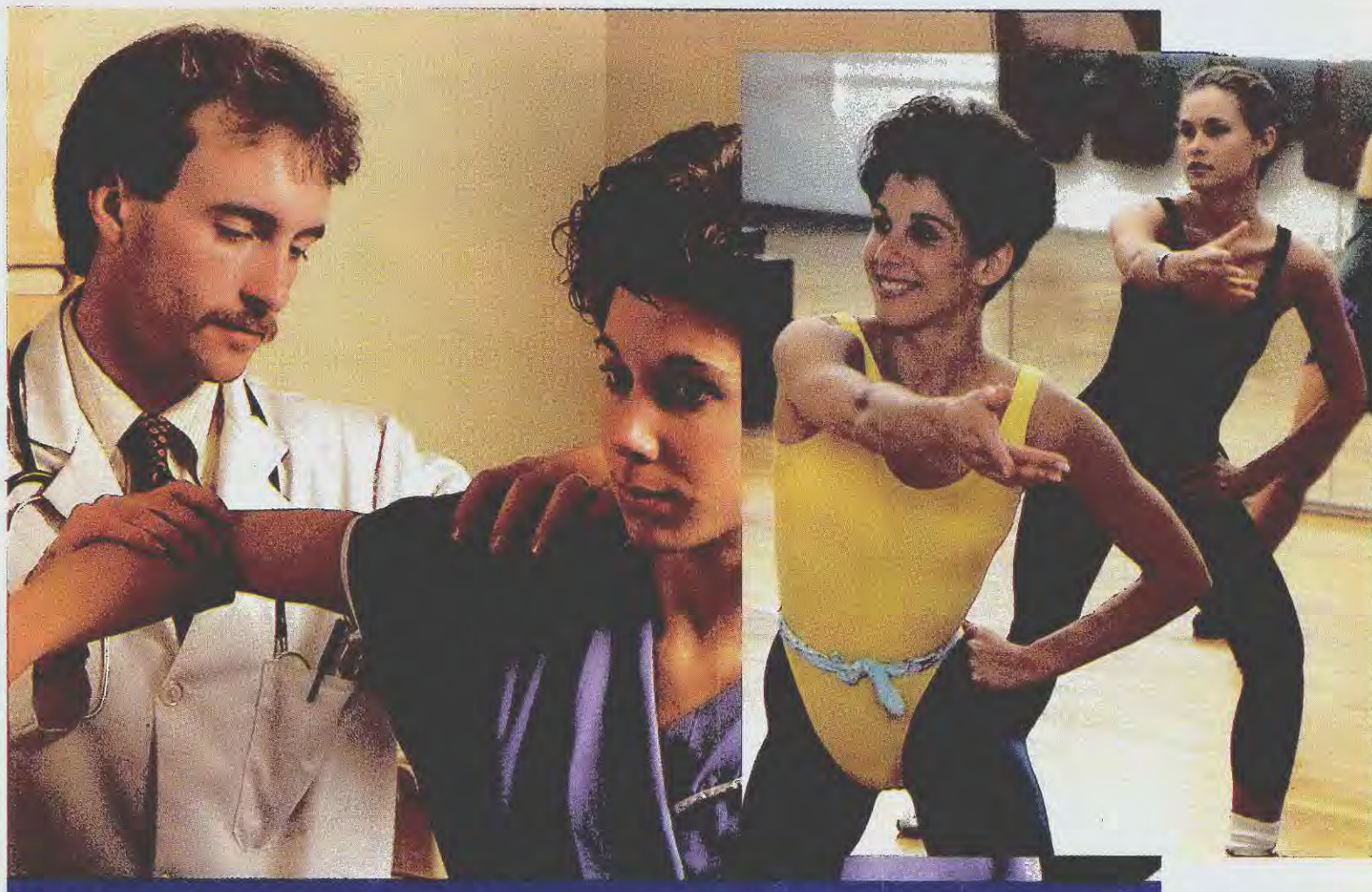

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THE FAST TRACK TO A COMEBACK

Keep tabs on TPAs: Benefit experts

By KARI BERMAN

Self-insured employers whose health care claims are paid by third-party administrators should monitor their TPAs' performance regularly, employee benefit consultants advise.

"A self-insured company is basically handing over its bank account to a TPA and giving it a free hand to pay out the benefits. Anything can happen if they are not watched," said Ted Nussbaum, a partner in the benefit consulting division of Coopers & Lybrand in New York.

To avoid TPA performance problems, benefit consultants advise self-insured employers to closely scrutinize potential TPAs before entering into a contract.

"Claims processing and management is critical when evaluating a TPA and trying to find the ones that will do the best job for the client," noted Kurt Speed, a consultant in the Lincolnshire, Ill., office of Hewitt Associates.

"We look for the TPA that can detect a claim that might be questionable and double check it rather than letting it pass by. Employers want to know that their claims are being audited in-depth and not just processed," Mr. Speed pointed out.

Computer system capability is a key TPA component that Mr. Nussbaum encourages employers to place at the top of their checklists.

"When we evaluate a TPA, we look at the entire claims process, making sure that it has the ability to red flag suspicious medical data and pricing errors so that they are not paid unnecessarily by the employer," he said.

Employee benefit consultants agree that solid TPAs will run claims through a series of financial and utilization reviews that usually include:

- Medical editing capabilities that locate discrepancies between diagnosis and treatment.
- Duplicate payment editing that red flags all claims that appear similar in cost and procedure, signaling the TPA to double check the claim so that the employer doesn't pay the same one twice.

Another factor that self-insured employers should keep in mind when either choosing a TPA or monitoring their current administrator is the TPA's internal auditing process, benefit experts say.

Mr. Speed advises self-insurers to ask for the results of a TPA's own internal audit, which shows exactly how many claims the TPA administers and the number of errors made when auditing those claims.

"It is important for the client to ask the TPA about its internal auditing program and make sure that it is policing itself. Then the employer can take the TPA's internal results and compare it with the company audit, checking for mistakes" for which the employer may have paid, Mr. Speed said.

A good TPA should be financially accurate 99% of the time and anything less than that should cause concern for the employer, he said.

Mr. Nussbaum agrees that self-insured employers can keep an eye on their TPA by requesting regular internal auditing results but also advises self-insured employers to go a step further by looking at who is doing the auditing.

"It is important to find out if a TPA's employed supervisor is auditing his employees or if outsiders are brought in to do it independently," he said.

Mr. Nussbaum contends that the results of internal audits are probably more accurate for TPAs commissioning outside auditors because they tend to be more objective than the TPA's own employee might be.

And, while most self-insured employers tend to request internal TPA audit reports and often have their claims reports double checked for the TPA's errors, employee benefit consultants say that self-insurers further assure quality TPA service by asking the TPA to sign a performance standard contract.

Typically, the contract outlines the TPA's service responsibilities to the employer, usually including limits on claims turnaround time, processing accuracy and an agreed-upon margin of error for claims reviewed.

If the TPA does not live up to the terms of the contract, a financial adjustment is made based on the particular agreement with the company.

"Performance standard agreements provide an incentive for the TPA to maintain quality and also protect the client," said Mr. Nussbaum.

"TPAs will usually sign them because they want to prove that they will stand behind their service. If they don't want to sign, then you don't want to use them," Mr. Nussbaum added.

Surprise visits to the TPA by the employer are usually an effective means of obtaining accurate claims and auditing information, according to Samuel X. Kaplan, chairman of U.S. Administrators Inc. in Los Angeles, the nation's fourth-largest TPA in the *Business Insurance* rankings.

"The best way to check on your TPA is to just show up from time to time and pull a few files. Don't announce that you are coming because then they can be ready for your arrival and you might not get an accurate picture," Mr. Kaplan said.

In addition, clients should conduct their own audits on their TPAs at least every three to five years, recommended John Derse, a principal in the Deerfield, Ill., office of William M. Mercer Meidinger Hansen Inc.

"The self-insured employer has to be involved with its TPA and make sure that it is doing its job properly and living up to standards. Requesting an internal audit and then comparing it against its own audited claims can usually give the employer a good idea of how the TPA is performing," Mr. Derse said.

Bethlehem Steel Corp. in Bethlehem, Pa., has kept a close watch on its TPA—U.S. Administrators—reports Edward J. Burkeen, Bethlehem's senior benefit representative.

"Overall, we have been satisfied with the claims auditing system. We look at their internal audit and we audit them ourselves and they come out good," Mr. Burkeen said.

U.S. Administrators has been processing health care claims for 10,000 of Bethlehem's employees since 1984, according to Mr. Burkeen. ■

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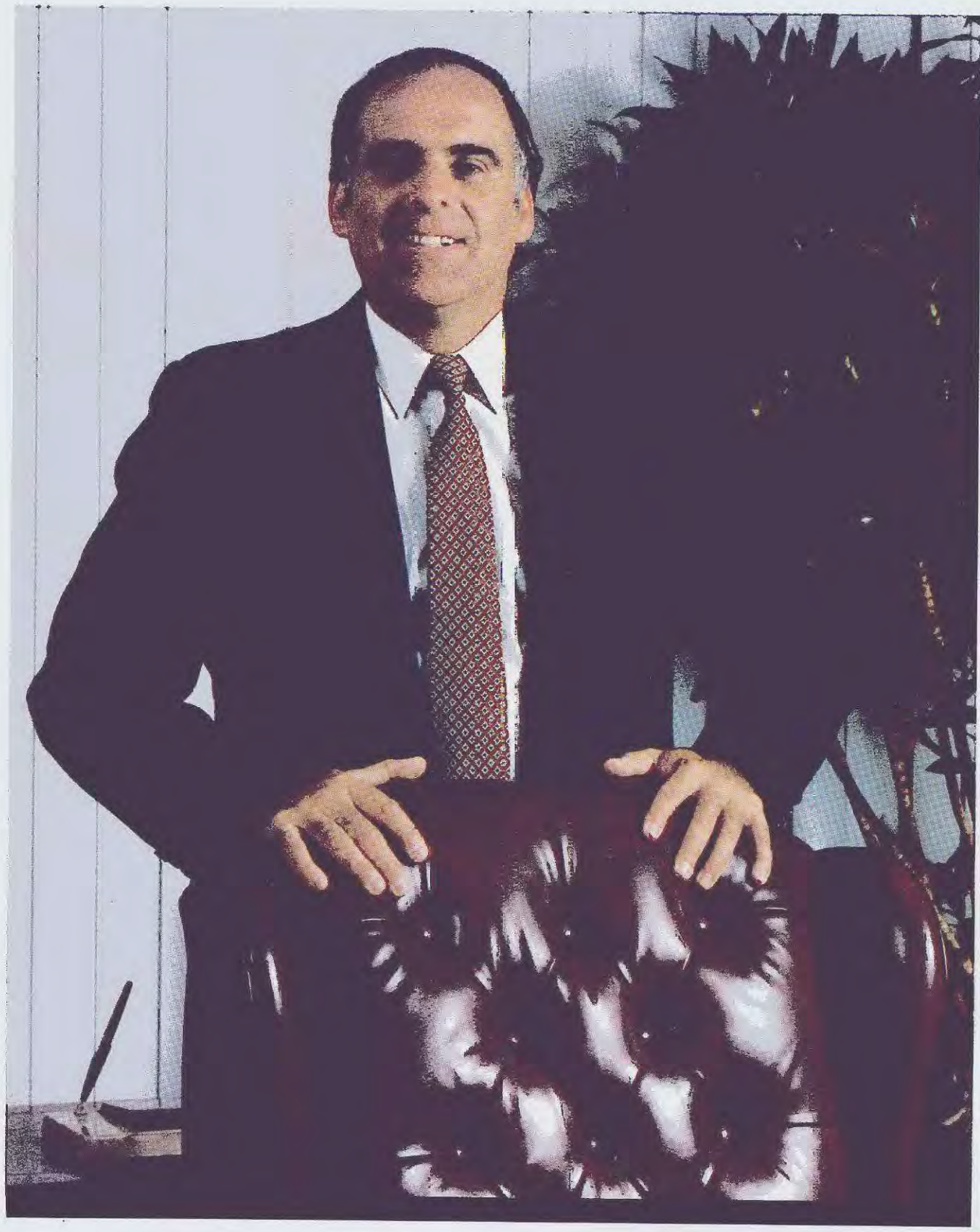

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Property/casualty TPAs offer new services

By JUDY GREENWALD

Centralized account management, better data processing systems and improved workers compensation cost containment measures are among the new services risk managers are demanding from their property/casualty third-party claims administrators.

TPAs also are being forced to offer more services on an unbundled basis as risk management information systems increasingly become more sophisticated and risk managers bring more of their administrative operations in house.

However, risk managers will be paying up to 25% more for those services, TPAs say.

At the same time, many TPA officials expect to see more TPAs merge or be acquired in their efforts to woo large clients, which often want to deal with few TPAs.

As a result, small and medium-sized administrators will face a fight for survival, TPA officials say.

At the heart of the latest trends among TPAs is the growing sophistication of risk management information systems.

"More and more risk managers have become more and more sophisticated," observed Raymond A. Auckerman, senior vp-marketing for GAB Business Services Inc. of Parsippany, N.J., ranked as the third-largest TPA by *Business Insurance* and the second-largest specializing in property/casualty claims.

"They're much more demanding. They're much more astute" when it comes to the business, which means all TPAs must become more professional, he said.

One of risk managers' key demands is "centralized control" of their accounts, Mr. Auckerman said. This is especially true of national accounts that are "spread over God's creation," he added.

For example, multistate employers increasingly are looking for a single phone number they can use to report workers compensation claims, noted Barry R. LaFleur, vp-risk management services, at Crawford & Co. in Atlanta, the second-largest TPA and the largest specializing in property/casualty claims.

In addition, risk managers are demanding more concise reports, TPAs say.

"They are looking for brief, concise, accurate management information reports," Mr. Auckerman said, explaining that risk managers want the old boxes full of computer printouts to be "boiled down" to a "meaningful, consolidated report in risk management terms."

"I think the single-biggest area of discussion is information exchange," including how it is gathered and distributed, said John A. Malasky, national director of Northville, Mich.-based Alexsis Inc., the ninth-largest TPA and the fifth-largest specializing in the property/casualty area.

This encompasses providing information about how claims are handled, as well as offering risk managers any information that helps them understand their exposures, according to John G. Campbell, chairman of Gallagher Bassett Services Inc., the eighth-largest TPA and the fourth-largest specializing in property/casualty claims.

While this service is not new, per se, the computer systems TPAs use to generate this information are "new in the sense they're more sophisticated," he explained.

Risk managers are demanding better workers compensation cost containment measures, said Edward P. Holleran, president of Philadelphia-based ESIS Inc., the fifth-largest TPA and the third-largest specializing in property/casualty claims.

The "big idea out there right now" is cost containment, Crawford's Mr. LaFleur agreed.

Clients especially are seeking help with hospital bill audits and preadmission reviews in workers comp cases.

In addition, employers are looking for help in developing systems that allow injured workers to return to work as soon as possible, even if only to perform light duty, Mr. LaFleur said.

And, as risk management operations become more sophisticated, risk managers are bringing more administrative operations in-house, Mr. Campbell pointed out.

As a result, TPAs are being forced to offer more services that augment the in-house operation—such as auditing, claims supervision and reserve reviews—on an unbundled basis, Mr. Campbell said. "The unbundling is continuing," he said.

The cost of improved services overall are about 25% higher than they were a year ago, according to TPAs.

But, compared with a year or two ago, TPAs "offer a better price because we have a better understanding of what we can do to make the customer happy," said Leonard J. Russo, president and chief executive officer of Emeryville, Calif.-based Adjustco Inc., the 10th-largest TPA and the sixth-largest dealing with property/casualty business.

And, to better meet risk managers' increasing demands, mergers and acquisitions among TPAs will continue, especially in an effort to show Fortune 500 firms and global companies that they can respond to their needs, Mr. Holleran said.

Bigger clients mean potentially bigger problems for TPAs, particularly in the area of information exchange, Mr. Malasky of Alexsis explained. TPAs "have to really be careful in that area," or they will find they have committed to providing some services that they cannot handle, he said.

"Any large client would rather deal with one TPA," Mr. Holleran said. Smaller TPAs will drop out, focus on claims adjusting or merge, he predicted.

"I think the marginal players will have to close their doors eventually," Mr. Malasky said.

But, Mr. Malasky added: "It seems to me there's always a place for good people in any business. There will always be a need for good, solid local and regional firms."

Mr. LaFleur of Crawford agreed that large and small TPAs can coexist.

In some cases, a client that contracts with a large TPA will ask to continue to use a local TPA that has expertise with one of the company's operations in a particular locale, he pointed out.

Besides keeping up with risk managers' demands, TPAs must keep abreast of various legislative changes, particularly in the area of workers compensation, TPA officials note.

"We have the constant challenge of dealing with various legislative changes in various jurisdictions," said Mr. Auckerman of GAB Business Services.

"There is much more regulation in the business," agreed Alexsis' Mr. Malasky. For instance, some

Continued on next page

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Continued from previous page
states now require that TPAs use banks located in those states to issue workers comp benefits checks, he said.

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

Crawford & Co.

Crawford & Co., which ranks second among all third-party administrators and is the largest specializing in property/casualty claims, paid $1 billion in claims on behalf of self-insurers in 1988, just a 1.5% increase over the $985 million paid in 1987.

But, its client base increased 23.8% last year to 948 from 766.

And, revenues generated by self-insured clients increased 27.8% to $115 million from $90 million.

As in previous years, 60% of claims paid on behalf of self-insurers involved work comp claims. Twenty percent more was for general liability claims; 15% for automobile claims; 3% for professional liability claims; and 2% for miscellaneous business.

Crawford's gross revenues in 1988 totaled $295 million, up 11.3% from $265 million in 1987.

Although Crawford's business is essentially unchanged from last year, the breakdown of 1988 gross revenues is significantly different from the 1987 breakdown because of a change in Crawford's reporting method. The breakdown in 1988 gross revenues is:

- 61%—compared with 17% last year—for services for clients other than those who are self-insured, including risk control, risk management information systems, an education program for appraisers and adjusters, health management services, claims adjusting and administration.
- 34% for claims administration for self-insured clients. Claims administration accounted for 31% of gross revenues under the old reporting method.
- 5% for claims adjusting, which accounted for 52% of gross revenues under the old reporting method.

Crawford adjusted, but did not pay, claims for 1,900 clients, down slightly from 2,000 in 1987. Of the 1,900, 1,700 were corporations, 150 were public/governmental entities and 50 were association plans.

Crawford adjusted automobile, liability, workers compensation and property claims.

Crawford employs 5,100 people, with more than 700 administrative offices in the United States, Canada and Puerto Rico. The company has sales offices in nine cities.

Crawford offers its clients a "total risk perspective," by offering risk control, claims adjustment, health care management and information systems services, said Barry R. LaFleur, vp-risk management services.

"We offer all the services that a risk manager requires, from pre-loss to post loss," he said.

GAB Business Services Inc.

GAB Business Services Inc. ranked third among all TPAs in 1988 with $820 million in claims paid on behalf of self-insurers, up 36.7% from $600 million in 1987.

Thirty-eight percent of those claims were workers compensation claims; 24% were general liability; 21% were automobile; 11% were miscellaneous; and 6% were health insurance claims.

The firm, a unit of SGS North America Inc., administered claims for 483 self-insured clients in 1988. GAB now defines its self-insured clients more precisely than it did a year ago, when it reported more than 1,400 self-insured clients, said Raymond A. Auckerman, senior vp-marketing.

GAB is not strictly a TPA for the more than 1,000 other clients for which it performs adjusting services, he said.

Of the 483 self-insured clients, 412 were corporations, 56 were public/governmental entities and 15 were association plans.

GAB provided claims adjusting services for 150 self-insured clients.

GAB reported gross revenues of about $200 million in 1988, the same as the previous year, including $50 million from self-insured clients.

The TPA introduced medical management and vocational rehabilitation services in 1987, and both did well in 1988, Mr. Auckerman said.

GAB has 600 offices nationwide, the same as last year, including sales offices in 17 U.S. cities and one in London. It also has 49 automated workers compensation offices around the country.

Mr. Auckerman also noted that GAB can offer clients an international presence through an affiliated company, RD&L International Holdings Ltd., which has offices throughout England, Australia and New Zealand.

As a result of an ongoing consolidation program, GAB's employee

Continued on next page

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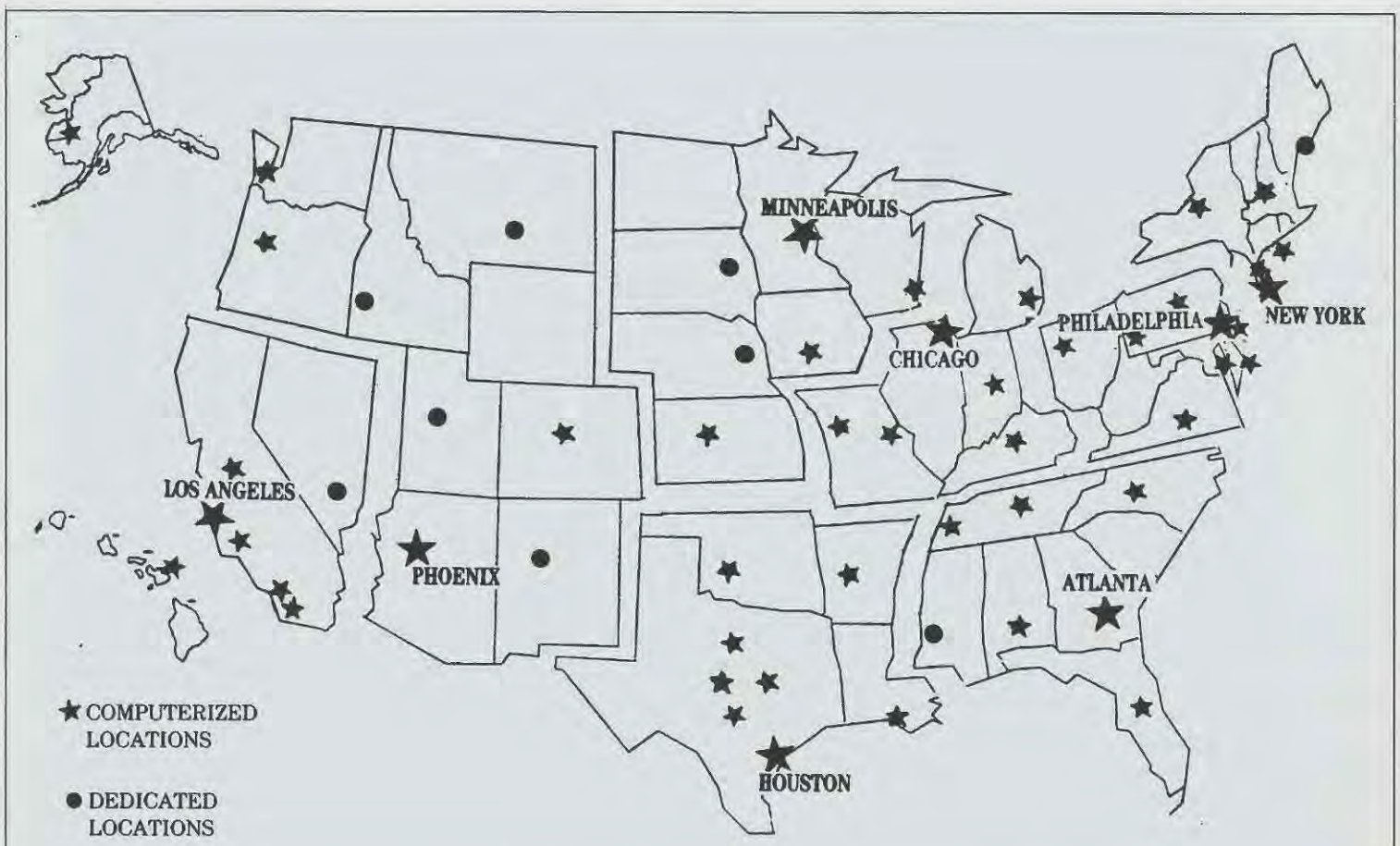

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P/C claims firms

Continued from previous page
count decreased 5.8% to 3,543 in 1988 from 3,763.

ESIS Inc.

ESIS Inc., the fifth-largest TPA overall and the third-largest specializing in property/casualty claims, paid $749 million in claims on behalf of 1,100 self-insured clients in 1988, up 36.2% from $550 million in 1987.

A total of 48.2% of its these claims were general liability claims; 31.1% were automobile; 19.5% were workers compensation; 0.7% were miscellaneous; and 0.5% were professional liability claims.

ESIS operates 15 mechanized centers devoted to workers compensation claims. "We're going after that business on a self-insured basis," said President Edward P. Holleran.

ESIS, a CIGNA Corp. unit, does not release its gross revenues. However, Mr. Holleran noted that 1988 gross revenues increased about 13% from 1987 revenues.

Seventy-five percent of ESIS' revenues were generated by claims administration for self-insured clients; 10% by claims adjusting for self-insured clients; 10% by other services including claims administration for clients other than self-insurers; and 5% by claims auditing for self-insured clients.

ESIS has administrative and sales offices in Philadelphia and sales offices in nine other cities. It has a 65-person marketing staff and draws on 3,600 CIGNA claims personnel.

Mr. Holleran noted that over the past year, ESIS also has more closely integrated with other CIGNA units that can help large, self-insured clients. These units are CRIS, the CIGNA Risk Information System, an on-line statistical reporting system and Loss Control Services Inc.

ESIS, CRIS and Loss Control Services are all products of CIGNA's Special Risk Facilities Risk Management Services group.

Gallagher Bassett Services Inc.

Gallagher Bassett Services Inc. the fourth-largest property/casualty TPA and the eighth-largest TPA overall, paid $545.7 million in claims for self-insurers last year, up 18.8% from $459.2 million in 1987.

The breakdown of claims was the same as last year, with workers compensation accounting for 34% of claims paid, health insurance, 30%; general liability, 19%; property damage, 8%; automobile, 6%; disability, 2%; and professional liability, 1%.

Gallagher Bassett, a unit of broker Arthur J. Gallagher & Co. Inc., reported $44.9 million in gross revenues last year, up 11.4% from $40.3 million in 1987. Of gross revenues, 84% was generated by claims administration; 15% by other services, including loss control, property appraisals and information systems; and 1% by claims auditing.

The firm provided claims administration services for 735 self-insured clients in 1988, up 6.8% from 688 in 1987. Its clients consisted of 383 corporations, 276 public/governmental entities and 76 association plans.

Gallagher Bassett, which has 77 administrative offices and 24 sales offices nationwide, focuses exclusively on the self-insured or large-retention market, rather than on insurance company work, noted Chairman John G. Campbell. "We believe that's the role that we belong in."

Mr. Campbell was named chairman in the past year. Peter J. Durkalski, formerly president of international Special Risks Services Inc., a subsidiary of Arthur J. Gallagher, has been named president.

Alexsis Inc.

Alexsis Inc. paid $500 million in claims last year for its self-insured clients, down 23.1% from $650 million in 1987, dropping it to fifth place among the property/casualty TPAs, down from second place in 1987.

The TPA ranked ninth among all TPAs ranked by *Business Insurance*.

However, John A. Malasky, national director of the Alexander & Alexander Services Inc. unit, pointed out that the TPA's gross revenues jumped 13.3% to $68 million from $60 million in 1987.

"We had a much better year than I thought we were going to have," he said.

Like last year, 70% of the claims Alexsis paid on behalf of self-insured clients were workers compensation claims; 15% were general liability claims; and 5% each were automobile, property damage and professional liability claims.

Eighty percent of Alexsis' gross revenues was attributable to claims administration for self-insured clients. The remaining 20% was attributable to other services, including excess coverage marketing and loss control consulting.

Alexsis reported 2,820 self-insured clients in 1988, an 8.5% boost from 2,600 in 1987. Its clients consisted of 2,453 corporations, 310 public/governmental entities and 57 association plans.

Alexsis has 1,032 employees, up 9.8% from 940 in 1987, operating out of 60 offices.

Adjustco Inc.

Adjustco Inc., the sixth-largest property/casualty TPA and 10th largest TPA overall, paid $480 million in self-insured claims in 1988, up 6.7% from $450 million in 1987.

However, its client base shrank 28.6% to 240 in 1988 from 336 in 1987.

One reason for the decline was that association members were previously counted individually rather than as a part of a group, said President and Chief Executive Officer Leonard J. Russo.

Adjustco's 240 clients consisted of 181 corporations, 56 public/governmental entities and three association plans.

Sixty-seven percent of the claims paid by Adjustco for self-insured clients in 1988 were workers compensation; 26% were health insurance; 2% each for general liability and automobile; 1% each for property and flex compensation; and 0.5% each for disability and life claims.

Adjustco also adjusted automobile, general liability, property, professional liability, workers compensation and inland marine claims for 35 insurers.

Adjustco generated $42.7 million in revenues in 1988, $40 million of which was from self-insured clients. A total of 760 of Adjustco's 855 employees are assigned to self-insured clients.

Mr. Russo said Adjustco, which Leonard J. Russo Insurance Services Inc. acquired from Frank B. Hall & Co. Inc. in November 1987, has now been reorganized. "We're product-oriented now, where Adjustco was geographically oriented before."

The company is now divided into five product areas: independent adjusting; loss administration; employee benefits; cost-containment management; and an association and insured products division.

In other developments:

- Adjustco has signed a contract with the Manville Property Damage Settlement Trust to open a claims adjudication facility in White Plains, N.Y., according to David Crosby, vp-sales. The facility, which currently is being opened, will be staffed by 150 people later this year, he said.
- Mr. Russo noted that litigation involving LJR Services' role as a claims administrator for the Southern California Rapid Transit District still is pending (*BI*, April 27, 1987).

Adjustco stopped serving as claims administrator for the district after an auditor discovered that accident and injury claims had been mismanaged. Adjustco and the district now are co-plaintiffs in litigation against several individuals being sued for fraud in connection with the case. ■

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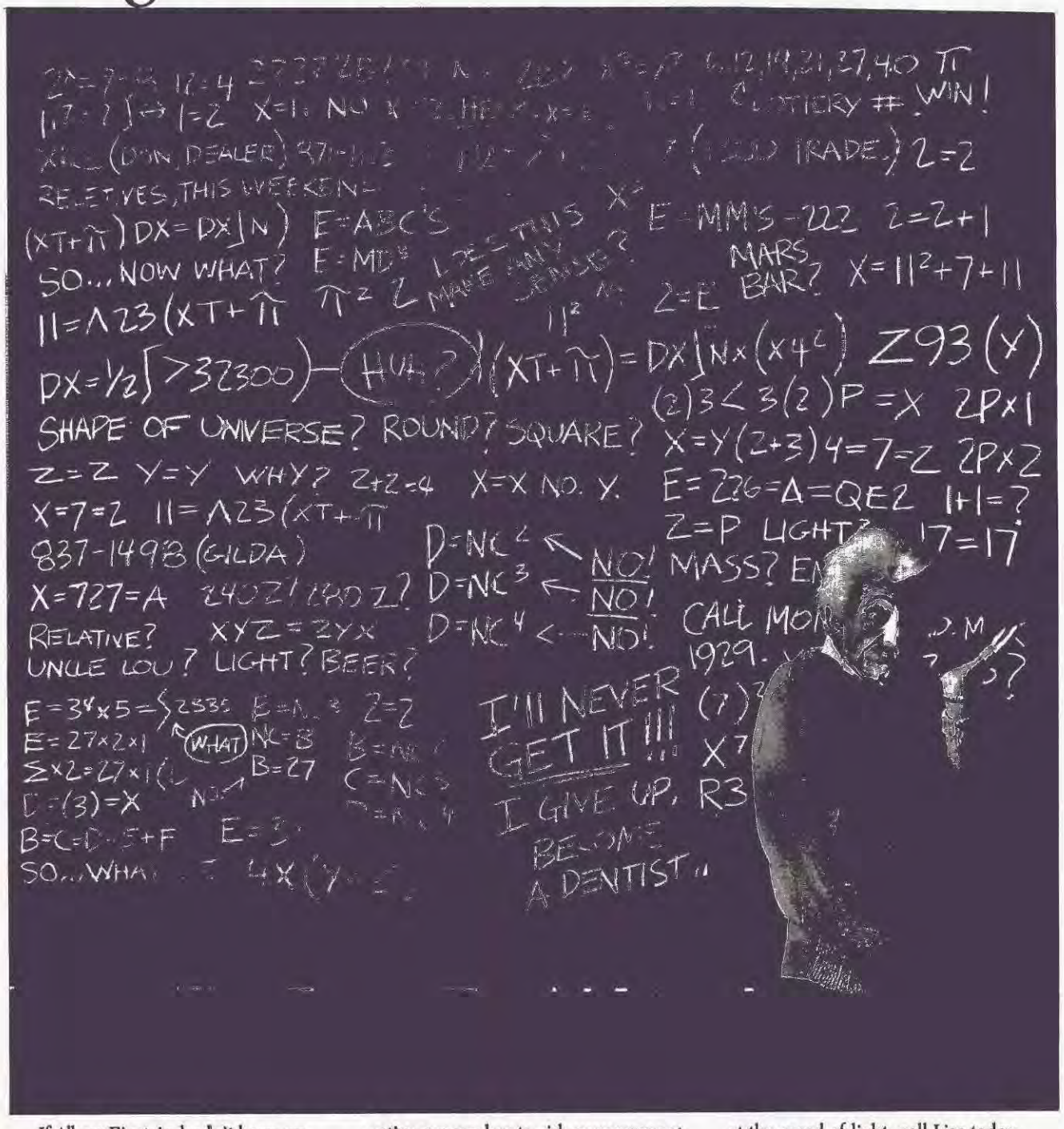

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Risk managers, TPAs need to communicate

By JUDY GREENWALD

NEW YORK—A risk manager who had arranged a contract with a property/casualty third-party claims administrator asked to inspect several of the TPA's regional offices.

"Fine," the TPA responded.

But the risk manager did not feel fine shortly after his visits when the TPA billed him $30,000 for the time its staff spent showing him around.

The risk manager thought his company would only be charged a fixed price per claim. However, the TPA thought it was perfectly legitimate to charge $100 an hour for its employees' time, including charges for time the risk manager spent in meetings with TPA staff.

"That got things off on a little bit of a sour note," said Charles T. Tagman Jr., vp and principal with Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc., in Boston.

Communication is one critical ingredient for risk managers in establishing a good relationship with a TPA and ensuring it does quality work for its client, say risk managers, TPAs and clients.

"I think you have to work with your TPA and have as much communication as you can to improve their efficiency. If you don't communicate, that entity will not do a good job for you," said Robert Ozment, manager of corporate insurance at Ford Motor Co. in Dearborn Mich.

Other ingredients for a successful relationship include:

- A good pre-contract screening to make sure the TPA and client are a good match.
- Clear guidelines in the contract for responsibility and authority.
- An active, ongoing relationship with the TPA, rather than just turning the job over to the firm and forgetting about it.
- A schedule of periodic reports the TPA must produce, as well as audits of the TPA's books on the client's account, to check on the TPA's work.

"It's procedures, it's work and its face-to-face contact" that cement a good relationship, Mr. Tagman summed up.

Observers say establishing a good relationship with a TPA begins even before the TPA is selected—with the screening process. The first step is for the risk manager to analyze his own needs, according to Minh Vu, a risk management consultant with The Wyatt Co. in Chicago.

"Unless the risk manager really knows—and analyzes—the needs of his organization, he can't make a very good selection of his TPA," Mr. Vu said.

"The client should be sure he has done his homework in the pre-selection process to be sure he is doing business with a TPA that has got a track record of doing his duties as set out in the terms and conditions of the agreement," said Sol Bianci, risk manager/administrator for the Intergovernmental Risk Management Agency, which provides risk management services for 45 municipalities in the Chicago metropolitan area.

"I always believe a contract is not worth the paper it's written on unless the parties to that contract are ready to meet its terms and conditions," said Mr. Bianci, adding that a risk manager should be aware of a TPA's reputation.

A risk manager could be offered what looks like a "super deal" and then find he or she has "done nothing more than bought a lawsuit," he said.

A risk manager also should investigate whether the TPA has experience within the risk manager's particular industry and how the risk manager's geographical operations coincide with the TPA's, said Craig Gass, senior manager at Peat Marwick Main & Co. in New York.

It also is critical that the TPA contract explicitly state the services it is expected to provide, observers say. For instance, it should be established which claims the TPA can handle on its own and which should be referred to the risk manager for supervision.

"The risk manager should restrict the authority of the TPA to

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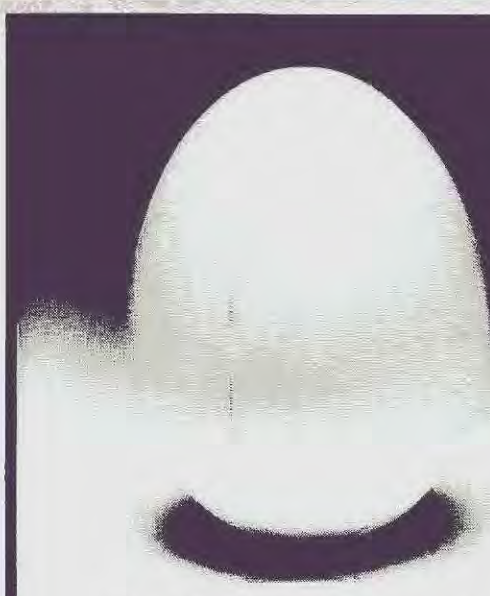

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Communication

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acceptable levels, up to 'X' amount of dollars," said John Brouch, director of risk management for American National Can Co. of Chicago.

For example, the TPA might receive authority to handle up to a $5,000 claim in a slip-and-fall case and up to a $25,000 claim in an auto case because it is not operations-related, Mr. Tagman said.

The risk manager also may decide that any claim requiring a reserve of more than $10,000 should get special authorization, noted Edward Shields, vp with Philadelphia-based consultant Huggins Financial Services Inc.

And, a risk manager with a large enough claims volume often can persuade a TPA to dedicate a team of employees exclusively to his or her account, Mr. Vu said.

For instance, Gallagher-Bassett Services Inc. has established a dedicated unit for IRMA's claims, Mr. Bianci noted. "That allows us to monitor their caseload, and we can better assess the quality of the work that way," he said.

'I believe it is in the best interests of the self-insured entities to monitor the process,' says The Wyatt Co.'s Mr. Vu. 'The risk manager should realize there's a lot more work involved than giving the risk to the TPA,' he says.

A risk manager also should know how many staffers will work on the account. "You need to set some guidelines as to what's the caseload per person," said Joseph H. Albert, president of J.H. Albert International Insurance Advisers, a Needham, Mass.-based risk management consulting firm. "Will they get out in the field?" he asked.

He said a big problem with TPAs is that there is not encugh "hands on" experience, with employees tending to rely on their telephones.

"It's cheaper in terms of the TPA cost. But how does that reflect itself in the ultimate cost to the insured?" Mr. Albert asked.

A risk manager also should determine whether the TPA subcontracts out any work, which could generate hidden costs, Mr. Vu pointed out.

He said he knew of one case in which the risk manager was unaware that his TPA handled only record keeping and subcontracted out claims handling to another firm that charged $400 to $500 a claim.

A risk manager and the TPA also must establish whose responsibility it is to report large claims to the risk manager's excess insurer, Mr. Albert said.

Another issue that should be ironed out from the outset is how to handle "tail claims"—claims stemming from incidents that occur while the risk manager's account was handled by one TPA but submitted after the risk manager has switched to another TPA, noted Leonard J. Russo, president and chief executive officer of Adjustco Inc., a TPA based in Emeryville, Calif.

"The risk manager should have a clear understanding of what's going to happen with those claims at the termination of the contract," he said. Mr. Russo said he feels these claims should be taken to the new administrator.

Mr. Albert agreed. "The old one doesn't have their heart into it."

Observers stress the need for ongoing communication between the TPA and risk manager, with some recommending that the TPA designate one primary contact person.

"I think we do our very best job for our clients where that risk manager becomes very, very active with us in administering that self-insured program," said John G. Campbell, chairman of Gallagher Bassett.

Mr. Campbell added that he likes to sit down with risk managers on a regular basis.

"It really is a partnership, I believe," he said. It is only when no dialogue has been established that serious problems develop, he added.

"I believe it is in the best interests of the self-insured entities to monitor the process," Wyatt's Mr. Vu agreed. "The risk manager should realize there's a lot more work involved than giving the risk to the TPA."

"People do what is inspected, not expected," quipped IRMA's Mr. Bianci.

For example, Englewood Cliffs, N.J.-based food manufacturer CPC International Inc. audits each claims file that has reserves of $10,000 or more each month, said Pamela Rosenthal, insurance manager. CPC's primary workers compensation, auto and general liability insurance program is fronted by the Travelers Corp., which also provides claims services.

The audits are augmented with frequent discussions, she said.

"We are just looking over their shoulder all the time. It's really reassuring," Ms. Rosenthal said. "It would be foolhardy not to do that because it's like giving an open checkbook to someone else. It's scary," she said.

"Far too often" it is assumed that the TPA is doing everything necessary, "but we don't take the time to understand what's necessary, and what we're expecting them to do," said Woody Anderson, who recently became director of risk management for Peat Marwick.

In his role as risk manager at elsewhere, "I certainly went in and looked at things myself," and as a result "had a pretty good feel" as to the quality of work TPAs were doing, he said.

Mr. Anderson said one method he uses was sending letters to claimants, whether workers compensation claimants or third parties, asking them questions about how their claims were handled, such as how quickly the TPA contacted them.

Paul Clark, administrator for accident prevention and loss control for the city of Houston, a member of the Texas Municipal League, said at least one member of his staff meets with the city's TPA, Adjustco, at least once a week for a minimum of one hour.

Periodic reports as well as more formal audits are part of this process, observers say. "I want them to audit our program," said Mr. Campbell of Gallagher-Bassett.

"The claims audit obviously is key," said Mr. Anderson.

"We've been through hundreds of audits," said John Malasky, national director of Northville, Mich.-based Alexsis Inc., a TPA subsidiary of Alexander & Alexander Services Inc.

But, Mr. Malasky prefers providing periodic stewardship reports, which are reviewed with the client. These reports are more qualitative than audits, which are quantitative reports.

Stewardship reports, outline what the TPA did, did not do and why, as well as what the account expected and how circumstances may have changed throughout the year. ■

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States may revamp self-insurance rules

By MEG FLETCHER

State workers compensation administrators are seeking comment from self-insured employers to develop more stringent, but consistent, requirements for employers that want to self-insure their workers compensation risks.

Employers hope that under the final rules companies that are allowed to self-insure are financially capable of paying their own claims but that competent companies are not arbitrarily excluded from self-insuring.

"We have the same goal. The questions is: 'How to get there?' " said Douglas Connell, chairman of the self-insurance committee of the International Assn. of Industrial Accident Boards & Commissions.

The committee and its consultants, who include employer representatives, will meet March 3-5 in San Antonio, Texas, to discuss proposed amendments to the IAIABC's 1980 Model Rules and Regulations Governing Self-Insurance.

The proposals were introduced at the IAIABC's annual conference last year (*BI*, Sept. 12, 1988).

"The major change is the emphasis on security," said Mr. Connell, who is assistant director for employer services with the Washington State Department of Labor and Industries.

The proposals include requiring an employer that wants to self-insure its workers compensation risks to:

- Obtain a minimum of $250,000 in surety bonds or other acceptable security.
- Be subject to an annual review of the amount of security each self-insurer must post to determine whether the security should be increased or decreased.

Decreases in the security level would be prohibited for the first five years that a company self-insures.

"The amount of security shall be at least 125% of claims liability until a loss development program is initiated," according to the proposal.

Adjustments could be made to security levels based on loss development calculations formulated by a state administrator using actuarially accepted methods of conservatively estimating ultimate liability.

- Be subject to an immediate evaluation if the employer is involved in a leveraged buy-out or merger.

"If the self-insured account has a total liability 10 times greater than its net worth, consideration should be given to canceling its self-insured status," the proposal says. In addition, "the restructured company should not be considered for self-insurance for five years."

- Be subject to an outside analysis of the employer's financial data or that of its third-party administrator.

This recommendation was added to a list of about a dozen factors used for determining whether the employer can meet its financial obligations.

- Participate in a guaranty fund covering self-insurers.

Such a fund, which about half the states already have, should be established "to prevent a lapse in benefit payments to injured workers of self-insured accounts that have defaulted on their obligations," according to the proposals.

In addition, the proposed changes include a requirement that "each individual self-insurer must demonstrate the existence of a safety organization in each establishment that indicates a record of accident prevention." Previously, no such record of safety efforts was required.

The IAIABC self-insurance committee hopes to present its recommendations at the March meeting so that the full organization can vote on the proposals at its September annual meeting in Baltimore.

Even if the proposals are endorsed by the IAIABC, they still must be adopted—primarily legislatively—by individual states before they can take effect.

A large part of the discussion at the March meeting "will focus on the question of: What is appropriate?" said Alan Strohmaier, president of the National Council of Self-Insurers and a consultant member of the IAIABC's self-insurance committee.

"The self-insurance community supports the premise that each employer should pay its own claims," said Richard D. Schafstall, chairman of the legislative committee of the Ohio Self-Insurers Assn. and another consultant to the IAIABC committee.

In situations in which an employer's financial condition is questionable, self-insurers would favor a "vigorous" approach to screening, Mr. Strohmaier said.

Already, about half of the states require an employer to post some type of security to guarantee the employers' ability to respond to its self-insured workers compensation obligations, he said.

Surety bonds are traditionally required, but states increasingly are allowing employers to use letters of credit, he added.

However, the amount of security a self-insured employer must post with regulators varies "all over the map," said Mr. Strohmaier, who is also director of unemployment and workers compensation for General Motors Corp. in Detroit.

For example, General Motors is required to post tens of millions of dollars of security in at least one state, while it is not required to post any security in some other states. While the company's degree of exposure varies from state to state, there is no correlation between its exposure in a state and that state's security requirements, he added.

The committee is also expected to discuss whether exemptions from security requirements should be granted to self-insured municipalities that have the ability to tax and huge corporations that are not likely to become insolvent.

In the future, the IAIABC self-insurance committee plans to review responses to a broad questionnaire about solvency-related issues. The committee's aim is to identify states with surety bond forms that have withstood legal challenges over who should collect on the bond when a self-insurer cannot pay claims.

Currently, every state has to approve a bond form. Most states' forms "are close but not exactly the same," said Allyn Tatum, a commissioner in the Arkansas Workers' Compensation Commission. ■

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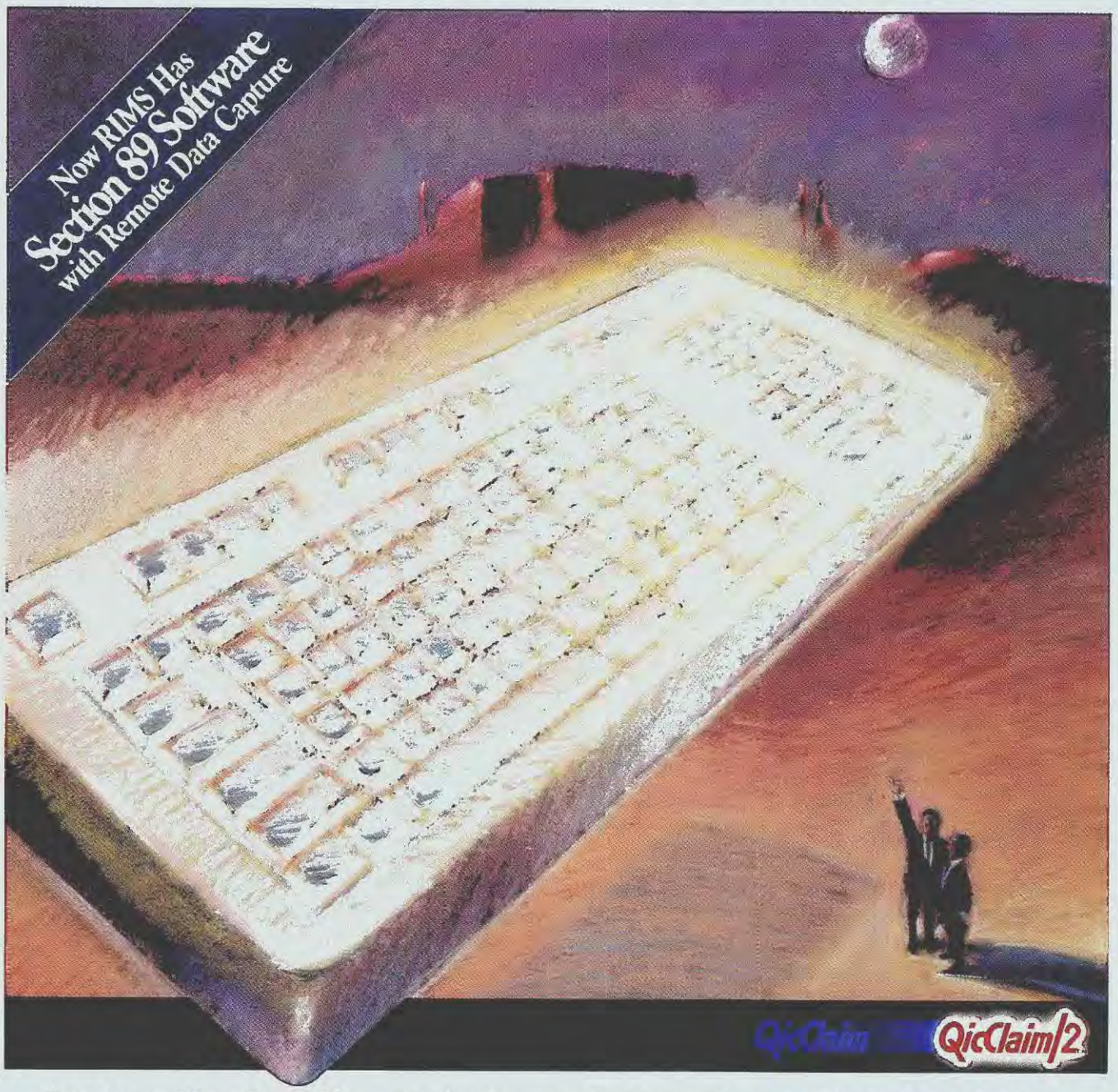

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The Administrators

202 Frances Building, Sioux City, Iowa 51101; 800-383-1818

Year founded: 1966.
Services provided: 75% claims administration, 25% other services.
Region served: Iowa, Missouri and Nebraska.
Specialty: 70% health insurance, 25% flex compensation, 5% disability.
Self-insured clients/claims: Administration: 51 clients, $9 million claims paid.
Client mix: Administration: 51 corporations. Health plans: 5,000 employees covered, 12,000 dependents covered.
Staff: 20 total staff members, eight of whom serve self-insured clients only.
Charges: Administration: per employee per month, by the hour.
1988 gross revenues: Not reported.
Branch offices: Administrative and sales office in Des Moines, Iowa; additional sales office in Davenport, Iowa.
Principal officers: Robert J. Hoefer, president; Mark Hoefer, sales/marketing director; Cindy Kallsen, office manager; Jan Hinrichsen, claims manager.
Membership: SPBA, SIIA, National Assn. of Employee Benefit Administrators.

Allied Administrators Inc.

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

Year founded: 1953.
Services provided: 75% claims administration, 5% adjusting, 5% auditing, 15% other services.
Region served: California, Arizona and Nevada.
Specialty: 65% health insurance, 20% pensions, 10% flex compensation, 4% disability, 1% life.
Self-insured clients/claims: Administration: 10 clients, approximately $10 million claims paid. Adjusting: two clients
Client mix: Administration: 10 corporations. Adjusting: three Taft-Hartley plans. Health plans: 20,000 employees covered, 50,000 dependents covered.
Staff: 35 total staff members.
Charges: Administration, adjusting and auditing: percent of premium volume, on retainer, per employee.
1988 gross revenues: Not reported.
Branch offices: Administrative office in San Diego, Calif
Principal officers: David S. Walker, president; Arthur C. Mathews, executive vp; Robert W. Morrill, vp.
Membership: SPBA.

Allied Benefit Systems Inc.

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

Year founded: 1980.
Services provided: 80% claims administration, 20% other services.
Region served: Nationwide.
Specialty: 95% health insurance, 5% disability.
Self-insured clients/claims: Administration: 57 clients, $50 million claims paid.
Client mix: Administration: 54 corporations, three public/government entities. Health plans: 16,300 employees covered, 21,400 dependents covered.
Staff: 19 total staff members, 12 of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $1 million total, $800,000 from claims services.
Principal officers: Laurence Wilneff, president; Ben D. Schenker, executive vp; Paulette Vission, vp-administration/claims.
Membership: SPBA, National Assn. of Employee Benefit Administrators.

ALTA Health Strategies Inc.

2610 Decker Lane, Salt Lake City, Utah 84119; 801-973-7300

Year founded: 1960.
Services provided: 80% claims administration, 20% other services.
Region served: Nationwide.
Specialty: 93% health insurance, 5% flex compensation, 2% disability.
Self-insured clients/claims: Administration: 713 clients, $1.1 billion claims paid.
Client mix: Administration: 479 corporations, 210 public/government entities, four multiemployer plans, 10 union-sponsored plans, 10 association plans. Health plans: 795,000 employees covered, 1.3 million dependents covered.
Staff: 1,200 total staff members, 1,050 of whom serve self-insured clients only.
Charges: Administration: per employee per month, per transaction.
1988 gross revenues: $56.6 million total; $45.2 million from claims services.
Branch offices: Administrative offices in Minneapolis and Pittsburgh. Administrative and sales offices in Atlanta; Baltimore; Boise, Idaho; Denver; San Francisco and Santa Ana, Calif.; Milwaukee, Wis.; Phoenix, Ariz.; St. Louis. Sales offices in Albuquerque, N.M.; Tucson, Ariz.; Boston; Dallas; Philadelphia; Canoga Park, Calif.
Subsidiaries: Joseph & Associates Insurance Services.
Principal officers: Terry Nofsinger, president; Keith Kinghorn and Robert Shomer, executive vps; Lane Summerhays, senior vp-finance; Peter O'Donnell, senior vp-national accounts; Carole Kennedy, senior vp-managed care operations; Carvel Whitin, senior vp; Dennis Burge, senior vp-administration.
Membership: SPBA, SIIA, International Foundation of Employee Benefit Plans, Employers Council on Flexible Compensation.

Amalgamated Life Insurance Co.

770 Broadway, New York, N.Y. 10003; 212-473-5700

Year founded: 1943.
Services provided: 75% claims administration, 25% other services.
Region served: Nationwide.
Specialty: 54% health insurance, 44% pensions, 1% disability, 1% life.
Self-insured clients/claims: Administration: 45 clients, $213.5 million claims paid.
Client mix: Administration: 45 multiemployer plans. Health plans: 110,000 employees covered, 220,000 dependents covered, 170,000 retirees covered.
Staff: 320 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $3-$7.
1988 gross revenues: $20 million total; $15 million from claims services.
Subsidiaries: ALICARE, ALICOMP, ALIVEST, Amalgamated Agency.
Principal officers: Harvey C. Sigelbaum, president; Ronald L. Minikes and Richard S. Burker, senior vps; Arthur Kurek and Ira Schwartz, corporate vps.
Membership: International Foundation of Employee Benefits.

American Benefit Plan Administrators Inc.

2999 W. 6th St., Los Angeles, Calif. 90020; 213-386-2703

Year founded: TPA of America Inc.
Parent company: 1952.
Services provided: 65% claims administration, adjusting and audit-

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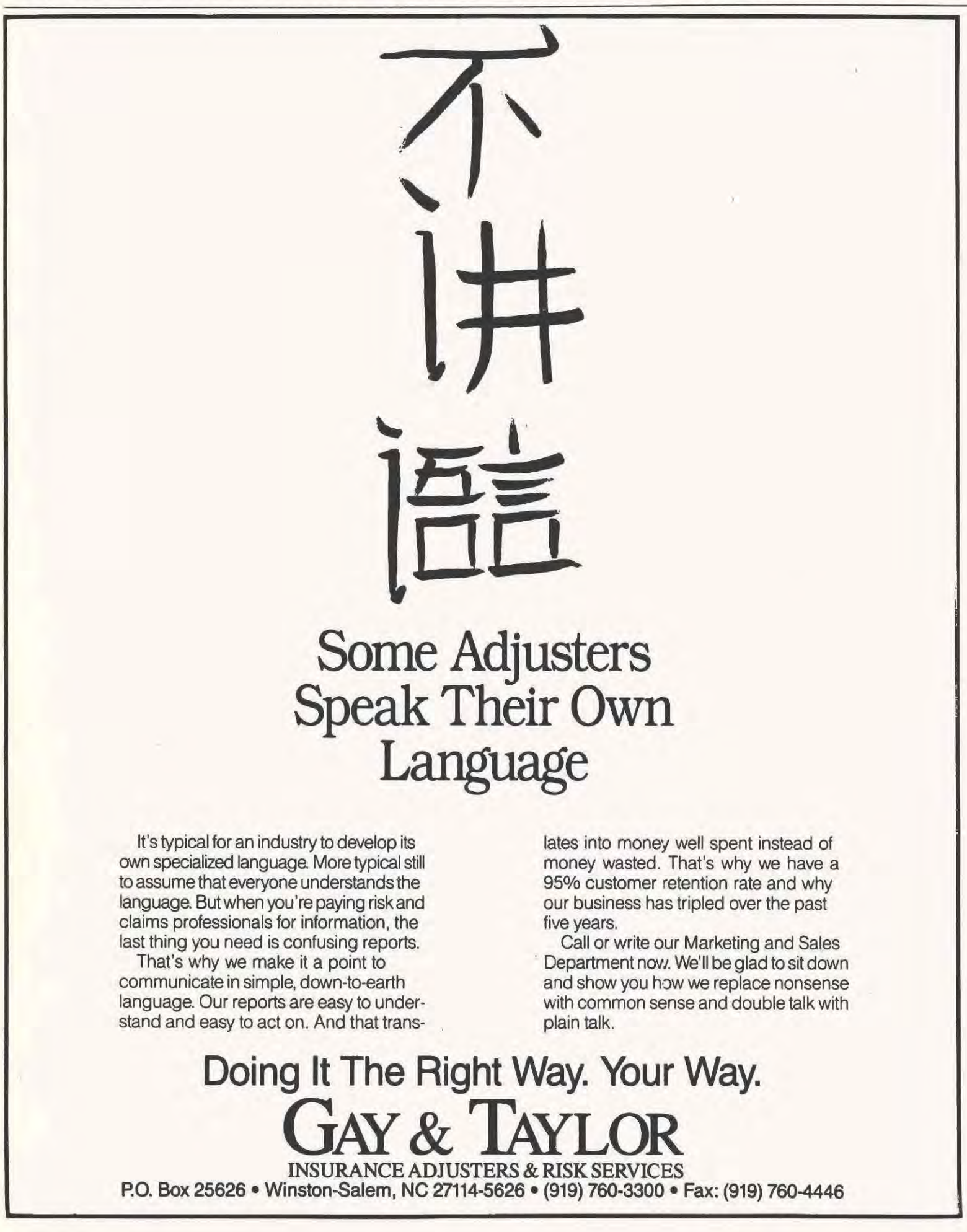

How to use directory

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

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

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

Listings begin with the company name, address, year founded and parent company (if any).

Following is information on the percentage of the company's gross revenues generated by:

- Claims administration, which includes overseeing control of claims files, directing adjusters and paying claims.
- Claims adjusting, which includes investigating claims and making recommendations to the claims administrator but does not include paying claims.
- Claims auditing, which includes reviewing the overall integrity of the claims file operation, verifying the accuracy and direction of claims payments and recommending solutions to claims administration problems.
- Other services, not related to claims services for self-insured clients.

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

The geographic region served by the company, the number of self-insured claims administration clients and amount of claims paid for them, number of claims adjusting clients and number of auditing projects conducted in 1988 also are included.

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

When reported by the company, total 1988 gross revenues are included. Because *Business Insurance* gathered much of the information on companies before year-end 1988, revenue figures may be estimated.

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

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

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

Continued from previous page

ing; 35% other services.

Region served: Nationwide.

Specialty: 60% health insurance, 30% pensions.

Self-insured clients/claims: Administration: 280 clients, $400 million claims paid.

Client mix: Administration: 14 corporations, 252 Taft-Hartley plans, 14 association plans. Adjusting: five corporations, two Taft-Hartley plans, three association plans. Auditing: one corporation, one Taft-Hartley plan. Health plans: 400,000 employees covered, 800,000 dependents covered.

Staff: 510 total staff members, 450 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $3-$15.

1988 gross revenues: $24 million total; approximately $15 million from claims services.

Branch offices: El Monte, Calif.; Phoenix and Tucson, Ariz.; Golden, Colo.; Jacksonville, Fla.; Honolulu; Shreveport, La.; St. Paul, Minn.; Kansas City, Mo.; Las Vegas; Alburquerque, N.M.; Oklahoma City, Okla.; Dallas, Houston and Nederland, Texas; Salt Lake City; Milwaukee, Wis.

Subsidiaries: Mass Insurance Consultants & Administrators Inc., Healthcare Strategies Inc.

Principal officers: Arthur R. McGimsey, president/chief executive officer; Harry L. Auston, chairman; Richard A. Boespflug, Leonard D. Aspegren and C.J. Monson, senior vps.

Membership: SPBA, SIIA.

American Claims Evaluation Inc.

375 N. Broadway, Jericho, N.Y. 11753; 516-938-8000

Year founded: 1981.

Services provided: 40% auditing, 60% other services.

Region served: Nationwide.

Specialty: 100% health insurance.

Client mix: Not reported.

Staff: More than 300 total staff members.

Charges: Auditing: contingency fee arrangements.

Continued on next page

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- Reports results of tests so that benefit plan design changes, if any, may be made.

SUPPORT and UPDATES Travis Software Corp. supports the SEC. 89 BENEFIT DISCRIMINATION TESTING MANAGER users by offering telephone support and by developing additional capabilities to the system. The system will be updated as regulations are issued on the SEC. 89 law changes (such as with technical corrections), assuring users of the continuity and current adherence required for proper compliance.

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1988 gross revenues: Not reported.

Branch offices: Administrative and sales offices in New York, Chicago and Los Angeles. Additional sales offices in San Francisco, Dallas, Atlanta and Indianapolis.

Principal officers: Gary Gelman, president; Robert Lindberg, executive vp; June Narus Novak, vp-operations.

American Insurance Administrators Inc.

3415 S. Sepulveda Blvd., Los Angeles, Calif. 90034; 213-390-7900

Year founded: 1977.

Parent company: Management Applied Programming.

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

Region served: West Coast.

Specialty: 100% health insurance.

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

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

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

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

1988 gross revenues: $1.9 million total.

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

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

Membership: SPBA.

American Medical & Life Insurance Co.

35 Broadway, CS 546, Hicksville, N.Y. 11802; 516-822-8700

Year founded: 1964.

Services provided: 7.3% claims administration, 92.7% other services.

Region served: New York and Florida.

Specialty: 100% health insurance.

Self-insured clients/claims: Administration: 126 clients.

Client mix: Administration: 126 union-sponsored plans.

Staff: 71 total staff members.

Charges: Administration: percent of claims paid, 5%-10%.

1988 gross revenues: $15.3 million total; $1.1 million from claims services.

Principal officers: James Klindt, chief financial officer.

Membership: Health Assn. of America.

American SelfCare Corp.

800 Roosevelt Road, Building E, Suite 200, Glen Ellyn, Ill. 60137; 312-469-6466

Year founded: 1953.

Parent company: American Family Corp.

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

Region served: Nationwide.

Specialty: 97% health insurance, 3% disability.

Self-insured clients/claims: Administration: 47 clients, $75 million claims paid.

Client mix: Administration: 38 corporations, nine public/government entities. Health plans: 85,000 employees covered, 210,000 dependents covered.

Staff: 78 total staff members, 76 of whom serve self-insured clients only.

Charges: Administration capitation.

Branch offices: Administrative and sales office Columbus, Ga.

1988 gross revenues: $2.5 million total.

Principal officers: Salvador Diaz Verson president; Leonard J. Jogoda, vp/treasurer; Louis Hazouri, secretary.

Membership: SPBA, Self Insurance Assn. of Illinois.

Arizona Preferred Provider Claims Services

6464 E. Grant Road, Tucson, Ariz. 85715; 602-298-5297

Year founded: 1984.

Services provided: 40% claims administration, 5% adjusting, 15% auditing, 40% other services.

Region served: Nationwide.

Specialty: 90% health insurance, 7% disability, 3% life.

Self-insured clients/claims: Administration: eight clients, $1.2 million claims paid. Adjusting: two clients, health and disability claims.

Client mix: Administration: eight corporations. Adjusting: two corporations. Auditing: two corporations. Health plans: 1,500 employees covered, 3,500 dependents covered.

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

Charges: Administration: per employee per month; adjusting and auditing: by the hour.

1988 gross revenues: Not reported.

Principal officers: Dwight W. Babcock, president.

Associated Health Plans Inc. of Louisiana

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

Year founded: 1978.

Services provided: 100% claims administration.

Region served: Nationwide.

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

Self-insured clients/claims: Administration: 115 clients, $25 million claims paid.

Client mix: Administration: 115 corporations. Health plans: 20,000 employees covered, 30,000 dependents covered.

Staff: 63 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee.

1988 gross revenues: $1.8 million total, all from claims services.

Principal officers: Pamela Chauff, president/chief administrative officer; Arthur Blanchat, secretary/chief executive officer; Vincent Varisco, vp.

Membership: SPBA, SIIA.

August International Corp.

1 City Blvd. W., Suite 1000, Orange, Calif. 92668; 714-938-2600

Year founded: 1985.

Services provided: 85% claims administration, 5% auditing, 10% other services.

Region served: Nationwide.

Specialty: 95% health insurance, 5% flex compensation.

Self-insured clients/claims: Administration: 50 clients, $325 million claims paid. Auditing: 100 projects conducted.

Client mix: Administration: 40 corporations, nine public/government entities, one multiemployer plan. Health plans: 185,000 employees covered, 240,500 dependents covered.

Staff: 275 total staff members, 167 of whom serve self-insured clients only.

Charges: Administration: per employee per month; auditing: per case.

1988 gross revenues: Not reported.

Branch offices: Administrative and sales offices in Orange, Calif.; Dallas. Additional administrative offices in Olympia, Wash.; Jefferson City, Mo.; Additional sales offices in Santa Barbara, Calif.; Bellevue, Wash.

Subsidiaries: Coordinated Benefits Services Inc.; The August Fund Inc., AUGMED, AUGNET, AUGSTAT.

Principal officers: Blayne S. Lequeux, president/chief executive officer; H. Wayne Foss, vp/chief financial officer; Dr. William Thompson, national medical director; Kenneth Aaron, vp-managed care; George Bregante, vp-sales/marketing; Charles Cressman, Bernie DiFiore and Paul Brown, vps-sales; Margaret Muse, vp-Texas operations; Dolores Schulte, manager-claims administration.

Membership: International Foundation of Employee Benefits Plans.

B

BCA Claim & Benefit Administrators Inc.

P.O. Box 10765, Greenville, S.C. 29603; American Federal Bank Building, Suite 101, 300 E. McBee Ave., Greenville, S.C. 29601; 803-271-3783

Year founded: 1985.

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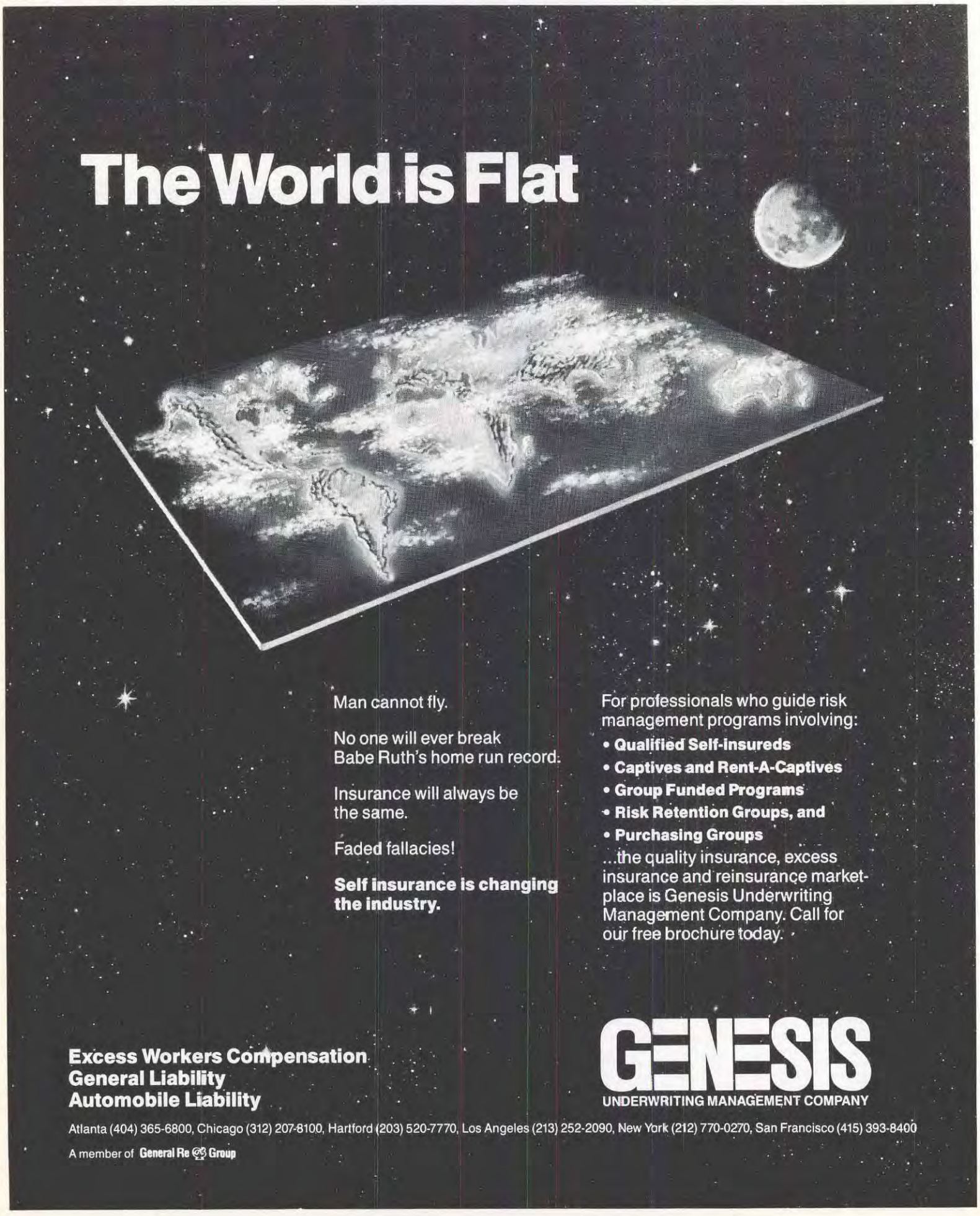

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Services provided: 97% claims administration, 3% other services.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: three clients, $3.5 million claims paid.
Client mix: Administration: three corporations. Health plans: 2,300 employees covered.
Staff: Nine total staff members, two of whom serve self-insured clients only.
Charges: Administration: per employee.
1988 gross revenues: $255,000 total; $247,350* from claims services.
Principal officers: Charles B. Barksdale Jr., president; Edmund H.E. Cass, vp-claims; Gregory L. Moman, vp-finance; James E. Williams, vp-marketing.
Membership: SPBA, Carolina Claims Assn.
* *BI* estimate.

Babb Health Care Administrative Services Inc.

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

Year founded: 1929.
Parent company: Babb Inc.
Services provided: 75% claims administration, 25% other services.
Region served: Nationwide.
Specialty: 95% health insurance, 5% disability.
Self-insured clients/claims: Administration: 100 clients, $25 million claims paid.
Client mix: Administration: 100 corporations. Health plans: 25,000 employees covered, 50,000 dependents covered.
Staff: 100 total staff members, 20 of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $5 million total.
Branch offices: Sales office in Wayne, Pa.
Subsidiaries: Higham Whitridge Inc.
Principal officers: Ronald B. Livingston Sr., chairman/chief executive officer; William M. Steele, vice chairman; Chestor Sanderson, treasurer; Ausan Klixbull and Helen Lipchak, vps.
Membership: SPBA, SIIA.

Benefit Administration Services Ltd.

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

Year founded: 1984.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 80% health insurance, 10% flex compensation, 10% disability.
Self-insured clients/claims: Administration: 28 clients, $3.2 million claims paid.
Client mix: Administration: 28 corporations. Health plans: 3,100 employees covered, 3,500 dependents covered.
Staff: 10 total staff members, all of whom serve self-insured clients only.
1988 gross revenues: Not reported.
Principal officers: John W. Nicholson, chairman; Tom Brown, president; Karen Watson, vp; Leslie Driskell, secretary.
Membership: SIIA, National Assn. of Employee Benefit Administrators.

Benefit Administration of New England Inc.

100 Ledgewood Place, Suite 302, Rockland, Mass. 02370; 617-982-1881

Year founded: 1988.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 90% health insurance, 5% flex compensation, 5% disability.
Staff: Five total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month.
Principal officers: John Keith, chief administrative officer; Neil Guerin, chief executive officer.
Membership: SPBA, National Assn. of Employee Benefit Administrators.

Benefit Consultant Services, a Division of Donald F. Smith & Associates

1 Airport Place, Route 206 N., Princeton, N.J. 08540; 609-924-8700

Year founded: 1962.
Services provided: 51% claims administration, 49% other services.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 26 clients, $9.4 million claims paid.
Client mix: Administration: 18 corporations, one Taft-Hartley plan, four union-sponsored plans, three association plans. Health plans: 4,459 employees covered, more than 2,000 dependents covered.
Staff: 106 total staff members, 13 of whom serve self-insured clients only.
Charges: Administration and adjusting: per employee per month.
1988 gross revenues: Not reported.
Branch offices: Administrative offices and sales offices in Pennington, N.J.; Norfolk and Newport News, Va. Additional sales offices in Augusta, Maine; Concord, N.H.; Wallingford, Conn.
Principal officers: Donald F. Smith, president; Terence J. McDonough, executive vp; Robert M. Neumann, senior vp; M.G. Stadler and Charles Lascola, vps.
Membership: SPBA, National Assn. of Employee Benefit Administrators.

Benefit Consultants Inc.

14500 S. Forty Outer Road, Suite 502, Chesterfield, Mo. 63017; 314-434-4620

Year founded: 1982.
Services provided: 35% claims administration, 5% adjusting, 10% auditing, 50% other services.
Region served: Missouri, Illinois, Indiana, Kansas.
Specialty: 90% health insurance, 10% short-term disability.
Self-insured clients/claims: Administration: three clients, $4 million claims paid. Adjusting: four clients. Auditing: eight projects concucted.
Client mix: Administration: three corporations. Adjusting: four Taft-Hartley plans. Auditing: four corporations, four Taft-Hartley plans.
Staff: Six total staff members, four of whom serve self-insured clients only.
Charges: Administration: per employee; adjusting: by the hour; auditing: by the hour, by the project.
1988 gross revenues: Not reported.
Principal officers: Alan N. Lemley, president.

Benefit Coordinators Corp.

1370 Washington Pike, Bridgeville, Pa. 15017; 412-563-6720

Year founded: 1984.
Services provided: 52% claims administration, 48% other services.
Region served: Nationwide.
Specialty: 95% health insurance, 5% flex compensation.
Client mix: Health plans: approximately 3,000 employees covered.
Staff: 21 total staff members.
Charges: Administration and adjusting: per employee per month.
1988 gross revenues: Not reported.
Branch offices: Sales offices in San Diego, Calif.; Philadelphia.
Principal officers: John Babb Jr., president; Jack Kelley, Tom Buzbil, Mike Lawton and Arlene Sustar, vps.
Membership: SPBA, SIIA, National Assn. of Employee Benefit Administrators.

Benefit Management of Maine Inc.

901 Washington Ave., Portland, Maine 04101; 207-772-1244

Year founded: 1980.
Services provided: 70% claims administration, 30% other services.
Region served: Maine, New Hampshire, Vermont, Massachusetts, Connecticut.
Specialty: 80% health insurance, 10% disability, 5% pensions, 5% flex compensation.
Self-insured clients/claims: Administration: 48 clients, $12.4 million claims paid.
Client mix: Administration: 43

Continued on page 40

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Blue Cross and Blue Shield Association

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Continued from page 40
corporations, five public/government entities. Health plans: 23,000 employees covered, 51,000 dependents covered.

Staff: 45 total staff members, 32 of whom serve self-insured clients only.

Charges: Administration: per employee, $7-$10.

1988 gross revenues: $2.1 million total.

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

Subsidiaries: Healthshare Benefits.

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

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

Benefit Plan Administrators Inc., a division of Hofgard & Co.

1871 Folsom, Boulder, Colo. 80302; 303-442-1000

Year founded: 1956.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 90% health insurance, 10% flex compensation.

Self-insured clients/claims: Administration: 40 clients, more than $5 million claims paid.

Client mix: Administration: 34 corporations, six public/government entities. Health plans: 5,318 employees covered, 11,966 dependents covered.

Staff: 22 total staff members, eight of whom serve self-insured clients only.

Charges: Administration: per employee per month.

1988 gross revenues: $1 million total.

Principal officers: William G. Hofgard, president; Mark William Hofgard, Linda Anderson, Susan Gereken and James Brown, vps; Edna Hofgard, secretary/treasurer.

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

Benefit Plan Services Inc.

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

Year founded: 1977.

Services provided: 100% claims administration.

Region served: Southeast.

Specialty: 98% health insurance, 2% disability.

Self-insured clients/claims: Administration: 12 clients, $4 million claims paid.

Client mix: Administration: 10 corporations, two public/government entities. Health plans: 3,200 employees covered, 1,500 dependents covered.

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

Charges: Administration: per employee, $3-$6.

1988 gross revenues: $180,000 total, all from claims services.

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

Membership: SPBA.

Benefit Plans Northeast

P.O. Box 629, Avon, Conn. 06001; 800-445-1931; 800-822-7627 in Connecticut

Year founded: 1974.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 98% health insurance, 2% disability.

Self-insured clients/claims: Administration: 50 clients, $5 million claims paid.

Client mix: Administration: 50 corporations. Health plans: 10,000 employees covered, 15,000 dependents covered.

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

Charges: Administration: per employee per month, $10-$12.

1988 gross revenues: $500,000 total, all from claims services.

Branch offices: Sales office in Cranston, R.I.

Principal officers: Leonard Cutler, president; Arlene Cutler, vp.

Membership: SPBA, Connecticut Assn. of Third Party Claims Administrators.

BenePlan Strategies Inc.

405 W. First St., Dayton, Ohio 15402; 513-226-4626

Year founded: 1983.

Parent company: M.A. Hanna Co.

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

Region served: Nationwide.

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

Self-insured clients/claims: Administration: 35 clients, $35 million claims paid.

Client mix: Administration: 23 corporations, 12 public/government entities. Health plans: 40,000 employees covered, 60,000 dependents covered.

Staff: 48 total staff members, 29 of whom serve self-insured clients only.

Charges: Administration: per employee per month.

1988 gross revenues: $2.1 million total, $1.9 million from claims services.

Branch offices: Sales office in Cleveland.

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

Membership: SPBA.

Booke & Co.

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

Year founded: 1941.

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

Region served: Southeast, Midwest and mid-Atlantic states.

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

Self-insured clients/claims: Administration: 29 clients, $9 million claims paid.

Client mix: Administration: 29 corporations. Health plans: 13,000 employees covered, 6,000 dependents covered.

Staff: 320 total staff members, 24 of whom serve self-insured clients only.

Charges: Administration: per employee per month; auditing: time and expense.

1988 gross revenues: Not reported.

Branch offices: Sales offices in Birmingham, Ala.; Columbus, Ohio.

Principal officers: Sam. L. Booke Jr., chairman/chief financial officer; Henry M. Booke, vice chairman; Donald C. Ingram, president; Roger L. Vaughn, executive vp; Robert M. Carlisle Jr., senior vp.

Membership: SPBA.

Brookfield Inc.

1030 Higgins, Suite 200, Park Ridge, Ill. 60068; 312-692-7020

Year founded: 1971.

Parent company: Aon Corp.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 97% health insurance, 2% disability, 1% flex compensation.

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

Client mix: Administration: 100 corporations. Health plans: 110,000 employees covered, 231,000 dependents covered.

Staff: 97 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per capita.

1988 gross revenues: Not reported.

Principal officers: C. Lohenry, acting president; Patricia Reger, vp-claims; Agnes Kenton, director-client services.

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

C

CBAI Administrators Inc.

12515 N. Kendall Drive, Suite 220, Miami, Fla. 33186; 305-596-9050

Year founded: 1983.

Parent company: Group-Tech Systems Inc.

Services provided: 100% claims administration.

Region served: Florida, Alabama, Mississippi, Louisiana.

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

Self-insured clients/claims: Administration: 827 clients.

Client mix: Administration: 822 corporations, three public/government entities, one multiemployer plan, one association plan. Health plans: 8,300 employees covered, 23,102 dependents covered.

Staff: 42 total staff members, 31 of whom serve self-insured clients only.

Charges: Administration: per employee per month.

1988 gross revenues: Not reported.

Branch offices: Sales offices in Tampa, Fla.; New Orleans, La.

Subsidiaries: Comprehensive Benefit Administrators Inc., Fergus St. George & Affiliates.

Principal officers: Michael B. Fernandez, chairman/chief executive officer; Richard P. Shea, executive vp.

Membership: SPBA.

Chandler & Associates Inc.

35 River St., Chagrin Falls, Ohio 44022; 216-247-4315

Year founded: 1961.

Services provided: 85% claims administration, 15% other services.

Region served: Nationwide.

Specialty: 75% health insurance, 15% flex compensation, 9% life, 1% disability.

Self-insured clients/claims: Administration: 702 clients, $4 million claims paid.

Client mix: Administration: 45 corporations, four public/government entities, 134 multiemployer plans, seven Taft-Hartley plans, three union-sponsored plans, nine association plans. Health plans: 5,700 employees covered, 3,800 dependents covered.

Staff: 27 total staff members, 25 of whom serve self-insured clients only.

Charges: Administration: per employee per month.

1988 gross revenues: $5 million total.

Subsidiaries: Primary Health Services Inc., Pharmacy HealthCare Systems.

Principal officers: Arthur W. Chandler, president; Rita P. Lehman, vp.

Membership: SPBA, SIIA.

Comprehensive Benefits Service Co. Inc.

740 E. Lancaster Pike, Suite 200, Exton, Pa. 19341-2801; 215-524-9500

Year founded: 1976.

Parent company: Employee Benefit Plans Inc.

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

Region served: Nationwide.

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

Self-insured clients/claims: Administration: 213 clients, $103 million claims paid.

Client mix: Administration: 206 corporations, five public/government entities, one union-sponsored plan, one association plan. Health plans: 82,000 employees covered, 180,000 dependents covered.

Staff: 132 total staff members, 95 of whom serve self-insured clients only.

Charges: Administration: per employee per month and other methods.

1988 gross revenues: $7 million total.

Branch offices: Administrative offices in Orlando, Fla.; Hartford, Conn. Sales offices in New York; Orlando, Fla.; Radnor, Pa.; East Hartford, Conn.

Principal officers: Dennis M. Ryan, executive vp/chief operating officer; Jean Tisdall, director-operations; Loretta Sutcliffe, director-accounting/administration.

Membership: SPBA.

Computer Claims Administration Inc.

1242 N. 28th, Billings, Mont. 59101; 800-777-3575

Year founded: 1980.

Services provided: 100% claims administration.

Region served: Montana, Wyoming, South Dakota, North Dakota, Idaho, Colorado and Utah.

Specialty: 89% health insurance, 10% flex compensation, 1% disabil-

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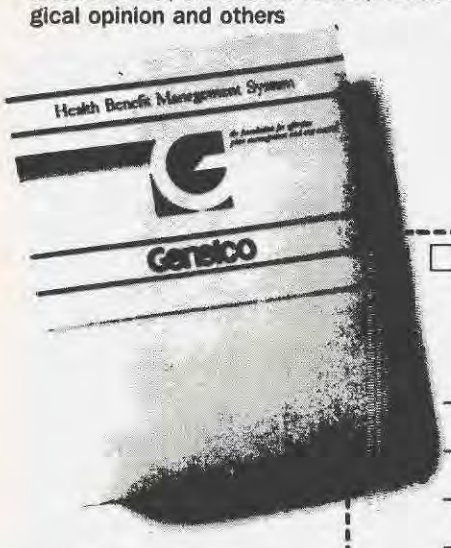

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ity.

Self-insured clients/claims: Administration: 75 clients, $10 million claims paid.

Client mix: Administration: 45 corporations, 24 public/government entities, four multiemployer plans, two association plans. Health plans: 14,000 employees covered, 30,800 dependents covered.

Staff: 23 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, $4.50-$14.

Branch offices: Sales and administrative office in Missoula, Mont. Additional sales office in Miles City, Mont.

1988 gross revenues: $500,000 total.

Principal officers: James P. Paquette, chief executive officer; F.H. Larson, president; Nicki Larson, secretary; Joel Langford, treasurer.

Membership: SPBA, National Assn. of Employee Benefit Administrators, International Foundation of Employee Benefit Plans.

Concept Administrators Inc.

9342 Tech Center Drive, Suite 600, Sacramento, Calif. 95826; 916-364-7026

Year founded: 1976.

Parent company: Lincoln National Life Insurance Co.

Services provided: 50% claims administration, 10% auditing, 40% other services.

Region served: Nationwide.

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

Self-insured clients/claims: Administration: 250 clients, $80 million claims paid. Auditing: five projects conducted.

Client mix: Administration: 200 corporations, 20 public/government entities, one multiemployer plan, one association plan. Health plans: 40,003 employees covered, 46,000 dependents covered.

Staff: 100 total staff members, 65 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $5-$10; auditing: by the hour, $40-$75.

1988 gross revenues: $3.7 million total.

Branch offices: Administrative and sales office in Seattle.

Principal officers: William E. Chickering, president; Devereux Corlett, marketing manager; Shirley Hodgdon, claims manager; Robert O'Brien, accounting manager; Scott Schute, Seattle operations manager.

Membership: SPBA, SIIA.

Control Data, Benefit Services

2100 N. Greenville Ave., Richardson, Texas 75082; 214-437-7200

Year founded: Claims administration began in 1980.

Parent company: Control Data Corp.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 99.5% health insurance, 0.5% professional dental review.

Self-insured clients/claims: Administration: 19 clients, $158 million claims paid.

Client mix: Administration: 14 corporations, one public/government entity, one multiemployer plan, one Taft-Hartley plan, two union-sponsored plans. Health plans: 264,617 employees covered, 318,190 dependents covered.

Staff: 278 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, per claim, percent of savings.

1988 gross revenues: $7.4 million total, all from claims services.

Branch offices: Administrative offices in Seattle, Wash. Sales office in Minneapolis.

Senior staff: Alan S. Jones, director-operations; Russell Clark Jr., manager-operations/finance; Carl J. Dvorak, manager-data processing.

Membership: SPBA, SIIA.

Thomas P. Corcoran-Consultant & Administrator

2354 Stanwell Drive, Concord, Calif. 94520; 415-798-2550

Year founded: 1968.

Services provided: 20% claims administration, 65% adjusting, 15% auditing.

Region served: Western states.

Specialty: 80% health insurance, 20% pensions.

Self-insured clients/claims: Administration: four clients, $5.3 million claims paid.

Client mix: Administration: four Taft-Hartley plans. Health plans: 7,500 employees covered, 10,500 dependents covered.

Staff: 27 total staff members.

Charges: Administration: per employee per month, $2.80-$6.25.

1988 gross revenues: $1.5 million total.

Principal officers: Thomas P. Corcoran, owner; Lynn Monday, vp-administration; Gino Roth, vp-claims; Dennis Monday, vp-data processing; M. Kathleen Corcoran, vp-accounting.

Membership: SPBA.

Corporate Claims Services Inc.

1397 Dublin Road, Columbus, Ohio 43215; 614-488-1666

Year founded: 1986.

Parent company: The McElroy-Minister Co.

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

Region served: Nationwide.

Specialty: 94% health insurance, 6% disability.

Self-insured clients/claims: Administration: 82 clients, $58 million claims paid.

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Client mix: Administration: clients include 78 corporations. Health plans: 26,900 employees covered.

Staff: 61 total staff members, 52 of whom serve self-insured clients only.

Charges: Administration: per employee, $4-$9.

1988 gross revenues: $2 million total; $1.7 million from claims services.

Branch offices: Sales offices in Dayton, Akron and Cincinnati, Ohio.

Principal officers: William Gillam, chairman, and Monna Burns, vp.

Membership: SPBA, SIIA.

Corporate Diversified Services Inc.

8805 Indian Hills Drive, Suite 100, Omaha, Neb. 68114; 402-393-3133

Year founded: 1974.

Parent company: Blue Cross/Blue Shield of Nebraska.

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

Region served: Nebraska, Oklahoma, California, Arizona.

Specialty: 94% health insurance, 5% flex compensation, 1% disability.

Self-insured clients/claims: Administration: 249 clients, $11 million claims paid.

Client mix: Administration: 248 corporations, one union-sponsored plan. Health plans: 12,254 employees covered.

Staff: 55 total staff members, 26 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $2-$8.

1988 gross revenues: $651,638.

Principal officers: Richard Guffey, president; Cheri Kowal, vp-operations; Jerry Herbel, vp-treasurer; Robert Henrichsen, vp-marketing

Membership: SIIA, International Foundation of Employee Benefit Plans.

Corporate Group Systems Inc.

32290 W. Five Mile Road, Livonia, Mich. 48154; 313-525-3600

Year founded: 1932.

Parent company: Alexander & Alexander Services Inc.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 85% health insurance, 10% disability, 5% flex compensation.

Self-insured clients/claims: Administration: 75 clients, $25 million claims paid.

Client mix: Administration: 60 corporations, 15 public/government entities. Health plans: 15,000 employees covered, 20,000 dependents covered.

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

Charges: Administration: per employee per month.

1988 gross revenues: Not reported.

Branch offices: Administrative office in Grand Rapids, Mich. Sales offices in Bay City, Mich.; Cleveland; Bentonville, Ark.

Principal officers: Pete Proffer, president; Don Fisher, executive vp; Darwin Daniel, senior vp/sales manager; Jan Carroll, marketing manager.

Corporate Healthcare Financing

111 S. Calvert St., Suite 2670, Baltimore, Md. 21202; 301-837-2580

Year founded: 1985.

Services provided: 30% adjusting, 30% auditing, 40% other services.

Region served: Nationwide.

Specialty: 80% health insurance, 10% flex compensation, 5% disability, 5% life.

Self-insured clients/claims: Adjusting and auditing: 40 clients.

Client mix: Adjusting: 20 corporations. Auditing: 20 corporations. Health plans: 12,000 employees covered, 22,000 dependents covered.

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

Charges: Adjusting and auditing: per employee.

1988 gross revenues: $400,000 total.

Branch offices: Sales offices in Minneapolis; Framingham, Mass.

Principal officers: Louis J. Nicholas, chief executive officer/president; Sanford Walters, executive vp.

Membership: SPBA, SIIA.

Corporate Systems Administration Inc.

3201 Bristol Highway, Caller Service 4985 CRS, Johnson City, Tenn. 37602-4985; 615-282-3420

Year founded: 1980.

Services provided: 60% claims administration, 40% other services.

Region served: Southeastern states.

Specialty: 70% health insurance, 20% flex compensation, 10% disability.

Self-insured clients/claims: Administration: 17 clients, $14.8 million claims paid.

Client mix: Administration: 12 corporations, five public/government entities. Health plans: 14,750 employees covered, 22,000 dependents covered.

Staff: 19 total staff members, nine of whom serve self-insured clients only.

Charges: Administration: per employee per month, $4.50-$8.

1988 gross revenues: Not reported.

Principal officers: Thomas H. Repass, president; David H. Grazier and Cecil Byers, vps; Douglas Sizemore, secretary/treasurer.

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

Corroon & Black Benefits Inc.

P.O. Box 1280, 301 Plus Park Blvd., Nashville, Tenn. 37202; 615-367-9707

Year founded: 1959.

Parent company: Corroon & Black Corp.

Services provided: 35% claims administration, 65% other services.

Region served: Nationwide.

Specialty: 80% health insurance, 7% disability, 8% life, 5% pensions.

Self-insured clients/claims: Administration: 75 clients, $42 million claims paid.

Client mix: Administration: 63 corporations, 11 public/government entities, one union-sponsored plans. Health plans: 30,000 employees covered, 75,000 dependents covered.

Staff: 450 total staff members, 60 of whom serve self-insured clients only.

Charges: Administration: per capita, $4-$9.

1988 gross revenues: $36 million total.

Branch offices: Administrative and sales office in Los Angeles.

Subsidiaries: Blair, Follin, Allen & Walker; Smith, Reed, Thompson & Ellis.

Principal officers: Donald King, chairman, Richard Carpenter, president; Michael Vaughn, secretary.

Membership: SPBA.

D

DBL Services Inc.

314 N. Broadway, Suite 1050, St. Louis, Mo. 63102; 314-241-8665

Year founded: 1978.

Services provided: 65% claims administration, 3% adjusting, 32% auditing.

Region served: Midwest, Mid-South.

Specialty: 95% health insurance, 3% flex compensation, 2% disability.

Self-insured clients/claims: Administration: 18 clients, approximately $40 million claims paid. Auditing: one project conducted.

Client mix: Administration: nine corporations, eight public/government entities, one Taft-Hartley plan. Auditing: one corporation. Health plans: 34,000 employees covered, 17,000 dependents covered.

Staff: 45 total staff members, 37 of whom serve self-insured clients only.

Charges: Administration and adjusting: per capital.

1988 gross revenues: $1.2 million total.

Branch offices: Sales office in New Orleans.

Principal officers: H. Stephen Landau Jr., chief executive officer; Anne L. Landua, president; Donald R. Boniface, E. Edward Oquist and Karen Maggio, vps.

Membership: SPBA, National Assn. of Employee Benefit Administrators, International Foundation of Employee Benefit Plans.

Diversified Group Brokerage Corp.

369 N. Main St., P.O. Box 180, Marlborough, Conn. 06447; 203-295-9583

Year founded: 1967.

Services provided: 35% claims administration, 65% other services.

Region served: Connecticut, Massachusetts, Maine, New Hampshire, Vermont, Pennsylvania, Ohio, West Virginia and New York.

Specialty: 95% health insurance, 3% disability, 2% flex compensation.

Self-insured clients/claims: Administration: 485 clients, $26 million claims paid.

Client mix: Administration: 391 corporations, three public/government entities, 75 multiemployer plans, one union-sponsored plan. Health plans: 38,000 employees covered, 90,000 dependents covered.

Staff: 115 total staff members, 79 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $5-$7.

1988 gross revenues: $14 million total.

Branch offices: Sales office in Norwell, Mass.; Hamden and Danbury, Conn.; Pittsburgh.

Subsidiaries: Pioneer Management Systems Inc.

Principal officers: Robert H. Soleau, president; Edward J. O'Brien, executive vp; Katherine Shea, vp-underwriting; Mary Armstrong, vp-administration/claims; Malcolm Swasey, vp-marketing.

Membership: SPBA, Connecticut Assn. of Third Party Administrators.

E

E.G.A. Inc.

P.O. Box 7777, 2260 Erin Court, Lancaster, Pa. 17604; 717-299-1201

Year founded: 1988.

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

Region served: Pennsylvania and Ohio.

Specialty: 86% health insurance, 7% disability, 7% life.

Self-insured clients/claims: Administration: 105 clients, $8.3 million claims paid.

Client mix: Administration: clients include corporations and public/government entities. Health plans: 6,800 employees covered, 7,100 dependents covered.

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

Charges: Administration: annual fee.

1988 gross revenues: $3 million total.

Principal officers: Carl K. Reigle, president; Lucille Werts, executive vp; Martha Stevens, secretary; Jeanne Fletcher, treasurer.

Membership: SPBA, SIIA.

Eagles' Administrators Ltd.

Suite 200, Central Trust Building, 309 Vine St., Cincinnati, Ohio 45202; 513-977-4800

Year founded: 1972.

Parent companies: Professional Administrators Ltd./Bradford National Life Insurance Co.

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

Region served: Nationwide.

Specialty: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 104 clients, $25 million claims paid.

Client mix: Administration: 104 corporations. Health plans: 16,200 employees covered, 30,500 dependents covered.

Staff: 33 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month, $3.50-$17.

1988 gross revenues: $1.4 million total; $1.3 million* from claims services.

Branch offices: Administrative and sales office in Lexington, Ky.

Principal officers: Thomas Colvin, president; David Gubbay, vp/secretary; Richard Stump, vp/treasurer; Jean George, assistant vp.

Membership: SPBA, SIIA, Health Insurance Assn. of America.

* *BI* estimate.

Employee Benefit Claims of Wisconsin Inc.

5235 N. Ironwood Road, Milwaukee, Wis. 53217; 414-962-1766

Year founded: 1977.

Services provided: 100% claims administration.

Region served: Wisconsin, Kentucky, Ohio and Mississippi.

Specialty: 95% health insurance, 4% disability, 1% life.

Staff: 225 total staff members, all of whom serve self-insured clients only.

Charges: Administration: percent of claims paid, 5%-10%.

1988 gross revenues: Not reported.

Branch offices: Administrative offices in Louisville, Ky.; Meridian, Miss.; Findlay and Cleveland, Ohio; Appleton, Wis.

Subsidiaries: ASC Cleveland, ASC Findlay.

Principal officers: John Feith, John A. Feith, Jared Moss, Steven Hopp and Allen Czarnecki.

Membership: SPBA, SIIA.

Employee Benefit Management Corp.

4789 Rings Road, Columbus, Ohio 43017; 614-766-5800

Year founded: 1959.

Services provided: 72% claims administration, 28% other services.

Region served: Nationwide.

Specialty: 87% health insurance, 10% disability, 2% pensions, 1% flex compensation.

Self-insured clients/claims: Administration: 115 clients, $80.6 million claims paid.

Client mix: Administration: 107 corporations, four Taft-Hartley plans, four association plans. Health plans: 49,012 employees covered, 122,530 dependents covered.

Staff: 102 total staff members, 100 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $4.50-$8.50.

1988 gross revenues: $4.5 million total; $3.3 million from claims services.

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Principal officers: R.G. Means, chairman; T.C. Jack, president; C.J. Wintersteller, vp-marketing; D.H. Wallick vp-claims; M.S. White, vp-administration.
Membership: SPBA, SIIA.

Employee Benefit Plans Inc.

435 Ford Road, Suite 500, Minneapolis, Minn. 55426; 612-546-4353

Year founded: Summit Ventures.
Parent company: 1974.
Services provided: 51% claims administration, 49% other services.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 3,172 clients, $465 million claims paid.
Client mix: Administration: 1,974 corporations, 1,177 public/government entities, five multiemployer plans, four Taft-Hartley plans, 12 association plans. Health plans: 298,000 employees covered, 447,000 dependents covered.
Staff: 591 total staff members.
Charges: Administration: percent of claims paid, 4%-6%; per employee, $4-$7.
1988 gross revenues: $38.2 million total, $19.4 million from claims services.
Branch offices: Administrative and sales offices in Billings, Mont.; Costa Mesa, Fresno, Pasadena, San Francisco and Sacramento, Calif.; Houston, Dallas and Galveston, Texas; Phoenix, Ariz.; Sioux Falls, S.D.; Tulsa, Okla.; Chicago; Miami and Orlando, Fla.; Philadelphia; Seattle and Spokane, Wash.
Subsidiaries: Comprehensive Benefit Services Co., Insurance Management Administration Inc.
Principal officers: William Sagan, president/chief executive officer; Robert Brook, vp-marketing; Mark Sorensen, vp-finance; Henry Helgen III, general counsel.
Membership: SPBA.

Employee Group Services

888 10th St., Marion, Iowa 52302; 319-373-1401

Year founded: 1979.
Services provided: 90% claims administration, 10% other services.
Region served: Nationwide.
Specialty: 80% health insurance, 15% flex compensation, 5% disability.
Self-insured clients/claims: Administration: 101 clients.
Client mix: Administration: 70 corporations, 30 public/government entities, one union-sponsored plan. Health plans: 6,000 employees covered, 7,500 dependents covered.
Staff: 10 total staff members.
Charges: Administration: per employee per month.
1988 gross revenues: Not reported.
Principal officers: John Ver Hulst, president; Jerald Ver Hulst, vp; Don Combs, sales manager.
Membership: SPBA.

Employee Services Inc.

120 S. Indiana Ave., P.O. Box 1610, Sioux Falls, S.D. 57101; 605-332-4400

Year founded: 1966.
Parent company: Lincoln National Life Insurance Co.
Services provided: 80% claims administration, 20% other services.
Region served: Iowa, South Dakota and Minnesota.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 50 clients, $15 million claims paid.
Client mix: Administration: 47 corporations, three public/government entities. Health plans: 9,000 employees covered, 5,500 dependents covered.
Staff: 19 total staff members all of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $700,000 total; $560,000* from claims services.
Principal officers: John Timmer, president; Phil Hegg, vp-marketing; Marvin E. Jensen, vp/comptroller; Deborah Hinde, vp-claims administration.
Membership: SPBA.
* *BI* estimate.

Entrust/Automated Benefit Services

P.O. Box 42078, Houston, Texas 77242-2078; 713-954-7440

Year founded: 1988.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 85% health insurance, 10% disability, 5% flex compensation.
Self-insured clients/claims: Administration: 30 clients, $6 million claims paid.
Client mix: Administration: 29 corporations, one association plan. Health plans: 3,750 employees covered, 2,000 dependents covered.
Staff: 15 total staff members, 14 of whom serve self-insured clients only.
Charges: Administration: per employee per month, $5-$12.
1988 gross revenues: $360,000 total, all from claims services.
Branch offices: Administrative office in San Antonio, Texas.
Subsidiaries: Entrust Agencies Inc.
Principal officers: Edward A. Ja-

Continued on next page

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Continued from previous page
cobson, president-Entrust Agencies Inc.; Don Hardman, president-Automated Benefit Services.
Membership: SPBA.

F

FCS Helth Benefit Administration
2399 Grand Island Blvd., Grand Island, N.Y. 14072; 716-773-1140

Year founded: 1982.
Services provided: 100% claims administration.
Region served: New York, Pennsylvania, New Jersey, Ohio.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 24 clients.
Client mix: Administration: 15 corporations, four public/government entities, three multiemployer plans, one union-sponsored plan, one association plan. Health plans: 10,440 employees covered, 24,012 dependents covered.
Staff: 16 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee, $4-$7.
1988 gross revenues: $600,000 total.
Branch offices: Administrative office in Buffalo, N.Y.
Principal officers: Hollis E. Boss, president/treasurer; Larry Thompson, vp/secretary.
Membership: SPBA.

J.P. Farley Corp.
24600 Center Ridge Road, Westlake, Ohio 44145; 216-871-6800

Year founded: 1980.
Services provided: 80% claims administration, 20% other services.
Region served: Midwest.
Specialty: 90% health insurance, 5% flex compensation, 5% disability.
Self-insured clients/claims: Administration: 18 clients, $8.5 million claims paid.
Client mix: Administration: 12 corporations, four public/government entities, one Taft-Hartley plan, one association plan. Health plans: 6,500 employees covered, 12,000 dependents covered.
Staff: 21 total staff members, nine of whom serve self-insured clients only.
Charges: Administration: per employee per month, $3-$11.
1988 gross revenues: $745,000 total.
Principal officers: James P. Farley, president; Coral Farley, secretary/treasurer.
Membership: SPBA, National Assn. of Employee Benefit Administrators.

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*Professional Liability Claim Managers

First American Administrative Services
P.O. Box 8150, 731 St. Joe. Rapid City, S.D. 57709; 605-343-2509

Year founded: 1983.
Services provided: 100% claims administration.
Region served: South Dakota, Wyoming.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 36 clients, $10 million claims paid.
Client mix: Administration: 19 corporations, 17 public/government entities. Health plans: 5,000 employees covered, 12,000 dependents covered.
Staff: Eight total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, approximately $6.
1988 gross revenues: $400,000 total.
Branch offices: Administrative office in Cheyenne, Wyo.
Principal officers: Joe Dobbs, president; Cheryl Trulson, administrative manager; Glenda Schweigert, claim supervisor.
Membership: SPBA.

First Benefits Agency Inc.
3636 Copley Road, Suite 201, P.O. Box 4138, Akron, Ohio 44321; 216-666-0337

Year founded: 1980.
Services provided: 75% claims administration, 10% adjusting, 10% auditing, 5% other services.
Region served: Nationwide.
Specialty: 60% health insurance, 18% pensions, 15% life, 5% disability, 2% flex compensation.
Self-insured clients/claims: Administration: 261 clients, $50 million claims paid.
Client mix: Administration: 85 corporations, 50 public/government entities, four multiemployer plans, 110 Taft-Hartley plans, 10 union-sponsored plans, two association plans. Health plans: 104,000 employees covered, 82,000 dependents covered.
Staff: 95 total staff members, 85 of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $4 million total.
Branch offices: Administrative offices in Canton, Columbus, Copley, Mansfield and Youngstown, Ohio; Southfield, Mich.; Tallahassee, Fla.; Chicago; Dallas. Sales offices in Columbus and Youngstown, Ohio; Southfield, Mich.; Cape Coral and Tallahassee, Fla.; Chicago; Dallas.
Subsidiaries: First Benefits Inc. of Florida, First Ohio Preferred.
Principal officers: Robert C. Frazier, president; Richard B. Linn, vp/treasurer; Charles Mozingo, Albert Goetz, Edward Dunlavy and Edward Tolley, vps.
Membership: SPBA, International Foundation of Employee Benefit Plans.

Fox-Everett Inc.
P.O. Box 188, Jackson, Miss. 39205; 601-981-6000

Year founded: 1945.
Services provided: 75% claims administration, 25% other services.
Region served: Nationwide.
Specialty: 95% health insurance, 5% flex compensation.
Self-insured clients/claims: Administration: 24 clients, $19.4 million claims paid.
Client mix: Administration: 16 corporations, seven public/government entities, one multiemployer plan. Health plans: 15,000 employees covered, 31,000 dependents covered.
Staff: 14 total staff members, 11 of whom serve self-insured clients only.
Charges: Administration: per employee per month, $4.50-$5.50.
1988 gross revenues: Not reported.
Branch offices: Sales office in Gulfport, Miss.
Principal officers: Carl J. Bush, president; John F. Anderson Jr., executive vp; W.E. Kinchen, vp-administration/secretary; W.H. Mathison III, vp-marketing; C. Larry Vance, treasurer/vp-finance; Robert B. Smith, manager-employee benefits department.
Membership: SIIA.

Fringe Benefit Review Inc.
6100 Fairview Road, Charlotte, N.C. 28210; 704-552-0900

Year founded: 1978.
Services provided: 70% claims administration, 3% auditing, 27% other services.
Region served: Nationwide.
Specialty: 80% health insurance, 12% disability, 5% flex compensation, 3% life.
Self-insured clients/claims: Administration: approximately 100 clients, approximately $125 million claims paid. Auditing: five projects conducted.
Client mix: Administration: includes corporations, public/government entities, union-sponsored plans, association plans. Health plans: 65,000 employees covered, 135,000 dependents covered.
Staff: 120 total staff members, 100 of whom serve self-insured clients only.
Charges: Administration: per employee per month, $2-$7.
1988 gross revenues: $5 million total, $4 million from claims services.
Branch offices: Administrative offices in Raleigh and High Point, N.C. Additional sales office in Atlanta.
Principal officers: F. Richard Atkinson, president; Jerry Castelloe, executive vp/chief operating officer; John Scarborough, Susan Kinzler and Pat Clark, vps.
Membership: SPBA, SIIA.

G

Genelco Inc.
1600 S. Brentwood Blvd., St. Louis, Mo. 63144; 314-962-2040

Year founded: 1973.
Parent company: General American Life Insurance Co.
Services provided: 60% claims administration, 5% adjusting, 5% auditing, 30% other services.
Region served: Nationwide.
Specialty: 90% health insurance, 5% disability, 4% flex compensation, 1% pensions.
Self-insured clients/claims: Administration: 75 clients, $110.4 million claims paid. Adjusting: five clients. Auditing: six projects conducted.
Client mix: Administration: 69 corporations, two public/government entities, one multiemployer plan, two Taft-Hartley plans, one association plan. Health plans: 122,550 employees covered, 216,500 dependents covered.
Staff: 130 total staff members, 90 of whom serve self-insured clients only.
Charges: Administration: per employee per month; adjusting and auditing: by the project.
1988 gross revenues: More than $10 million total.
Branch offices: Administrative offices in Philadelphia and Dallas.
Subsidiaries: Inscor.
Principal officers: David B. Johnson, president; Russell E. Korte, executive vp; Ben C. Allen Sr., senior vp; Larry M. Amundsen, vp.
Membership: SIIA.

Group Plans Inc.
4750 Ashwood Drive, Cincinnati, Ohio 45242; 513-530-5533

Year founded: 1979.
Parent company: The Sheakley Group.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 95% health insurance, 5% disability.
Client mix: Administration: 62 corporations, one public/government entity, two multiemployer plans. Health plans: 24,000 employees covered, 40,000 dependents covered.
Staff: 22 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: Not reported.
Principal officers: Larry A. Sheakley, president/chairman; Raymond Sheakley, secretary/treasurer; William O. Weatherholt, executive vp; Deborah R. Combs, vp-operations.
Membership: SPBA, SIIA.

Group Services & Administration Inc.
3113 Classen, Suite 4, Oklahoma City, Okla. 73118; 405-528-4400

Year founded: 1980.
Services provided: 95% claims administration, 5% other services.
Region served: Nationwide.
Specialty: 95% health insurance, 5% disability.
Self-insured clients/claims: Administration: 31 clients, $1.5 million claims paid.
Client mix: Administration: 27 corporations, four public/government entities. Health plans: 3,780 employees covered.
Staff: Seven total staff members, four of whom serve self-insured clients only.
Charges: Administration: per covered employee; auditing: flat fee.
1988 gross revenues: Not reported.
Principal officers: Ronald R. Stephenson, president; Gary Stephenson, vp; R. Denning Crowe, secretary/treasurer.

Group Services Administrators Inc.
30 Montgomery St., Jersey City, N.J. 07302; 201-433-7360; 212-349-2699

Year founded: 1955.
Services provided: 100% claims administration.
Region served: New York and New Jersey.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 25 clients.
Client mix: Administration: one corporation, 23 Taft-Hartley plans, one association plan. Health plans: 50,000 employees covered, 110,000 dependents covered.
Staff: 16 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per capita.
1988 gross revenues: $800,000 total.
Principal officers: Robert C. Gerald, president; Edward F. Comerford, vp.
Membership: SPBA, International Foundation of Employee Benefit Plans.

Gulf South Health Plans Inc.
5615 Corporate Blvd., Suite 5A, Baton Rouge, La. 70806; 504-927-7212

Year founded: 1986.
Services provided: 20% claims administration, 80% other services.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: four clients, $2.8 million claims paid.
Client mix: Administration: four corporations.
Staff: 55 total staff members, 11 of whom serve self-insured clients only.
Charges: Administration: per employee per month, $6-$10.
1988 gross revenues: $7.7 million total.
Principal officers: Pat Powers, executive director; Charles D. Calvi Jr., vp-marketing; Andy Karabinos, vp-finance/administration; Dr. Dwight Brower, medical director; Kerry Everitt, vp-planning/development.
Membership: SPBA, SIIA, National Assn. of Employee Benefit Administrators.
* *BI* estimate.

H

Handel Group Co., a division of H.D.L. Associates Inc.
P.O. Box 709, 53 Academy St., Poughkeepsie, N.Y. 12602; 914-454-4041

Year founded: 1957.
Services provided: 40% claims administration, 5% adjusting, 3% auditing, 52% other services.
Region served: New York, New Jersey and New England.
Specialty: 80% health insurance, 15% pensions, 5% life.
Self-insured clients/claims: Administration: 35 clients, $15 million claims paid. Adjusting: 10 clients. Auditing: five projects conducted.
Client mix: Administration: 35 clients. Adjusting: 10 multiemployer plans. Auditing: five multiemployer plans. Clients include corporations, public/government entities, multiemployer plans and Taft-Hartley plans. Health plans: 20,000 employees co-

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vered, 35,000 dependents covered.
Staff: 20 total staff members, 14 of whom serve self-insured clients only.
Charges: Administration and adjusting: per capita or flat fee; auditing: by the project.
1988 gross revenues: $1.1 million total; $550,000 from claims services.
Principal officers: Bernard Handel, president; Shirley M. Handel, secretary; Gilbert A. Krom, director.
Membership: SPBA.

Harden & Co.
2552 Stanwell Drive, Suite 105, Concord, Calif. 94520; 415-682-7707

Year founded: 1974.
Parent company: Anchor Pacific Underwriters Inc.
Services provided: 70% claims administration, 30% other services.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 120 clients, $26 million claims paid.
Client mix: Administration: 120 corporations. Health plans: 18,500 employees covered, 46,000 dependents covered.
Staff: 49 total staff members, 20 of whom serve self-insured clients only.
Charges: Administration: per enrolled employee per month, $8.50-$12.50.
1988 gross revenues: Not reported.
Principal officers: James R. Dunathan, president/chief executive officer; Bette Brent, senior vp; Earl Wiklund, chief financial officer/senior vp; Deborah A. Castellucci and Ray Petersen, vps.
Membership: SPBA.

Health Care Administrators Inc.
1905 Teal Road, Lafayette, Ind. 47903; 317-474-5455

Year founded: 1985.
Parent company: Lafayette Life Insurance Co.
Services provided: 100% claims administration.
Region served: Illinois, Indiana, Tennessee, Virginia, West Virginia and Ohio.
Specialty: 98% health insurance, 1% flex compensation, 1% disability.
Self-insured clients/claims: Administration: 18 clients, $5.5 million claims paid.
Client mix: Administration: 18 corporations. Health plans: 5,000 employees covered, 12,000 dependents covered.
Staff: Nine total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $3-$7.50.
1988 gross revenues: Not reported.
Branch offices: Administrative and sales office in Indianapolis.
Principal officers: Ed Finley, assistant vp; Clyde Epps, director-administration.
Membership: SPBA, SIIA.

Health Claims Administration Inc.
20 E. Cass St., Joliet, Ill. 60431; 815-740-4251

Year founded: 1976.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 95% health insurance, 5% flex compensation.
Self-insured clients/claims: Administration: 125 clients, $35 million claims paid.
Client mix: Administration: 12 corporations, 112 public/government entities, one association plan. Health plans: 18,000 employees covered, 36,000 dependents covered.
Staff: 38 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee.
1988 gross revenues: $1.3 million total.
Subsidiaries: Metabasis Group.
Principal officers: G.T. Relyea, president; James E. Relyea, vp; John Horrigan, financial consultant; Rita Garbin, vp-underwriting; Cliff Johnson, director-marketing.

Health Claims Administrators
P.O. Box 338, 6851 Oak Hall Lane, Columbia, Md. 21045; 301-720-6236

Year founded: 1988.
Parent company: Risk Management Inc.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 100% health insurance.
Client mix: Administration: six corporations, two multiemployer plans. Health plans: 350 employees covered, 525 dependents covered.
Staff: Five total staff members, two of whom serve self-insured clients only.
Charges: Administration: per employee per month.
Principal officers: T. Jesse Buhite, president; Alfred D. Johnson Jr., vp; David C. Condron, secretary; James S. Peacock, treasurer.

Health Economics Corp.
1300 W. Mockingbird Lane, Suite 300, Dallas, Texas 75247; 214-905-4400

Year founded: 1982.
Parent company: The Halliburton Co.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 80% health insurance, 15% pensions, 5% flex compensation.
Self-insured clients/claims: Administration: 77 clients, $202 million claims paid.
Client mix: Administration: 71 corporations, four public/government entities, two association plans. Health plans: 95,892 employees covered, 256,137 dependents covered.
Staff: 229 total staff members, 128 of whom serve self-insured clients only.
1988 gross revenues: $16 million total.
Branch offices: Administrative offices in Houston; Tulsa, Okla. Sales office in Atlanta.
Principal officers: Stephen F. Coady, president; Jan Loring, vp-finance; Rick Starkweather, vp-operations; Nancy Coleman, vp-claims; Jim McPhail, vp-PPO development.
Membership: SIIA, International Foundation of Employee Benefit Plans.

Heller Associates
2787 Bristol St., Costa Mesa, Calif. 92626; 714-549-7052

Year founded: 1980.
Services provided: 80% claims administration, 20% other services.
Region served: California and Nevada.
Specialty: 94% health insurance, 3% flex compensation, 2% pensions, 1% disability.
Self-insured clients/claims: Administration: 113 clients, $150 million claims paid.
Client mix: Administration: 70 corporations, 26 public/government entities, three multiemployer plans, four Taft-Hartley plans, seven union-sponsored plans, three association plans. Health plans: 40,000 employees covered, 108,000 dependents covered.
Staff: 56 total staff members, 50 of whom serve self-insured clients only.
Charges: Administration: per capita, $5-$10.
1988 gross revenues: $2.5 million total; $2 million* from claims services.
Branch offices: Administrative offices in Pasadena and Riverside, Calif. Sales office in Las Vegas, Nev.
Subsidiaries: Benefit Assistance Corp.
Principal officers: Frank Heller, president; Phillip Stettensen, executive vp; Sharon Donovan, senior vp; Reiko Tsu, vp; Ginger Close, assistant vp.
Membership: SPBA, SIIA, National Assn. of Employee Benefit Administrators, Independent Administrators Assn., International Foundation of Employee Benefit Plans, Southern California Assn. of Benefit Plan Administrators.
* *BI* estimate.

Hospital Benefits Inc.
1771-A Lelia Drive, Jackson, Miss. 39236; 601-981-5741

Year founded: 1978.
Services provided: 100% claims administration.
Region served: Mississippi, Louisiana, Alabama, Tennessee, Georgia, Florida.
Specialty: 90% health insurance, 8% disability, 2% flex compensation.
Self-insured clients/claims: Administration: 63 clients, $11 million claims paid.
Client mix: Administration: 63 corporations. Health plans: 11,000

Continued on next page

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employees covered, 16,000 dependents covered.

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

Charges: Administration: per employee, $1.85-$8.

1988 gross revenues: $380,000 total, all from claims services.

Branch offices: Administrative and sales offices in Altamonte Springs, Fla. Additional sales office in Fort Meyers, Fla.

Principal officers: Ralph Brewster, chairman; Charles C. Osbourne, president; Barbara Williams and Vern Boothe, vps.

Membership: SPBA.

I

Independent Employee Consultation Services of Ebasco Inc. (INDECS)

160 Chubb Ave., Lyndhurst, N.J. 07071; 201-460-6161

Year founded: 1982.

Parent company: Ebasco Services Inc.

Services provided: 85% claims administration, 5% adjusting, 10% other services.

Region served: Nationwide.

Specialty: 90% health insurance, 5% flex compensation, 3% disability, 2% life.

Self-insured clients/claims: Administration: 10 clients, $21.7 million claims paid. Adjusting: two clients.

Client mix: Administration: seven corporations, two public/government entities, one multiemployer plan. Adjusting: two corporations. Health plans: 15,280 employees covered, 35,144 dependents covered.

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

Charges: Administration: per capita, $2.25-$9; adjusting: per capita, $3.75.

1988 gross revenues: $743,784 total.

Principal officers: Bruce E. Buchanan, president; Lee H. Cohen, vp; James Diamond, treasurer; Jeffrey Nogee, secretary.

Membership: SPBA.

Insurance Benefit Services

16420 Park Ten Place Blvd., Suite 400, Houston, Texas 77084; 713-578-0252

Year founded: 1981.

Parent company: Equicor.

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

Region served: Nationwide.

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

Self-insured clients/claims: Administration: 45 clients, $34.5 million claims paid.

Client mix: Administration: 37 corporations, one public/government entity, three multiemployer plans, one union-sponsored plan, three association plans. Health plans: 24,153 employees covered, 18,160 dependents covered.

Staff: 45 total staff members, 28 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $3.25-$9.50.

1988 gross revenues: $1.5 million total.

Principal officers: Ed Lara, president; Marcus Toole, vp-sales; Debbie Altman, claims manager; Susan Jenkins, administrative services manager; Sylvia Garcia, case manager.

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

Insurance CAPS Inc.

6311 Wayzata Blvd., Minneapolis, Minn. 55416; 612-545-5888

Year founded: 1988.

Services provided: 20% adjusting, 60% auditing, 20% other services.

Region served: Nationwide.

Specialty: 80% health insurance, 15% disability, 5% life.

Self-insured clients/claims: Auditing: 33 projects conducted.

Client mix: Auditing: four corporations.

Staff: Five total staff members, three of whom serve self-insured clients only.

Charges: Auditing: by the project; by the hour, $75.

1988 gross revenues: Not reported.

Principal officers: Betty Clark, president; Helen B. Fears, treasurer.

Insurance Design Administrators

3 Post Road, Oakland, N.J. 07436; 201-337-0555

Year founded: 1984.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 100% health insurance.

Self-insured clients/claims: Administration: 80 clients, $7.2 million claims paid.

Client mix: Administration: 70 corporations, 10 public/government entities. Health plans: 18,000 employees covered, 45,000 dependents covered.

Staff: 16 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee, $4-$8.

1988 gross revenues: $800,000 total.

Branch offices: Sales office in Springfield, Pa.

Principal officers: Russell P. Minetti, president; Mary Ellen Lilis, vp; Alica Elkin, vp-sales/service; Frank Pipari, director-marketing.

Membership: SPBA, SIIA.

Insurance & Risk Management/ Employee Plans Inc.

3811 Illinois Road, P.O. Box 1705, Fort Wayne, Ind. 46801; 219-436-1616

Year founded: 1963.

Services provided: 60% claims administration, 40% other services.

Region served: Nationwide.

Specialty: 84% health insurance, 16% flex compensation.

Self-insured clients/claims: Administration: 68 clients, $14 million claims paid.

Client mix: Administration: 63 corporations, five public/government entities. Health plans: 11,900 employees covered, 19,400 dependents covered.

Staff: 130 total staff members, 14 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $5.25-$8.

1988 gross revenues: $1.2 million total.

Branch offices: Sales offices in Muncie and Indianapolis, Ind.

Subsidiaries: Insurance Claim Service Inc.

Principal officers: Paul R. Porter, chairman; Bart E. Bircheff, chief operating officer; John A. Hettwer, manager-employee benefits/TPA department; John Louks, manager-property/casualty claims department; Harry A. Crawford, managing partner.

Membership: SIIA.

J

JAS Inc.

4885 South, 900 East, Suite 202, Salt Lake City, Utah 84117; 801-266-3271

Year founded: 1964.

Services provided: 90% claims administration, 5% adjusting, 5% auditing.

Region served: Nationwide.

Specialty: 90% health insurance, 5% pensions, 5% flex compensation.

Self-insured clients/claims: Administration: 24 clients.

Client mix: Administration: three corporations, 20 Taft-Hartley plans, one association plan. Health plans: 11,000 employees covered, 22,500 dependents covered.

Staff: 34 total staff members, 18 of whom serve self-insured clients only.

Charges: Administration: per claim.

1988 gross revenues: Not reported.

Branch offices: Administrative offices in Idaho Falls, Idaho.

Principal officers: D.A. Jensen, president; P. Michael Barry, chairman; Scott Scheffield, secretary.

Membership: National Assn. of Employee Benefit Administrators.

Jardine Group Services

433 State St., Schenectady, N.Y. 12305; 518-381-1600

Year founded: 1982.

Parent company: Jardine Emmett & Chandler Inc.

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

Region served: Nationwide.

Specialty: 90% health insurance, 10% disability.

Self-insured clients/claims: Administration: 20 clients, $50 million claims paid.

Client mix: Administration: three corporations, four public/government entities, one Taft-Hartley plan, nine union-sponsored plans, three association plans. Health plans: 250,000 employees covered.

Staff: 140 total staff members, 50 of whom serve self-insured clients only.

Charges: Administration: per capita.

1988 gross revenues: $17 million total, $5 million from claims services.

Branch offices: Sales offices in New York, Washington, Los Angeles and San Francisco.

Principal officers: W. Michael Carrol, Thomas McDonough, Nels Carleson, Gary Hickey and W. Griffith.

Membership: SIIA.

Jordan Jones Administrators

P.O. Box 160128, Sacramento, Calif. 95816-0128; 916-442-9071

Year founded: 1923.

Services provided: 52% claims administration, 48% other services.

Region served: California, Nevada, Arizona, Utah, Colorado, Texas, Oregon, Idaho, Washington and Montana.

Specialty: 94% health insurance, 5% life, 1% pensions.

Client mix: Administration: 150 corporations, five public/government entities, two Taft-Hartley plans, one association plan.

Staff: 65 total staff members.

Charges: Administration: per capita.

1988 gross revenues: $2.4 million total.

Principal officers: Brent Jones, president; Diane Cook and David Fear, vps; Kathy Franklin, treasurer; Rhonda Smith, claims manager.

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

K

Kendall Insurance Inc.

90 S. Main St., Rochester, N.H. 03867; 603-332-5800

Year founded: 1867.

Services provided: 100% claims administration.

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

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

Self-insured clients/claims: Administration: 31 clients, $14.6 million claims paid.

Client mix: Administration: 29 corporations, one union-sponsored plan, one association plan. Health plans: 11,024 employees covered, 29,764 dependents covered.

Staff: 23 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee.

1988 gross revenues: $1.5 million total.

Branch offices: Sales offices in Salt Lake City; Manchester, N.H.

Principal officers: Kennett R. Kendall Jr., Everett W. Page, David Hampson, Roger Errin and Thomas Keating.

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

Kepple & Co. Inc.

1811 W. Altorfer Drive, Peoria, Ill. 61615; 309-692-7330

Year founded: 1982.

Services provided: 48% claims administration, 52% other services.

Region served: Nationwide.

Specialty: 85.4% health insurance, 14.2% flex compensation, 0.4% disability.

Self-insured clients/claims: Administration: 36 clients, $23 million claims paid.

Client mix: Administration: 28 corporations, five public/government entities, three Taft-Hartley plans. Health plans: 11,000 employees covered, 13,000 dependents covered.

Staff: 54 total staff members, 52 of whom serve self-insured clients only.

Charges: Administration: percent of claims paid, 2.5%-3%; per employee per month.

1988 gross revenues: $1.7 million total; $811,000 from claims services.

Principal officers: Michael D. Kepple, president; Norm LaConte, chairman; Kevin Roberts, vp/secretary/treasurer.

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

Key Benefit Administrators Inc.

5326 N. Hillside, Indianapolis, Ind. 46220; 317-255-3822

Year founded: 1979.

Parent company: The Associated Group.

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

Region served: Nationwide.

Specialty: 91% health insurance, 5% flex compensation, 4% disability.

Self-insured clients/claims: Administration: 225 clients.

Client mix: Administration: 194 corporations, 25 public/government entities, six union-sponsored plans. Health plans: 38,000 employees covered.

Staff: 110 total staff members, 90 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $8-$12.

1988 gross revenues: $5 million total.

Branch offices: Administrative office in Fort Wayne, Ind.

Subsidiaries: Advanced Administrative Services.

Principal officers: Larry R. Dust, president; Jerry D. Brown, chief operating officer; Bradley P. Ray, vp-finance; Anita Quigley, vp-customer

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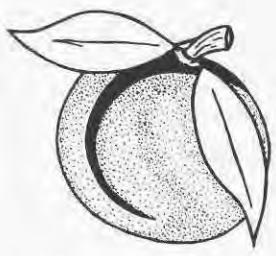

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Continued from previous page
service; Bill Mounsey, vp-marketing.

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

Klais & Co Inc.

1867 W. Market St., Akron, Ohio 44313; 216-867-8443

Year founded: 1979.
Services provided: 100% claims administration.
Region served: Southeast and Midwest.
Specialty: 90% health insurance, 10% flex compensation.
Self-insured clients/claims: Administration: 107 clients, $26 million claims paid.
Client mix: Administration: 67 corporations, 39 public/government entities, one association plan. Health plans: 16,000 employees covered, 30,000 dependents covered.
Staff: 45 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per capita, 50 cents-$10.
1988 gross revenues: $1.8 million total.
Branch offices: Sales offices in Dayton, Ohio; Atlanta.
Principal officers: Daniel V. Klais, president; Nancy K. Hinebaugh, vp.
Membership: SIIA.

L

LaHood & Associates Inc.

6900 W. 80th, Overland Park, Kan. 66204; 913-341-0001

Year founded: 1978.
Parent company: Blue Cross & Blue Shield of Kansas City.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 90% health insurance, 6% disability, 4% flex compensation.
Self-insured clients/claims: Administration: 260 clients, $175 million claims paid.
Client mix: Administration: 218 corporations, 15 public/government entities, six multiemployer plans, 16 Taft-Hartley plans, five association plans. Health plans: 140,000 employees covered, 210,000 dependents covered.
Staff: 130 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $7.5 million total.
Branch offices: Sales office in Waterloo, Iowa.
Principal officers: George E. LaHood, president; Zona M. Bauer and Joel Frisch, vps.
Membership: SPBA, SIIA.

Lytle Associates Inc.

101 Lang Blvd., Grand Island, N.Y. 14072; 716-773-6626

Year founded: 1956.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 94% health insurance, 5% flex compensation, 1% disability.
Self-insured clients/claims: Administration: 38 clients.
Client mix: Administration: 27 corporations, 10 public/government entities, one Taft-Hartley plan. Health plans: 22,000 employees covered, 45,000 dependents covered.
Staff: 33 total staff members, 15 of whom serve self-insured clients only.
Charges: Administration: per capita; per employee per month, $3-$7.
1988 gross revenues: Not reported.
Principal officers: Thomas A. Lytle, Paul D. Lytle and Robert L. Dotton.
Membership: SIIA.

M

The MacKinnon Co. Inc.

53-A Dwight Place, Fairfield, N.J. 07006; 201-808-9090

Year founded: 1969.
Services provided: 55% claims administration, 10% auditing, 35% other services.
Region served: Nationwide.
Specialty: 90% health insurance, 5% life, 5% miscellaneous.
Self-insured clients/claims: Administration: 12 clients, $30 million claims paid.
Client mix: Administration: 11 corporations, one association plan. Auditing: two projects conducted. Health plans: 12,000 employees covered, 34,000 dependents covered.
Staff: 20 total staff members, nine of whom serve self-insured clients only.
Charges: Administration: per employee per month, $5-$10. Auditing: by the hour, $125-$250; negotiated fee.
1988 gross revenues: $1.2 million total.
Principal officers: Thomas J. Sharkey, chairman; Walter A. MacKinnon, president; James A. Payton and Margaret Struble, vps.
Membership: SPBA, New Jersey Assn. of Third Party Administrators.

Mass Insurance Consultants & Administrators Inc. (MICA Inc.)

55 E. Jackson Blvd., Chicago, Ill. 60604; 312-346-2626
Year founded: 1952.

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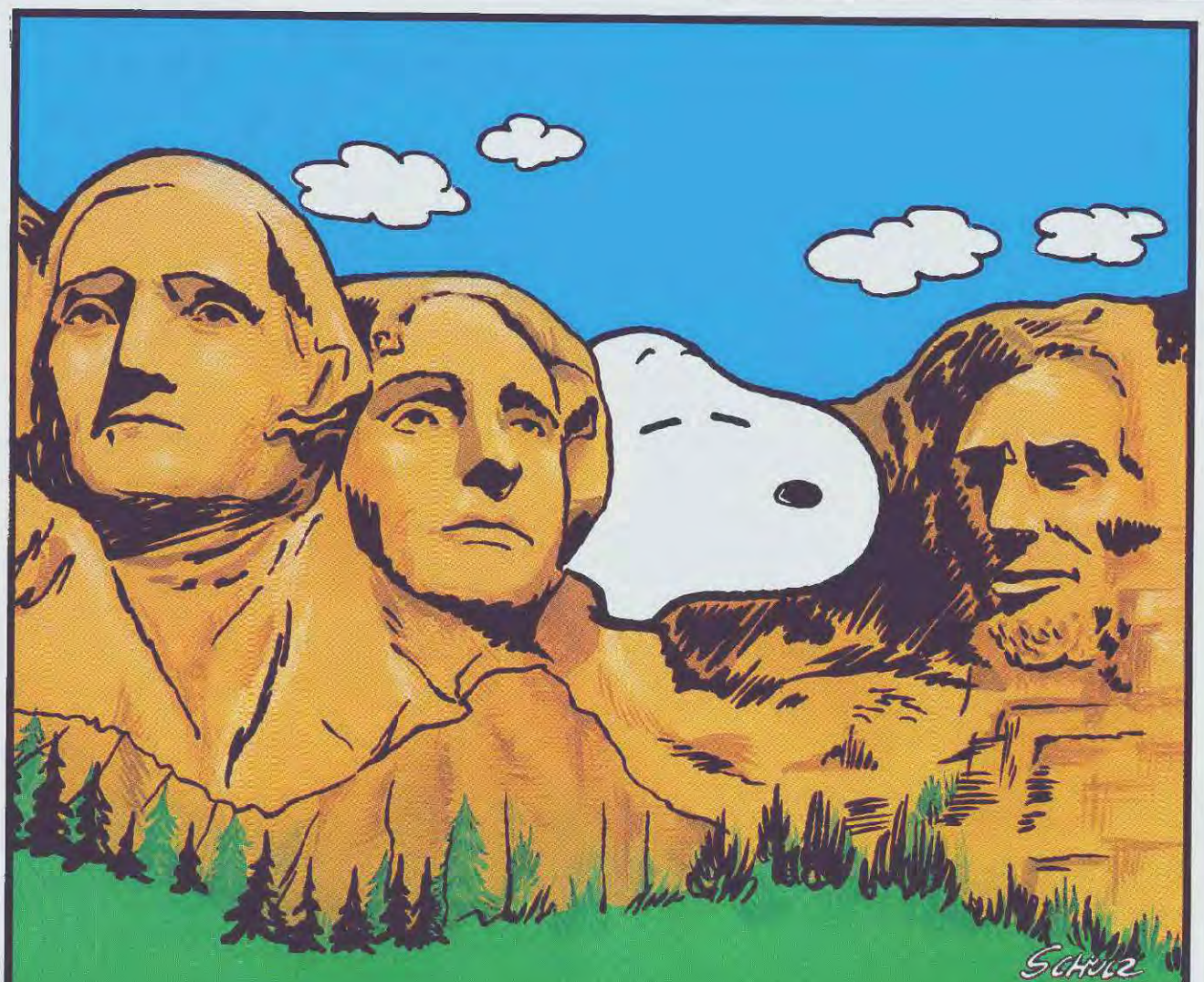

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Continued from previous page

Parent company: TPA of America Inc.
Services provided: 95% claims administration, 5% other services.
Region served: Nationwide.
Specialty: 85% health insurance, 5% flex compensation, 5% disability, 5% life.
Self-insured clients/claims: Administration: 110 clients, $150 million claims paid. Auditing: five projects conducted.
Client mix: Administration: 86 corporations, two public/government entities, 22 association plans. Health plans: 75,000 employees covered, 50,000 dependents covered.
Staff: 200 total staff members, 130 of whom serve self-insured clients only.
Charges: Administration: percent of premium, per capita.
1988 gross revenues: $9 million total.
Branch offices: Administrative offices in Milwaukee; Lombard, Ill.
Principal officers: Thomas J. O'Neill, executive vp/chief operating officer; Kenneth T. Krispin, executive vp-marketing; Mark Nufer, John P. Schalk and James J. Clesceri, vps; John Williams, assistant vp.
Membership: SPBA, SIIA, Self Insurance Institute of Illinois.

McConachie Financial Services Inc.

1420 Renaissance Drive, Park Ridge, Ill. 60068; 312-297-3640

Year founded: 1982.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 18 clients, $5 million claims paid.
Client mix: Administration: 18 corporations. Health plans: 3,500 employees covered, 3,000 dependents covered.
Staff: Seven total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $3-$7.
1988 gross revenues: $200,000 total, all from claims services.
Principal officers: Scot McConachie, president; John Coleman, vp.
Membership: SPBA, SIIA, Self-Insurance Assn. of Illinois.

M.C. Health Systems Inc.

2133 Luray Ave., Cincinnati, Ohio 45206; 513-961-2459

Year founded: 1986.
Parent company: Magnacare Health Plan.
Services provided: 25% claims administration, 75% other services.
Region served: Ohio, Kentucky, Indiana, West Virginia and Michigan.
Specialty: 80% health insurance, 10% disability, 10% life.
Self-insured clients/claims: Administration: 10 clients, $2 million claims paid.
Client mix: Administration: four corporations, six Taft-Hartley plans. Health plans: 6,000 employees covered, 15,000 dependents covered.
Staff: 52 total staff members, six of whom serve self-insured clients only.
Charges: Administration: per enrollee per month, $5-$10; percent of paid claims, 5%-8%.
1988 gross revenues: Not reported.
Principal officers: Robert Quirk, chief executive officer; Beverly Bredenfoerde, chief operating officer; Richard Moore, manager-corporate accounts.

Med-Pay Inc.

1650 E. Battlefield, Springfield, Mo. 65804; 417-886-6886

Year founded: 1980.
Parent company: K.M.&M. and Associates Inc.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 85% health insurance, 10% disability, 5% flex compensation.
Self-insured clients/claims: Administration: 85 clients, more than $20 million claims paid.
Client mix: Administration: 83 corporations, two public/government entities. Health plans: more than 12,000 employees covered, more than 30,000 dependents covered.
Staff: 21 total staff members, 19 of whom serve self-insured clients only.
Charges: Administration: flat fee.
1988 gross revenues: $750,000 total.
Principal officers: Gordon L. Kinne, president; Daniel C. Burns, marketing director; Carol Hollowell, office manager.
Membership: SPBA, SIIA.

Member Service Administrators

P.O. Box 3028, Tulsa, Okla. 74102; 800-672-2378

Year founded: 1983.
Parent company: Blue Cross & Blue Shield of Oklahoma
Services provided: 60% claims administration, 10% adjusting, 10% auditing, 20% other services.
Region served: Oklahoma and southwestern states.
Specialty: 75% health insurance, 20% disability, 5% flex compensation.
Self-insured clients/claims: Administration: 33 clients, $35 million claims paid.
Client mix: Administration: 15 corporations, 15 public/government entities, two union-sponsored plans, one association plan. Health plans: 50,000 employees covered, 125,000 dependents covered.
Staff: 30 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $2-$15.
1988 gross revenues: $2.1 million total.
Principal officers: Ralph S. Rhoades, chief executive officer; Richard D. McCutchen, executive vp.
Membership: SIIA.

MICA Benefit Corp.

703 John Adams Parkway, Idaho Falls, Idaho 83401; 208-529-4060

Year founded: 1985.
Services provided: 90% claims administration, 10% other services.
Region served: Utah, Idaho and Nevada.
Specialty: 90% health insurance, 10% flex compensation.
Self-insured clients/claims: Administration: 19 clients.
Client mix: Administration: 16 corporations, three public/government entities. Health plans: 1,470 employees covered, 2,722 dependents covered.
Staff: Four total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $4.50-$10.50.
1988 gross revenues: $634,000 total.
Branch offices: Sales offices in Salt Lake City and Las Vegas.
Principal officers: Jerry Mitchell, president; Jean Robert Babilis, vp.
Membership: National Assn. of Employee Benefit Administrators.

Midwest Benefits Corp.

25505 W. Twelve Mile Road, Suite 3000, Southfield, Mich. 48034; 313-351-0200

Year founded: 1972.
Services provided: 90% claims administration, 10% other services.
Region served: Nationwide.
Specialty: 90% health insurance, 6% disability, 4% flex compensation.
Self-insured clients/claims: Administration: 300 clients, $150 million claims paid.
Client mix: Administration: 290 corporations, five public/government entities, two multiemployer plans, two Taft-Hartley plans, one association plan. Health plans: 64,000 employees covered, 130,000 dependents covered.
Staff: 130 total staff members, 125 of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $6 million total.
Branch offices: Sales office in Grand Rapids, Mich.
Principal officers: Ronald J. Klein, executive vp; Frank Spadafore, president; Michael J. Zuzenak, secretary/treasurer.
Membership: SPBA, SIIA, National Assn. of Employee Benefit Administrators.

Mountain States Administration Co.

2530 S. Parker Road, Suite 606, Aurora, Colo. 80014; 303-368-4500

Year founded: 1980.
Services provided: 75% claims administration, 5% adjusting, 20% other services.
Region served: Nationwide.
Specialty: 85% health insurance, 10% disability, 5% flex compensation.
Self-insured clients/claims: Administration: 32 clients, $16 million claims paid. Adjusting: 10 clients.
Client mix: Administration: 25 corporations, five public/government entities, two union-sponsored plans. Health plans: 19,000 employees covered, 36,000 dependents covered.
Staff: 15 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $5-$8; adjusting: per employee per month, $1-$1.50.
1988 gross revenues: $1 million total.
Branch offices: Administrative and sales office in Denver.
Principal officers: Clarence Gray, president.
Membership: National Assn. of Employee Benefit Administrators.

Mutual Administrators Inc.

800 S. Eighth St., Las Vegas, Nev. 89101; 702-386-9939

Year founded: 1974.
Parent company: Lincoln National Administrators Network.
Services provided: 78% claims administration, 22% other services.
Region served: Nevada, California, Utah and Arizona.
Specialty: 99% health insurance, 1% flex compensation.
Self-insured clients/claims: Administration: 51 clients, $93 million claims paid.
Client mix: Administration: 42 corporations, seven public/government entities, one multiemployer plan, one association plan. Health plans: 42,000 employees covered, 65,000 dependents covered.
Staff: 115 total staff members, 18 of whom serve self-insured clients only.
Charges: Administration: per employee per month, $4.75-$8.
1988 gross revenues: $4.9 million total.
Branch offices: Administrative offices in Reno, Nev.; Phoenix, Ariz. Sales office in Phoenix, Ariz.
Subsidiaries: Flexible Benefits Administrators Inc., Nevada Mutual, Benecenter Inc.
Principal officers: Michael D. Phillips, president; Michael L. Manges, vp-special projects; Wendy Luedke, vp-operations; Pamela Peale, vp-marketing; David B. Dawson, vp.
Membership: SIIA, National Assn. of Employee Benefit Administrators.

Mutual Medical Plans Inc.

First National Building, Peoria, Ill. 61602; 309-674-0888

Year founded: 1976.
Services provided: 100% claims administration.
Region served: Illinois and Iowa.
Specialty: 98% health insurance, 2% disability.
Self-insured clients/claims: Administration: 36 clients, $27 million claims paid.
Client mix: Administration: 21 corporations, 15 public/government entities. Health plans: 23,000 employees covered, 52,000 dependents covered.
Staff: 25 total staff members, all of whom serve self-insured clients only.
Charges: Administration: monthly group fee.
1988 gross revenues: $980,000 total, all from claims services.
Principal officers: Ron Jones, president/treasurer; Carol R. Jones, vp/secretary.

N

National Benefit Administrators Inc.

8 S. Nevada, P.O. Box 1270, Colorado Springs, Colo. 80901; 719-636-3382

Parent company: Primac Insurance Co.
Year founded: 1985.
Services provided: 80% claims administration, 10% auditing, 10% other services.
Region served: Nationwide.
Specialty: 80% health insurance, 15% flex compensation, 5% disabil-

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ity.

Self-insured clients/claims: Administration: 189 clients, $15 million claims paid. Auditing: 10 projects conducted.

Client mix: Administration: 158 corporations, 28 public/government entities, three association plans. Health plans: 11,405 employees covered, 17,108 dependents covered.

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

Charges: Administration: per employee per month; auditing: by the project, by the hour.

1988 gross revenues: $550,000 total.

Principal officers: Dennis A. Weber, president; Erik D. Nebeker, vp; Richard C. Anderson, secretary; Ryan L. Hettich, controller; Karen A. O'Rourke, operations supervisor.

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

National Benefit Consultants Inc.

445 S. Madison Ave., Green Bay, Wis. 54301; 414-432-6752

Year founded: 1981.

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

Region served: Nationwide.

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

Self-insured clients/claims: Administration: 230 clients, $17.1 million claims paid.

Client mix: Administration: 201 corporations, 23 public/government entities, five union-sponsored plans, one association plan. Health plans: 27,000 employees covered, 61,000 dependents covered.

Staff: 36 total staff members, 30 of whom serve self-insured clients only.

Charges: Administration: flat fee; per employee per month, $4.50-$6.50.

1988 gross revenues: $1.1 million total.

Branch offices: Sales office in Los Angeles.

Principal officers: Robert J. Hergenrader, president; Marsha A. Hergenrader, vp-administration; Eileen Sannes, director-operations; Karyl Schunck, accounting manager.

Membership: National Assn. of Employee Benefit Administrators.

National Claims Administrative Services Inc. (NCAS)

3702 Pender Drive, Fairfax, Va. 22030; 703-934-6261

Year founded: 1983.

Parent company: GHMSI Cos. Inc.

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

Region served: Nationwide.

Specialty: 94% health insurance, 5% flex compensation, 1% disability.

Self-insured clients/claims: Administration: 79 clients, $43 million claims paid.

Client mix: Administration: 75 corporations, two public/government entities, two multiemployer plans. Health plans: 78,000 employees covered, 135,000 dependents covered.

Staff: 125 total staff members, 101 of whom serve self-insured clients only.

Charges: Administration: per capita, $3.50-$9.50; per explanation of benefits, $7.50-$9.

1988 gross revenues: $4.5 million total.

Branch offices: Sales offices in Phoenix, Ariz.; Seattle; Harrisburg, Pa.; Providence, R.I.; Wheeling, W. Va.; Cheyenne, Wyo.

Subsidiaries: NCAS Insurance Agency Inc.

Principal officers: William G. Hendren, president; Joseph A. Crowley, vp-corporate operations; Suzanne C. Keane, vp-administration; David A. Kreager, vp-marketing.

Membership: SPBA, SIIA.

National Health Plan Corp.

500 Eighth Ave., New York, N.Y. 10018; 212-279-3232

Year founded: 1953.

Services provided: 100% claims administration, adjusting, auditing.

Region served: Nationwide.

Specialty: 100% health insurance.

Self-insured clients/claims: Administration: approximately 100 clients, approximately $15 million claims paid.

Client mix: Administration: 10 corporations, 25 public/government entities, 64 Taft-Hartley plans, one union-sponsored plan, one association plan. Health plans: 150,000 employees covered, 400,000 dependents covered.

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

Charges: Administration: per employee, percent of claims. Adjusting and auditing: included in administration charges.

1988 gross revenues: $1.5 million total.

Branch offices: Administrative office in Lauderhill, Fla.

Subsidiaries: Universal Prescription Administrators, MailMed Universal Data Services, Prescription Plan Service, Prescription Plan Corp.

Principal officers: Alvin S. Konigsberg, chairman; D.H. Zaback and Teresita M. Miranda, vps.

Membership: SPBA, SIIA, International Foundation of Employee Benefit Plans, Conference of Unions & Employee Benefit Funds.

National Prescription Administrators Inc.

1200 Route 46, Clifton, N.J. 07450; 201-471-6030

Year founded: 1978.

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

Region served: Nationwide.

Specialty: 100% health insurance.

Self-insured clients/claims: Administration: 569 clients.

Client mix: Administration: 44 corporations, 55 public/government entities, 62 multiemployer plans, 129 Taft-Hartley plans, 279 union-sponsored plans.

Staff: 265 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per claim, per employee.

1988 gross revenues: Not reported.

Branch offices: Administrative and sales offices in Harrisburg, Pa. Sales offices in Pittsburgh; Hillsboro, N.C.; Washington, D.C.; San Francisco.

Subsidiaries: National Vision Administration, National Dental Administration, NPA Data Services.

Principal officers: Richard O. Ullman, president; Arthur A. Ullman Jr. and Albert M. Hosier, executive vps; David S. Karlin, senior vp; Stacey Tabor, vp-customer service.

Membership: SIIA, International Foundation of Employee Benefits, National Council of Prescription Drug Programs.

New World Claims Service

P.O. Box 1030, 423 Sycamore St., Niles, Mich. 49120; 616-684-6700

Year founded: 1981.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 85% health insurance, 5% flex compensation, 5% disability, 5% life.

Self-insured clients/claims: Administration: 97 clients, $15 million claims paid.

Client mix: Administration: 97 corporations. Health plans: 5,500 employees covered, 17,500 dependents covered.

Staff: 11 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per capita.

1988 gross revenues: Not reported.

Branch offices: Sales offices in Chicago and Los Angeles.

Principal officers: R.D. Cravens, president; Ruth Halvorson, administrative manager; Tom Davis, controller.

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

Nobel Group Benefits

P.O. Box 33, Canonsburg, Pa. 15317; 412-746-8700

Year founded: 1982.

Parent company: Nobel Holdings Inc.

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

Region served: Nationwide.

Specialty: 90% health insurance, 5% flex compensation, 4% disability, 1% life.

Self-insured clients/claims: Administration: 280 clients, $24 million claims paid.

Client mix: Administration: 279 corporations, one Taft-Hartley plan.

Staff: 42 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month.

1988 gross revenues: More than

Continued on next page

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Continued from previous page
$500,000 total.

Branch offices: Administrative and sales offices in Knoxville, Tenn.; Dallas.

Principal officers: Jack L. Zogg, chairman; David C. Bramer, president; Sharon Lauer and Michele Peindl, assistant vps; Daniel Risten, treasurer.

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

North American Administrators Inc.

455 Commerce Drive, Amherst, N.Y. 14150; 716-691-8556

Year founded: 1983.
Services provided: 97% claims administration, 3% adjusting.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 38 clients, $50 million claims paid.
Client mix: Administration: 26 corporations, 11 public/government entities, one Taft-Hartley plan. Adjusting: one public/government entity. Health plans: 38,000 employees covered, 55,000 dependents covered.
Staff: 31 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $4.50-$5.50. Adjusting: flat fee per month, $500-$1,000.
1988 gross revenues: Not reported.
Branch offices: Administrative and sales office in Buffalo, N.Y.
Principal officers: Ronald K. Zoeller, president; E. Timothy Danahy, executive vp.

North American Benefits Network Inc.

707 Brookpark Road, Cleveland, Ohio 44109; 216-749-8212

Year founded: 1960.
Parent company: Swiss Re Holdings (North America) Inc.
Services provided: 76% claims administration, 24% other services.
Region served: Nationwide.
Specialty: 85% health insurance, 10% flex compensation, 5% disability.
Self-insured clients/claims: Administration: 35 clients, $55 million claims paid.
Client mix: Administration: 31 corporations, four public/government entities. Health plans: 66,113 employees covered, 93,100 dependents covered.
Staff: 60 total staff members, 55 of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $3.1 million total.
Subsidiaries: North American Benefits Network.
Principal officers: Alex Hahn, chairman; Donald T. Baker, president/chief operating officer; William P. Coleman, vp-marketing/sales.
Membership: SIIA.

Northern Group Services Inc.

27575 Harper, St. Clair Shores, Mich. 48080; 313-779-7679

Year founded: 1979.
Services provided: 90% claims administration, 10% other services.
Region served: Nationwide.
Specialty: 95% health insurance, 5% disability.
Self-insured clients/claims: Administration: 81 clients, $70 million claims paid.
Client mix: Administration: 79 corporations, two public/government entities. Health plans: 160,000 employees covered, 400,000 dependents covered.
Staff: 160 total staff members, 159 of whom serve self-insured clients only.
1988 gross revenues: $8.9 million total.
Subsidiaries: NGS Inc., Northern Group Systems, Equation Inc., American Health Card Systems Inc., Mongoose Administrators Inc.
Principal officers: W.D. Alcott, F.V. Doyle, M. Verlinden, J.G. Blashill, K.V. Gunter, D. Walter.
Membership: SPBA, SIIA.

O

Oliver & Larkin

710 Lakeway, Suite 270, Sunnyvale, Calif. 94086; 408-735-9975

Year founded: 1986.
Services provided: 98% claims administration, 2% other services.
Region served: Nationwide.
Specialty: 100% disability.
Self-insured clients/claims: Administration: 43 clients, $5.1 million claims paid.
Client mix: Administration: 40 corporations.
Staff: Nine total staff members, all of whom serve self-insured clients only.
Charges: Administration: percent of payroll.
1988 gross revenues: Not reported.
Principal officers: Michael L. Oliver, president; Thomas H. Larkin Jr., executive vp; Nancy W. Cantley, claims manager.

P

PAS Inc.

2728 Coho St., Madison, Wisc. 53713; 608-273-1776

Year founded: 1981.
Services provided: 100% claims administration.
Region served: Wisconsin, Illinois, Iowa and Missouri.
Specialty: 92% health insurance, 6% flex compensation, 2% disability.
Self-insured clients/claims: Administration: 147 clients, $9.9 million claims paid.
Client mix: Administration: 121 corporations, 26 public/government entities. Health plans: 14,634 employees covered, 43,396 dependents covered.
Staff: 29 total staff members, 22 of whom serve self-insured clients only.
Charges: Administration: fixed fee.
1988 gross revenues: $604,588 total.
Principal officers: Gene F. Jenson, president; Barbara M. Jenson, vp/office manager; Heidy J. Jenson, vp-operations; Thomas O'Meara, executive vp.
Membership: Wisconsin Assn. of Health Underwriters.

Power Group Designs Inc.

6800 College Blvd., Suite 410, Overland Park, Kan. 66211; 913-491-3280; 800-847-0038

Year founded: 1983.
Services provided: 70% claims administration, 30% other services.
Region served: Kansas and Missouri.
Specialty: 97% health insurance, 3% pensions.
1988 gross revenues: Not reported.
Principal officers: Paul T. Power, president; Jeanne Barbarick, vp.

Preferred Administrators Inc.

5150 El Camino Real, Suite C-10, Los Altos, Calif. 94022; 415-967-5217

Year founded: 1986.
Parent company: El Camino Hospital District.
Services provided: 100% claims administration.
Region served: California.
Specialty: 90% health insurance, 10% flex compensation.
Self-insured clients/claims: Administration: 13 clients, $15 million claims paid.
Client mix: Administration: 10 corporations, three public/government entities. Health plans: 11,000 employees covered, 11,500 dependents covered.
Staff: 24 total staff members, 19 of whom serve self-insured clients only.
Charges: Administration: flat fee; per employee per month.
1988 gross revenues: $1.5 million total, all from claims services.
Principal officers: Denise Shull, president/chief executive officer; Randall Frakes, vp-operations Armando Bautista, chief financial officer; I. William Weinberg, vp-sales/marketing; Dr. Lawrence William, medical director.
Membership: SPBA.

Professional Claims Management Inc.

P.O. Box 35276, 4580 Stephen Circle, Suite 203, Canton, Ohio 44735; 216-494-7278

Year founded: 1983.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 90% health insurance, 5% disability, 5% life.
Self-insured clients/claims: Administration: 65 clients, $10.1 million claims paid.
Client mix: Administration: 61 corporations, two public/government entities, one multiemployer plan, one association plan. Health plans: 6,000 employees covered, 15,000 dependents covered.
Staff: 16 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee, $4-$8.
1988 gross revenues: $3 million total.
Principal officers: J. David Bratton, president/owner; Robert J. Archibald, vp/owner.
Membership: SPBA, Self Funded Institute of Ohio Inc., National Assn. of Employee Benefit Administrators.

Pyramid Benefit Services

P.O. Box 1017, South Bend, Ind. 46624; 219-232-2993

Year founded: 1984.
Parent company: Midwest Commerce Banking Co.
Services provided: 100% claims administration.
Region served: Indiana.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 23 clients, $5.2 million claims paid.
Client mix: Administration: 21 corporations, two public/government entities. Health plans: 4,800 employees covered, 11,500 dependents covered.
Staff: Nine total staff members, four of whom serve self-insured clients only.
Charges: Administration: per employee per month, $6-$8.50.
1988 gross revenues: $297,000 total, all from claims services.
Principal officers: James Stringfellow, general manager; Rosemary Barnes, operations manager; Carole Watson, underwriting assistant.
Membership: National Assn. of Employee Benefit Administrators.

S

S.M. Administrators Inc.

P.O. Box 695, Eugene, Ore. 97440; 503-683-4279

Year founded: 1977.
Services provided: 50% claims administration, 25% adjusting, 25% auditing.
Region served: California, Oregon, Washington, Arizona and Idaho.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: three clients, $1.2 million claims paid.
Client mix: Administration: three association plans. Health plans: 1,500 employees covered, 4,500 dependents covered.
Staff: Six total staff members, all of whom serve self-insured clients only.
Charges: Administration, adjusting and auditing: flat fee, by the project.
1988 gross revenues: $255,000 total, all from claims services.
Branch offices: Sales offices in Los Angeles, Orange, Sacramento and San Francisco, Calif.; Portland, Ore.; Seattle.
Principal officers: Gene Stewart and Marla Prentice.
Membership: SPBA.

SIEBA Ltd.

3206 Vestal Parkway E., Vestal, N.Y. 13850-2144; 607-770-0120

Year founded: 1983.
Services provided: 100% claims administration.
Region served: Northeastern states.
Specialty: 95% health insurance, 5% flex compensation.
Self-insured clients/claims: Administration: 11 clients, $5.2 million claims paid.
Client mix: Administration: eight corporations, one public/government entity, one Taft-Hartley plan, one union-sponsored plan, one association plan.
Staff: 11 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee.
1988 gross revenues: Not reported.
Principal officers: Richard G. DoBell, president; Gordon Coughlin, treasurer; C.F. Hotchkiss, chairman.
Membership: SPBA.

Self-Funded Plans Inc.

1432 Hamilton Ave., Cleveland, Ohio 44114; 216-566-1455

Year founded: 1980.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 98% health insurance, 1% flex compensation, 1% disability.
Self-insured clients/claims: Administration: 193 clients, $45.3 million claims paid.
Client mix: Administration: 185 corporations, eight public/government entities. Health plans: 33,031 employees covered, 47,679 dependents covered.
Staff: 55 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee.
1988 gross revenues: $3.8 million total.
Branch offices: Sales offices in Pittsburgh and Chicago.
Principal officers: Donna B. Luby, president; Richard C. Sheldon, executive vp; Bonnie Bletcher Krauss, vp-administration; Marsha Phillips, vp-client service.
Membership: SPBA, SIIA.

W.H. Shepherd Cos. Inc.

300 Cahaba Park Circle, Suite 206, Birmingham, Ala. 35242; 205-991-2817

Year founded: 1978.
Services provided: 87% claims administration, 2% adjusting, 3% auditing, 8% other services.
Region served: Nationwide.
Specialty: 70% health insurance, 20% flex compensation, 10% disability.
Self-insured clients/claims: Administration: 34 clients, $9 million claims paid. Adjusting: two clients; types of claims include medical. Auditing: three projects conducted.
Client mix: Administration: 30 corporations, three public/government entities, one union-sponsored plan; Adjusting: one Taft-Hartley plan, one association plan. Auditing: one corporation, one Taft-Hartley plan, one association. Health plans: 23,000 employees covered, 36,800 dependents covered.
Staff: 21 total staff members, eight of whom serve self-insured clients only.
Charges: Administration: per employee per month, $8-45; adjusting and auditing: time and expense.
1988 gross revenues: $878,000 total.
Branch offices: Sales offices in Atlanta; Memphis, Tenn.; Mobile and Huntsville, Ala.
Principal officers: W. Hal Shepherd, president/secretary.
Membership: SPBA, SIIA.

Spectrum Benefits Inc.

744 Office Parkway, Suite 148, St. Louis, Mo. 63141; 314-991-0878

Year founded: 1985.
Continued on next page

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DENTAL BENEFIT PROVIDERS, INC.

Continued from previous page

Services provided: 98% claims administration, 2% auditing.
Region served: Missouri, Indiana, Illinois, Tennessee, Ohio, Utah, Texas, Oklahoma and Kentucky.
Specialty: 94% health insurance, 5% disability, 1% flex compensation.
Self-insured clients/claims: Administration: eight clients, $5 million claims paid. Auditing: one project conducted.
Client mix: Administration: six corporations, one Taft-Hartley plan, one association plan. Health plans: 4,500 employees covered, 10,200 dependents covered.
Staff: 10 total staff members, nine of whom serve self-insured clients only.
Charges: Administration: per employee per month, $5-$9; adjusting: by the hour, $75.
1988 gross revenues: Not reported.
Principal officers: Mary D. Lewis, president/owner; Loraine Tiller, assistant to the president; Ruth Ann Henderson, claim supervisor.
Membership: SPBA, National Assn. of Employee Benefit Administrators.

Stirling & Stirling Inc.

51 Locust Ave., New Canaan, Conn. 06840; 203-966-8738

Year founded: 1973.
Services provided: 80% claims administration, 20% other services.
Region served: Nationwide.
Specialty: 95% health insurance, 3% disability, 2% flex compensation.
Self-insured clients/claims: Administration: 36 clients, $18 million claims paid.
Client mix: Administration: 35 corporations, one Taft-Hartley plan. Health plans: 14,800 employees covered, 13,400 dependents covered.
Staff: 38 total staff members, 34 of whom serve self-insured clients only.
Charges: Administration: per employee per month, $3.50-$9.50.
1988 gross revenues: Not reported.
Branch offices: Sales offices in New Haven and Farmington, Conn.
Principal officers: George S. Stirling Jr., president; Catherine M. Wemett, secretary/treasurer; John H. Gilchrist, vp-sales/marketing; Denise Welby, vp-benefits.
Membership: SPBA.

Susquehanna Administrators Inc.

26-28 W. King St., P.O. Box 1523, Lancaster, Pa. 17603; 717-295-9201

Year founded: Lincoln National Corp.
Parent company: 1975.
Services provided: 95% claims administration, 5% other services.
Region served: Nationwide.
Specialty: 88% health insurance, 10% flex compensation, 2% disability.
Self-insured clients/claims: Administration: 260 clients, $110 million claims paid.
Client mix: Administration: 237 corporations, 21 public/government entities, one Taft-Hartley plan, one association plan. Health plans: 106,000 employees covered, 138,000 dependents covered.
Staff: 210 total staff members, all of whom serve self-insured clients only.
1988 gross revenues: $9.6 million total, $9.2 million from claims services.
Branch offices: Sales offices in Wayne, Pa.; Baltimore; Manchester, N.H.
Principal officers: John B. Penrose, president; John E. Snyder, secretary/treasurer; Thomas C. Ord, vp-claims operations.
Membership: SPBA, SIIA.

T

Taber Brokerage

519 N.W. Ninth, Oklahoma City, Okla. 73102; 405-235-4610

Year founded: 1973.
Services provided: 50% claims administration, 50% other services.
Region served: Southwestern states.
Specialty: 90% health insurance, 5% flex compensation, 5% disability.
Self-insured clients/claims: Administration: 147 clients.
Client mix: Administration: 144 corporations, three public/government entities.
Staff: 18 total staff members, six of whom serve self-insured clients only.
Charges: Administration: per employee, $4-$7; percent of claims paid; per claim.
1988 gross revenues: Not reported.
Principal officers: Gary Taber, Jeff Taber and Steve Taber.
Membership: SIIA, National Assn. of Employee Benefit Administrators.

Third Party Administrators

P.O. Box 4582, Houston, Texas 77210-4582; 713-690-0044

Year founded: 1979.
Services provided: 80% claims administration, 10% auditing, 10% other services.
Region served: Texas, Louisiana and Arkansas.
Specialty: 85% health insurance, 10% flex compensation, 5% life.
Self-insured clients/claims: Administration: 125 clients, $57.9 million claims paid.
Client mix: Administration: 103 corporations, 12 public/government entities. Health plans: 32,700 employees covered, 86,000 dependents covered.
Staff: 68 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee per month, $4-$7.50; auditing: included in administration.
1988 gross revenues: $3.7 million total.
Branch offices: Administrative office in Laredo, Texas.
Principal officers: Keith Oehlschlager, president; M. Helms, claim manager; C. Airheart, administration manager.
Membership: SPBA, SIIA, National Assn. of Employee Benefit Administrators.

Tower Administrative Services Ltd.

901-2 Lansing Square, Toronto, Ontario M2J 4P8; 416-492-2501

Year founded: 1987.
Services provided: 55% claims administration, 45% other services.
Region served: Nationwide.
Specialty: 80% health insurance, 20% disability.
Self-insured clients/claims: Administration: four clients, $1.8 million claims paid.
Client mix: Administration: four corporations. Health plans: 1,850 employees covered, 4,139 dependents covered.
Staff: Six total staff members, two of whom serve self-insured clients only.
Charges: Administration: percent of cash flow, 2%-7%; per employee, $4-$9.50.
1988 gross revenues: Not reported.
Principal officers: Krys Reid, president; D. Ticknor, secretary/treasurer; D. Massa, controller; M. Gilleece, general manager.

The Travelers Plan Administrators Inc.

1 Tower Square, Hartford, Conn. 06183; 203-277-7040

Year founded: 1985.
Parent company: The Travelers Corp.
Services provided: 95% claims administration, 3% auditing, 2% other services.
Region served: Nationwide.
Specialty: 90% health insurance, 8% flex compensation, 2% disability.
Self-insured clients/claims: Administration: 460 clients, $607 million claims paid. Auditing: 14 projects conducted.
Client mix: Administration: 403 corporations, 52 public/government entities, five association plans. Auditing: 10 corporations, two public/government entities, two association plans. Health plans: 315,000 employees covered, 787,500 dependents covered.
Staff: 342 total staff members, 330 of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $15.1 million total; $14.9 million from claims services.
Subsidiaries: The TPA of Arizona, The TPA of California, The TPA of

Continued on next page

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Continued from previous page

Colorado, The TPA of Texas, The TPA of Michigan, The TPA of Minnesota, The TPA of Ohio, The TPA of Pennsylvania, The TPA of Tennessee, The TPA of Washington, The TPA of Illinois, The TPA of Florida.

Principal officers: William R. Horne, Tom McArdle, Karen McArdle, J. Fred Allen, Pat Finkelstein, Paulette Porter, Dawn Charbonneau, Edward Taff, Doris Miller, John Bertosa, Mark Kleppinger, G. Bruce Thompson, Marilyn Kelley, Stephen F. Rasnick and Barbara J. Corbett.

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

U

Underwriters & Administrators Inc.

845 Sir Thomas Road, P.O. Box 6250, Harrisburg, Pa. 17112; 717-652-8040

Year founded: 1977.
Services provided: 50% administration, 50% other services.
Region served: New England, Pennsylvania, Delaware, Maryland and New Jersey.
Specialty: 40% health insurance, 30% pensions, 10% flex compensation, 10% disability, 10% life.
Self-insured clients/claims: Administration: 75 clients, $25.2 million claims paid.
Client mix: Administration: 15 corporations, four public/government entities, one multiemployer plan, 50 Taft-Hartley plans, three union-sponsored plans, two association plans. Health plans: 50,000 employees covered, 149,000 dependents covered.
Staff: 38 total staff members, 35 of whom serve self-insured clients only.
Charges: Administration: per capita.
1988 gross revenues: $1.5 million total.
Principal officers: Stanford F. Golin, president; Donald Evans and Steven Golin, vps; Cheryl Tutino, claim manager; Dave Shatto, CPA administrator.
Membership: SPBA, SIIA, International Foundation of Employee Benefits.

United Medical Resources Inc.

2343 Auburn Ave., Cincinnati, Ohio 45219; 513-651-3737

Year founded: 1983.
Services provided: 82% claims administration, 18% other services.
Region served: Nationwide.
Specialty: 89% health insurance, 8% flex compensation, 2% disability, 1% life.
Self-insured clients/claims: Administration: 58 clients, $70.6 million claims paid.
Client mix: Administration: 55 corporations, five public/government entities. Health plans: 58,000 employees covered, 104,400 dependents covered.
Staff: 52 total staff members, 33 of whom serve self-insured clients only.
Charges: Administration: per employee per month.
1988 gross revenues: $2.7 million from claim services.
Principal officers: Victoria B. Buyniski, president; Dr. James L. Armitage, medical director; Julie D. Mueller, manager-installation/support; Becki G. Terretti, claims manager; Anne Price, flexible benefits manager.
Membership: SPBA, SIIA.

U.S. Administrators Inc.

3540 Wilshire Blvd., Los Angeles, Calif. 90010; 213-383-1100

Year founded: 1962.
Parent company: Crownx.
Services provided: 92% claims administration, 8% other services.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 35 clients, $800 million claims paid.
Self-insured clients/claims: 28 corporations, four public/government entities, one multiemployer plan, two union-sponsored plans. Health plans: 806,000 employees covered, 1,773,200 dependents covered.
Staff: 800 total staff members, 760 of whom serve self-insured clients only.
Charges: Administration: per enrollee per month.
1988 gross revenues: $41.6 million total, $39.6 million from claim services.
Branch offices: Administrative and sales office in Pittsburgh. Additional administrative offices in North Hollywood and Calabasas, Calif.
Principal officers: Geoffrey Wood, president/chief executive officer; Ted White, senior vp-operations; Paul Kral, senior vp-client services; Martin Thorpe, senior vp-information management; Samuel Kaplan, chairman.

USAble Corp.

Suite 800, First Commercial Building, P.O. Box 1460, Little Rock, Ark. 72203; 501-378-2900

Year founded: 1972.
Parent company: Arkansas Blue Cross & Blue Shield.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 21 clients, $25 million claims paid.
Client mix: Administration: 19 corporations, two public/government entities.
Staff: 33 total staff members, 28 of whom serve self-insured clients only.
Charges: Administration: monthly fee.
1988 gross revenues: $1 million total, all from claim services.
Subsidiaries: USAble Life, USAble Insurance Co., HMO Arkansas, PCN Arkansas, USAble Systems, Burgett & Dietrich.
Principal officers: Jim House, president/chief executive officer; Mark White, senior vp/chief financial officer; Alec Smith, vp-finance.

V

Variable Protection Administrators Inc.

16035 Industrial Parkway, Cleveland, Ohio 44135; 216-676-8585

Year founded: 1968.
Services provided: 58% claims administration, 1% adjusting, 41% other services.
Region served: Nationwide.
Specialty: 94% health insurance, 3% disability, 3% life.
Client mix: Administration: six corporations. Health plans: 800 employees covered, 1,650 dependents covered.
Staff: 35 total staff members, five of whom serve self-insured clients only.
Charges: Administration: per covered employee, $5-$20. Adjusting: percent of premium; by the hour, $50-$60.
1988 gross revenues: Not reported.
Principal officers: David Manley, president; Timothy Eisenmann, vp-operations; Anthony Manley, vp-claims; Susan Maddock, vp-underwriting; David Campbell, vp-marketing.
Membership: SPBA, North East Ohio Claims Assn.

Vision Service Plan Northeast Region

400 E. Town St., Columbus, Ohio 43215; 614-224-7709

Year founded: 1965.
Services provided: 70% claims administration, 30% other services.
Region served: Ohio, Michigan, Kentucky, West Virginia, Massachusetts, New Hampshire, Vermont and Maine.
Specialty: 100% health insurance.
Self-insured clients/claims: Administration: 200 clients.
Client mix: Administration: 125 corporations, 10 public/government entities; 30 union-sponsored plans, 35 association plans. Health plans: 317,415 employees covered, 476,120 dependents covered.
Staff: 100 total staff members, 30 of whom serve self-insured clients only.
Charges: Administration: percent of claims paid.
1988 gross revenues: $5.1 million total.
Branch offices: Sales offices in Detroit and Boston.
Principal officers: William R. Bennett, president; Paul Becher, treasurer/chief financial officer; John Kackloudis, vp-marketing; Dennis Furton, vp-administration; Terry Daniel, chairman of the board.

Voluntary Plan Administrators Inc. (VPA Inc.)

23586 Calabasas Road, P.O. Box 9830, Calabasas, Calif. 91302-9830; 818-593-2500

Year founded: 1979.
Services provided: 90% claims administration, 5% adjusting, 5% auditing.
Region served: Nationwide.
Specialty: 85% disability, 15% miscellaneous.
Self-insured clients/claims: Administration: 266 clients, $39 million claims paid. Adjusting: three clients; types of claims include short- and long-term disability, sick pay and salary continuation plans. Auditing: four projects conducted.
Client mix: Administration: 265 corporations, one public/government entity.
Staff: 55 total staff members, all of whom serve self-insured clients only.
Charges: Administration: percent of payroll. Adjusting and auditing: by the hour, $75-$150.
1988 gross revenues: $3 million total, all from claim services.
Branch offices: Administrative offices in Santa Clara, Calif.
Principal officers: Jack H. Bredehorn, president; Ralph D. Hurley, vp.
Membership: SPBA, SIIA.

Continued on next page

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WILLIAM P. NORTHEY COMPANY • WILWIN CORPORATION • GROUP INSURANCE SERVICES, INC.

Directory of property/casualty TPAs

A

Adjusting Services Unlimited Inc./Michigan Claim Service Inc.

2120 University Park Drive, Okemos, Mich. 48864; P.O. Box 77, Okemos, Mich. 48805-0077; 517-349-2212

Year founded: 1952.
Services provided: 30% claims administration, 15% adjusting, 5% auditing, 50% other services.
Region served: Nationwide.
Specialty: 35% general liability, 25% workers compensation, 10% automobile, 10% property damage, 10% professional liability, 5% bonds, 5% pollution and environmental loss.
Self-insured clients/claims: Administration: 125 clients, $20 million claims paid. Adjusting: 125 clients; types of claims include products liability, workers compensation, general liability, automobile, property damage, errors & omissions, pollution. Auditing: five projects conducted.
Client mix: Administration and auditing: 100 corporations, 25 public/government entities.
Staff: 270 total staff members, 40 of whom serve self-insured clients only.
Charges: Administration, auditing and adjusting: time and expense, flat fee, per claim file, other methods.
1988 gross revenues: $11 million total.
Branch offices: Alpena, Ann Arbor, Battle Creek, Cadillac, Southfield, Escanaba, Flint, Gaylord, Grand Rapids, Houghton, Jackson, Kalamazoo, Lansing, Marquette, Menominee, Mount Pleasant, Muskegon, Petoskey, Saginaw, Sault St. Marie, Stevensville and Traverse City, Mich.; Akron, Cincinnati, Cleveland, Columbus, Marion and Toledo, Ohio.
Subsidiaries: Recovery Unlimited.
Principal officers: James Matthews, president/chief executive officer; Scott Brooks, secretary/general counsel; T.W. Stembaugh, treasurer; Don Overton, executive vp; Larry Musser, vp-casualty operations; Edward Rochon, chairman; Mike Csom, vp-Michigan operations.
Membership: Public Risk Management Assn., National Panel of Select Adjusting Cos., International Institute of Loss Adjusters, Michigan Self Insurors Assn., Professional Agents of Michigan, National Assn. of Independent Insurance Adjusters, National Assn. of Professional Surplus Lines Offices, Florida Self Insurors Assn., Ohio State Claims Assn.

Alexsis Inc.

41000 W. Seven Mile Road, Northville, Mich. 48167; 313-348-2202

Year founded: 1932.
Parent company: Alexander & Alexander Inc.
Services provided: 80% claims administration, 20% other services.
Region served: Nationwide.
Specialty: 70% workers compensation, 15% general liability, 5% automobile, 5% property damage, 5% professional liability.
Self-insured clients/claims: Administration: 2,820 clients, $500 million claims paid.
Client mix: Administration: 2,453 corporations, 310 public/government entities, 57 association plans.
Staff: 1,032 total staff members.
Charges: Administration: percent of premium, per claim.
1988 gross revenues: $68 million total.
Branch offices: 60 administrative and sales offices nationwide.
Subsidiaries: Corporate Service Inc., Summit Consulting Inc.
Principal officers: John A. Malasky, national director; Joseph A. Giampetro, executive vp-eastern division; R.F. Proffer, president-Corporate Service Division; Ernest C. Fackler III, executive vp-western division; William B. Bull, president-Summit Consulting Division.
Membership: SIIA.

Allied Adjustment Service

20 Pickering St., Needham, Mass. 02192; 617-449-2300

Year founded: 1956.
Services provided: 10% claims administration, 35% adjusting, 55% other services.

Continued on next page

Benefits TPAs

Continued from previous page

W

Western General Services

39 S. LaSalle St., Suite 425, Chicago, Ill. 60603; 312-855-1893

Year founded: 1987.
Parent company: Western General Insurance Ltd.
Services provided: 95% claims administration, 5% other services.
Region served: Nationwide.
Specialty: 85% health insurance, 5% flex compensation, 5% disability, 5% life.
Self-insured clients/claims: Administration: 37 clients, $12 million claims paid. Adjusting: types of claims include medical.
Client mix: Administration: seven corporations, 20 multiemployer plans, 10 union-sponsored plans. Health plans: 16,000 employees covered, 40,000 dependents covered.
Staff: 21 total staff members, all of whom serve self-insured clients only.
Charges: Administration: prospectively, $6-$7.25.
1988 gross revenues: $1.5 million total.
Principal officers: Stephen Baniecki, vp/general manager; Cynthia Steinhoff, director-operations; Susan Clark, director-special services; Kimlianne Washington, marketing manager.
Membership: SIIA.

Z

Zenith Administrators Inc.

111 Massachusetts Ave., N.W., Washington, D.C. 20001; 202-682-6621

Year founded: 1988.
Parent company: ULLICO Inc.
Services provided: 60% claims administration, 40% other services.
Region served: Nationwide.
Specialty: 75% health insurance, 24.5% pensions, 0.5% miscellaneous.
Self-insured clients/claims: Administration: 72 clients, $138.5 million claims paid.
Client mix: Administration: five corporations, one public/government entity, 64 Taft-Hartley plans, two union-sponsored plans. Health plans: 112,700 employees covered, 251,400 dependents covered.
Staff: 161 total staff members, 138 of whom serve self-insured clients only.
Charges: Administration: per enrollee per month.
1988 gross revenues: $10 million total, $6 million from claim services.
Branch offices: Administrative offices in Boston; Hartford, Conn.; New York; Chicago; Minneapolis and Duluth, Minn.; St. Louis, Kansas City, Mo.; Madison, Wis.; San Francisco; Los Angeles.
Subsidiaries: New Systems Inc., Richard Reese & Associates.
Principal officers: Daniel O'Sullivan, chairman/chief executive officer; James Luce, president; Richard Reese and Donald Meyers, vps; Michael Torpey, vp-marketing.
Membership: SPBA, International Foundation of Employee Benefit Plans. ■

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IIE

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175 West Jackson Boulevard Suite 1234 Chicago, Illinois 60604
(312) 939-2400

Continued from previous page

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

Specialty: 60% workers compensation, 20% general liability, 20% automobile.

Self-insured clients/claims: Administration: six clients, more than $1 million claims paid. Adjusting: more than 50 clients; types of claims include workers compensation, general liability, automobile.

Client mix: Administration: five corporations, one public/government entity. Adjusting: clients include 50 corporations, two public/government entities.

Staff: 115 total staff members.

Charges: Administration and adjusting: time and expense, flat fee.

1988 gross revenues: Not reported.

Branch offices: Administrative offices in Clifton and Cherry Hills, N.J.; Melville, N.Y.; Portland and Waterville, Maine; Hartford, Stamford, Bridgeport and West Haven, Conn.; Providence, R.I.; Lynnfield, Yarmouth, Worcester and Springfield, Mass.; Burlington, Vt.; Manchester, N.H.

Subsidiaries: Hubbard & Ferris.

Principal officers: Charles A. Hubbard, president; Walter J. Gillespie, executive vp; Steven E. Hubbard, vp.

Membership: SIIA.

Allied Claim Services Inc.

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

Year founded: 1959.

Services provided: 46% claims administration, 53% adjusting, 1% auditing.

Region served: New York, Ohio and Pennsylvania.

Specialty: 41% workers compensation, 29% general liability, 17% automobile, 11% property damage, 2% professional liability.

Self-insured clients/claims: Administration: 24 clients, $1.7 million claims paid. Adjusting: 27 clients.

Client mix: Administration: 21 corporations, three public/government entities.

Staff: 25 total staff members, 11 of whom serve self-insured clients only.

Charges: Administration: per claim, flat rate, by contract. Adjusting: time and expense. Auditing: by contract plus expenses.

1988 gross revenues: Not reported.

Principal officers: Henry E.B. Dendler, chairman; Gregory J. Dendler, president; Paul J. Nowak and Patrick H. Dendler, vps; Edward E. Gress, assistant vp.

Membership: National Council of Self-Insureds, New York State Self-Insurers Assn.

Associated Claims Enterprises Inc.

10 S. LaSalle, 12th Floor, Chicago, Ill. 60603; 312-263-1620

Year founded: 1985.

Parent company: Cameron General Corp.

Services provided: 40% claims administration, 40% adjusting, 20% auditing.

Region served: Nationwide.

Specialty: 40% professional liability, 30% general liability, 20% specialty risks, 10% automobile.

Self-insured clients/claims: Administration: seven clients. Adjusting: 10 clients; types of claims include professional liability, general liability, specialty risks and automobile. Auditing: 15 projects conducted.

Client mix: Administration: 80% corporations, 20% association plans. Adjusting: 70% corporations, 5% public/government entities, 25% association plans. Auditing: 50% corporations, 5% public/government entities, 45% association plans.

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

Charges: Administration and adjusting: per claim, flat fee, time and expense. Auditing: time and expense, flat fee.

1988 gross revenues: Not reported.

Principal officers: John Hendrickson, president; Kathie Wyatt-Vit, assistant vp.

Membership: SIIA.

Associated Claims Management Inc.

390 N. Wiget Lane, P.O. Box 31077, Walnut Creek, Calif. 94598; 415-930-9883

Year founded: 1982.

Services provided: 85% claims administration, 5% adjusting, 5% auditing, 5% other services.

Region served: California, Arizona and Nevada.

Specialty: 65% workers compensation, 25% general liability, 5% automobile, 5% property damage.

Self-insured clients/claims: Administration: 111 clients, $88.8 million claims paid. Adjusting: 29 clients; types of claims include workers compensation, general liability, automobile, property damage. Auditing: nine projects conducted.

Client mix: Administration: 68 corporations, 43 public/government entities.

Staff: 171 total staff members, 159 of whom serve self-insured clients only.

Charges: Administration: annual fee. Adjusting: time and expense. Auditing: negotiated fee, time and expense.

1988 gross revenues: $8.5 million total, $8 million from claim services.

Branch offices: Administrative and sales offices in Brea and Santa Clara, Calif. Additional sales office in Phoenix, Ariz.

Subsidiaries: Advanced Loss Services.

Principal officers: Thomas R. Leonard, president/chief executive officer; Roberta P. Penarelli, senior vp; C. David White, president-Southern division; David F. Nolan, president-Santa Clara division.

Membership: California Administrative Services Organization, Diablo Valley Industrial Claims Assn.; Arizona Workers Compensation Claims Assn.

B

Bierly & Associates

870 S. Raymond Ave., Pasadena, Calif. 91105; 818-577-0280

Year founded: 1976.

Parent company: Broncap Holdings Inc.

Services provided: 90% claims administration, 4% adjusting, 6% auditing.

Region served: California and Arizona.

Specialty: 100% workers compensation.

Self-insured clients/claims: Administration: 117 clients, $78 million claims paid. Adjusting: 60 clients; types of claims include workers compensation. Auditing: eight projects conducted.

Client mix: Administration: 66 corporations, 42 public/government entities, nine multiemployer plans.

Staff: 300 total staff members, all of whom serve self-insured clients only.

Charges: Administration: flat annual fee, per claim. Auditing: flat annual fee, time and expense.

1988 gross revenues: $13 million total.

Branch offices: Administrative offices in Redwood City, Fresno, Orange and San Diego, Calif.; Phoenix, Ariz.

Subsidiaries: Paige One Adjusters.

Principal officers: R. Michael Bierly, Bruce S. Vanner, Bruce L. Miller, James Jamerson and Katherine L. King.

Membership: SIIA, California Administrative Service Organization.

Gregory B. Bragg & Associates Inc.

4811 Chippendale Drive, Suite 707, Sacramento, Calif. 95841; 916-344-7995; 800-422-7244

Year founded: 1986.

Services provided: 35% claims administration, 45% adjusting, 5% auditing, 15% other services.

Region served: California.

Specialty: 45% general liability, 25% automobile, 20% workers compensation, 10% property damage.

Self-insured clients/claims: Administration: 45 clients, $2.9 million claims paid. Adjusting: seven clients; types of claims include general liability, automobile, workers compensation.

Client mix: Administration: 44 public/government entities, one corporation. Adjusting: four public government entities, three corporations.

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

Charges: Administration: flat annual fee. Adjusting: $34-$36 per hour plus expenses. Auditing: included in administration fee, or $90 per hour.

1988 gross revenues: $700,000 total, $550,000 from claim services.

Branch offices: Administrative offices in Chico and Fairfield, Calif.

Subsidiaries: Gregory & Associates, Bragg & Associates.

Principal officers: Gregory B. Bragg, president; Lee Collins, vp; D.M. Grassinger, secretary; Robert R. Cregan, treasurer.

Membership: California Assn. of Independent Insurance Adjusters.

C

Caronia Corp.

350 Jericho Turnpike, Jericho, N.Y. 11753; 516-433-1200; 800-645-7284

Year founded: 1969.

Services provided: 50% claims administration, 15% adjusting, 15% auditing, 20% other services.

Region served: Nationwide.

Specialty: 70% professional liability, 10% general liability, 10% product liability, 5% workers compensation, 5% automobile.

Self-insured clients/claims: Administration: 92 clients. Adjusting: 15 clients; types of claims include hospital professional liability, physicians professional liability, general liability, product liability. Auditing: 36 projects conducted.

Client mix: Administration: 84 corporations, eight public/government entities. Auditing: 31 corporations, five public/government entities.

Staff: 158 total staff members, 65 of whom serve self-insured clients only.

Charges: Administration and adjusting: time and expense, fixed fee. Auditing: time and expense, per file.

1988 gross revenues: Not reported.

Branch offices: Administrative offices in Albany, N.Y.; Atlanta; Boston; Chicago; Dallas; Denver; Houston; Los Angeles, Louisville, Ky.; Miami, Nashville, Tenn.; New Orleans. Sales offices in New York; Phoenix, Ariz.; Providence, R.I.; San Francisco; St. Louis; Tampa, Fla.; Washington, D.C.

Principal officers: Charles A. Caronia, president; Carl Ferdenzi, Randall Brent and Joseph Costantino executive vps.

Membership: Assn. of Independent Insurance Adjusters.

Claim & Risk Control Inc.

P.O. Box 260, 5136 Express Drive S., Holbrook, N.Y. 11741; 516-467-4700

Year founded: 1977.

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

Region served: Nationwide.

Specialty: 70% general liability, 20% automobile, 5% workers compensation, 5% property damage.

Self-insured clients/claims: Administration: 22 clients. Adjusting: five clients; types of claims include general liability, automobile, property damage. Auditing: five projects conducted.

Client mix: Administration: 21 corporations, one public government entity. Adjusting: five corporations. Auditing: five corporations.

Staff: 38 total staff members.

Charges: Administration: flat annual fee, percent of incurred claims, time and expense. Adjusting: flat fee per claim, time and expense. Auditing: time and expense, flat fee.

1988 gross revenues: Not reported.

Principal officers: Eugene Fleischer, president; Kathleen Arnone, vp.

Claimco Inc.

P.O. Box 729, Long Valley, N.J. 07853; 201-832-7752

Year founded: 1982.

Services provided: 15% claims administration, 20% adjusting, 40% auditing, 25% other services.

Region served: Nationwide; adjusting services available in New Jersey, Pennsylvania and New York.

Specialty: 40% general liability, 20% reinsurance, 15% automobile, 15% professional liability, 10% workers compensation.

Self-insured clients/claims: Administration: 10 clients. Adjusting: 12 clients; types of claims include general liability, liquor liability, commercial automobile, professional liability, reinsurance. Auditing: 33 projects conducted.

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

Charges: Administration and adjusting: time and expense. Auditing: by the hour, per diem, by contract plus expenses.

1988 gross revenues: Not reported.

Branch offices: Administrative offices in Cherry Hill, N.J.; New York; Philadelphia. Sales office in Wilmington, Del.

Principal officers: John M. Monahan, president; Bill Holt and Tom Walsh, vps; P.A. Monahan, treasurer; Geraldine Dianuzzo, secretary.

Claims Management Services Inc.

360 Market Place, P.O. Box 1447, Roswell, Ga. 30077; 404-998-7411

Year founded: 1984.

Services provided: 75% claims administration, 25% auditing.

Region served: Nationwide.

Specialty: 50% workers compensation, 25% professional liability, 15% general liability, 10% automobile.

Self-insured clients/claims: Administration: 56 clients, $4 million claims paid. Adjusting: 21 clients; types of claims include workers compensation, medical malpractice, product liability. Auditing: 10 projects conducted.

Client mix: Administration: 51 corporations, three public/government entities; one multiemployer plan, one union-sponsored plan. Adjusting: 21 corporations. Auditing: 10 corporations.

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

Charges: Administration: $50-$100 per hour plus expenses. Adjusting: $50-$600 per claimant or $60 per hour plus expenses. Auditing: $75-$125 per hour plus expenses.

1988 gross revenues: Not reported.

Principal officers: Gene L. Jones, president; Neill G. Stevens, secretary/treasurer.

Claims Management Services Inc.

2604 Third Ave., Seattle, Wash. 98121; 206-441-5110

Year founded: 1986.

Services provided: 20% claims administration, 30% adjusting, 30% auditing, 20% other services.

Region served: Nationwide.

Self-insured clients/claims: Administration: three clients, $150,000 claims paid. Adjusting: 13 clients; types of claims include workers compensation, general liability, professional liability. Auditing: 10 projects conducted.

Client mix: Administration: three corporations. Adjusting: seven corporations, six public/government entities. Auditing: six corporations, four public/government entities.

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

Charges: Administration: annual fee, $60 per hour, per claim. Adjusting: $45-$60 per hour, annual fee. Auditing: $65-$120 per hour, per project.

1988 gross revenues: Not reported.

Principal officers: Paul Valdens, president; Denise Taylor, vp/treasurer.

Membership: SIIA.

Claims Management Services Inc. of Pennsylvania

P.O. Box 230, Lemoyne, Pa. 17043; 717-763-7727

Year founded: 1984.

Services provided: 100% claims administration.

Region served: Pennsylvania.

Specialty: 100% workers compensation.

Self-insured clients/claims: Administration: eight clients, $5.1 million claims paid.

Client mix: Administration: four corporations, four public/government entities.

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

Charges: Administration: per claim, flat fee.

Continued on next page

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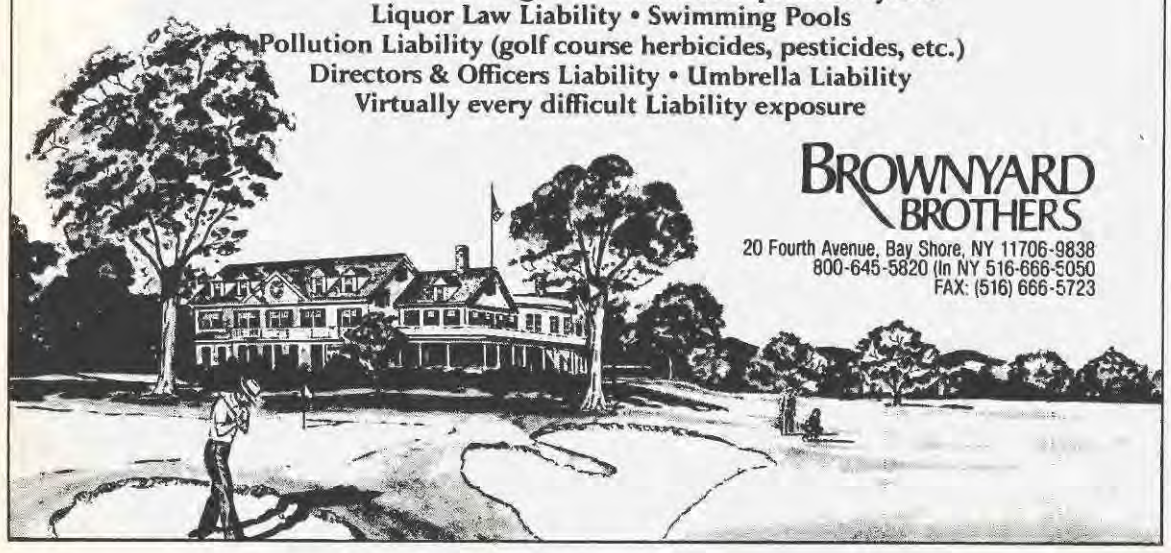

BROWNYARD BROTHERS
20 Fourth Avenue, Bay Shore, NY 11706-9838
800-645-5820 (In NY 516-666-5050
FAX: (516) 666-5723

Continued from previous page

1988 gross revenues: $350,000 total.

Branch offices: Administrative office in Pittsburgh.

Principal officers: Edward L. Gallagher Jr., president; Cynthia L. Gallagher, vp.

Constitution State Service Co.

1 Tower Square, 10GS, Hartford, Conn. 06183; 203-277-3429

Year founded: 1980.

Parent company: The Travelers Corp.

Services provided: 70% claims administration, adjusting and auditing; 30% other services.

Region served: Nationwide.

Specialty: 60% workers compensation, 25% general liability, 13% automobile, 2% ocean marine.

Self-insured clients/claims: Administration: 250 clients, $273 million claims paid. Adjusting: 10 clients; types of claims include workers compensation, general liability, automobile liability. Auditing: five projects conducted.

Client mix: Administration: 200 corporations, 25 public/government entities, 25 multiemployer plans. Adjusting: clients include public/government entities and multiemployer plans. Auditing: three corporations, two public/government entities.

Staff: 25 sales staff members; 4,000 claims staff members through parent company.

Charges: Administration: per claim, percent of claims paid. Auditing: by the hour.

1988 gross revenues: Not reported.

Branch offices: Administrative offices throughout the United States. Sales offices in New York, Atlanta and Los Angeles.

Principal officers: Thomas C. Tucker, president; Robert D. Greenberg, executive vp; Robert M. McGinnis, treasurer.

Crawford & Co.

5620 Glenridge Drive, Atlanta, Ga. 30342; 404-256-0830

Year founded: 1941.

Services provided: 34% claims administration, 5% adjusting, 61% other services.

Region served: Nationwide.

Specialty: 60% workers compensation; 20% general liability; 15% automobile; 3% professional liability; 2% property damage, bonds and inland marine.

Self-insured clients/claims: Administration: 948 clients, $1 billion claims paid. Adjusting: 1,900 clients; types of claims include automobile, liability, workers compensation, property damage, vehicle appraisals.

Client mix: Administration: 849 corporations, 56 association plans, 43 public/government entities. Adjusting: 1,700 corporations, 150 public/government entities, 50 association plans.

Staff: 5,100 total staff members.

Charges: Administration: per claim, flat rate. Adjusting: time and expense.

1988 gross revenues: $295 million total.

Branch offices: Administrative offices in the United States, Canada and Puerto Rico. Sales offices in Chicago; Dallas; Los Angeles; New York; Orlando, Fla.; San Francisco; Washington, D.C.; Toronto.

Subsidiaries: Crawford & Co. Insurance Adjusters Ltd.; Compass Health Management Services, Risk Sciences Group.

Principal officers: F.L. Minix, chairman/chief executive officer; P.A. Bollinger, executive vp-health care management; D.R. Chapman, executive vp-finance; C.C. Lefler, executive vp-risk management services; Frank Semancik, executive vp-claims services.

Membership: SIIA.

Custard Insurance Adjusters Inc./CCMS

2346 Perimeter Park Drive, Atlanta, Ga. 30346; 404-454-9227; 800-457-3390

Year founded: 1962.

Services provided: 10% claims administration, 10% adjusting, 10% auditing, 70% other services.

Region served: Nationwide.

Specialty: 60% automobile, 15% workers compensation, 10% general liability, 10% property damage, 5% inland marine.

Self-insured clients/claims: Administration: 33 clients. Adjusting: approximately 107 clients; types of claims include commercial vehicle, general liability. Auditing: seven projects conducted.

Client mix: Administration: 30 corporations, three public/government entities. Adjusting: approximately 100 corporations, seven public/government entities. Auditing: seven corporations.

Staff: 500 total staff members, 50 of whom serve self-insured clients only.

Charges: Administration: per claim, time and expense. Adjusting: $35-$45 per hour. Auditing: $75-$110 per hour.

1988 gross revenues: Not reported.

Branch offices: Administrative and sales offices in 75 locations nationwide.

Subsidiaries: Custard Claims Management Services Inc., Commercial Casualty.

Principal officers: Rick Custard, president; Cindy Armstrong and Tim Holloway, vps; Don Stefoff, executive vp; Dan Huggins, president-CCMS; Mike Johnston, vp-Commercial Casualty

E

ESIS Inc.

1600 Arch St., Philadelphia, Pa. 19103; 215-523-2100

Year founded: 1955.

Parent company: CIGNA Corp.

Services provided: 75% claims administration, 10% adjusting, 5% auditing, 10% other services.

Region served: Nationwide, Canada and other countries.

Specialty: 48.2% general liability, 31.1% automobile, 19.5% workers compensation, 0.5% professional liability, 0.7% other.

Self-insured clients/claims: Administration: 1,100 clients, $749 million claims paid. Auditing: 35 projects conducted.

Staff: 65 marketing staff members, 3,600 claims personnel provided through parent company.

Charges: Administration and adjusting: per claim. Auditing: flat fee.

1988 gross revenues: Not reported.

Branch offices: Sales offices in Atlanta, Boston, Chicago, Dallas, Detroit, Houston, Los Angeles, New York, San Francisco.

Subsidiaries: SIMCO Inc.

Principal officers: Edward P. Holleran, president; George W. Putnam, vp; Dennis G. McGowan, administrator; Andrew J. Proda, product manager; Robert F. Bruce, loss control manager.

Membership: SIIA, National Council of Self-Insurers.

Employee Benefits Administration Co. (EBA)

8441 Wayzata Blvd., Suite 200, Minneapolis, Minn. 55426; 612-544-0311

Year founded: 1979.

Parent company: W.R. Berkley Corp.

Services provided: 35% claims administration, 65% other services.

Region served: Minnesota and Oklahoma.

Specialty: 94% workers compensation, 2% general liability, 2% automobile, 2% property damage.

Self-insured clients/claims: Administration: 1,360 clients.

Client mix: Administration: 1,300 public/government entities, 60 corporations.

Staff: 180 total staff members.

1988 gross revenues: Not reported.

Branch offices: Administrative office in Tulsa, Okla.

Principal officers: Ernest Kallgren, president; Ronald Holbach and Stephen Letak, vps.

F

FCS Administrators Inc.

5500 Main St., Williamsville, N.Y. 14221; 716-631-5001

Year founded: 1986.

Parent company: W.J. Cox Associates Inc.

Services provided: 90% claims administration, 5% auditing, 5% other services.

Region served: Eastern and Midwestern states.

Specialty: 100% workers compensation.

Self-insured clients/claims: Administration: 20 clients, $2.3 million claims paid. Auditing: three projects conducted.

Client mix: Administration: clients include corporations and public/government entities. Auditing: three corporations.

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

Charges: Administration: on retainer, per diem; auditing: per diem.

1988 gross revenues: Not reported.

Principal officers: William J. Cox, president; William E. Neuman, executive vp.

Membership: New York State Self Insurers Assn., Self Insurers Assn. of Niagara Frontier.

The Fisher Associates

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

Year founded: 1982.

Services provided: 25% claims administration, 45% adjusting, 15% auditing, 15% other services.

Region served: Nationwide.

Specialty: 70% professional liability, 10% general liability, 10% automobile, 10% product liability.

Self-insured clients/claims: Administration: eight clients. Adjusting: 10 clients, types of claims include general liability, automobile, professional liability, product liability. Auditing: seven projects conducted.

Client mix: Administration: four corporations, two public/government entities, two association plans. Adjusting: six corporations. three public/government entities, one association plan. Auditing: four corporations, three public/government entities.

Staff: 11 total staff members, six of whom serve self-insured clients only.

Charges: Administration: by the hour. Adjusting: $60 per hour. Auditing: $75 per hour.

1988 gross revenues: More than $1 million total.

Principal officers: Frederick J. Fisher, president.

Membership: SIIA.

Fleming & Associates

1150 Foothill Blvd., Suite E, La Canada, Calif. 91011; 818-790-8714

Year founded: 1976.

Services provided: 75% claims administration, 5% auditing, 20% other services.

Region served: West coast.

Specialty: 95% workers compensation, 5% general liability.

Self-insured clients/claims: Administration: 47 clients, $18.8 million claims paid. Auditing: six projects conducted.

Client mix: Administration: clients include 10 corporations and 32 public/government entities. Auditing: six public/government entities.

Staff: 18 total staff members, 16 of whom serve self-insured clients only.

Charges: Administration: cost per claim, percent of rates, per claim.

1988 gross revenues: $990,000 total.

Branch offices: Administrative office in Salinas, Calif.

Principal officers: William Edward Fleming, president; Jeff Seabrook, vp-financial services; William A. Lange, vp-data processing; Robert N. Hoyle, vp-claims.

J.H. Frank & Associates

P.O. Box 116, Madison, N.J. 07940-0116; 201-822-2992; 212-697-3550

Year founded: 1985.

Services provided: 30% claims administration, 40% auditing, 30% other services.

Region served: Nationwide.

Specialty: 40% general liability, 30% professional liability, 15% automobile, 5% workers compensation, 5% property damage, 5% bonds.

Self-insured clients/claims: Administration: 11 clients, more than $4 million claims paid. Auditing: 13 projects conducted.

Client mix: Administration: nine corporations, two public/government entities.

Staff: Five full-time staff members, three of whom serve self-insured clients only.

Charges: Administration: by contract, per diem, by the hour. Auditing: by contract, per diem, by the month, time and expense.

Branch offices: Administrative and sales office in New York. Additional administrative offices in Jacksonville, Fla.; Glendale and San Francisco, Calif.

Principal officers: J.H. Frank, principal; M.E. Avroch, C. Simmons, J.T. Frank, P.S. Buck and A.F. Sayre, associates.

Membership: Excess & Surplus Lines Claim Assn. Inc., New York Reinsurance Claims Assn.

Frontier Adjusters Inc.

45 E. Monterey Way, Phoenix, Ariz. 85011; 602-264-1061

Year founded: 1957.

Services provided: 3% claims administration, 34% adjusting, 1% auditing, 62% other services.

Region served: Nationwide.

Specialty: 54% general liability, 20% automobile, 13% workers compensation, 8% property damage, 5% professional liability.

Self-insured clients/claims: Administration: 34 clients, $2.2 million claims paid. Adjusting: 142 clients; types of claims include general liability, automobile liability, workers compensation, property damage, professional liability. Auditing: five projects conducted.

Client mix: Administration: 19 corporations, nine public/government entities, six association plans. Adjusting: 129 corporations, seven association plans, six public/government entities.

Staff: 960 total staff members.

Charges: Administration: $30-$42 per hour plus expenses, flat rate per claim. Adjusting: $30-$42 per hour plus expenses. Auditing: $65 per hour plus expenses.

1988 gross revenues: $20.1 million total.

Branch offices: Administrative and sales offices throughout the United States.

Principal officers: William J. Rocke, president; Jean E. Ryberg, secretary/treasurer; Mike Soltau, executive vp; George Hill and Howard Galyean, vps.

G

Gates, McDonald & Co.

1 Nationwide Plaza, Columbus, Ohio 43214; 614-249-7211

Year founded: 1929.

Parent company: Nationwide Group.

Services provided: 59% claims administration, 1% adjusting, 1% auditing, 39% other services.

Region served: Nationwide.

Specialty: 90% workers compensation, 6% automobile, 3% general liability, 1% property damage.

Self-insured clients/claims: Administration: 447 clients, $350 million claims paid. Auditing: two projects conducted.

Client mix: Administration: 380 corporations, 60 public/government entities, seven association plans. Auditing: two public/government entities.

Staff: More than 900 total staff members, 650 of whom serve self-insured clients only.

Charges: Administration: per claim aggregate, per indemnity, $125-$175 per claim. Adjusting: per claim, $40-$50 per hour. Auditing: flat fee, $100-$200 per hour, time and expense.

1988 gross revenues: $41 million total, $25 million from claim services.

Branch offices: Albuquerque, N.M.; Atlanta; Baltimore; Baton Rouge, La.; Bernardsville, N.J.; Dedham, Mass.; New York and Buffalo, N.Y.; Alameda, El Segundo, Santa

Continued on next page

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Continued from previous page
Ana, Emeryville, Oakland, Los Angeles, Pleasant Hill and Campbell, Calif.; Cleveland, Dayton, Canton and Cincinnati, Ohio; Charleston, W.Va.; Oak Brook, Ill.; Dallas; Houston; Denver; Des Moines, Iowa; Troy, Mich.; Frankford, Ky.; Helena, Mont.; Reno and Las Vegas, Nev.; Nashville and Memphis, Tenn.; Pittsburgh; Philadelphia; Phoenix, Ariz.; Portland, Ore.; Raleigh, N.C.; Burke and Richmond, Va.; St. Louis; St. Paul, Minn.; Seattle; Tampa, Fla.; Tulsa, Okla.; Westport, Conn.; Winchester, Mass.; Honolulu; Wauwatosa, Wis.

Principal officers: Donald J. Sternisha, president; David M. Parker, vp-sales; Richard H. Hoyt, vp-operations; William B. Shelton, vp/treasurer; Homer J. Beard, vp-administrative services.

Membership: SPBA, SIIA, National Council of Self-Insurers.

W.R. Gibbens Inc.

P.O. Box 15335, Las Vegas, Nev. 89114; 702-737-0345

Year founded: 1966.
Services provided: 80% auditing, 20% other services.
Region served: Nevada, Colorado, Wyoming and Washington.
Specialty: 100% workers compensation.
Self-insured clients/claims: Administration: 35 clients, $25 million claims paid.
Client mix: Administration: 33 corporations, two public/government entities.
Staff: 30 total staff members, 24 of whom serve self-insured clients only.
Charges: Administration: percent of payroll.
1988 gross revenues: Not reported.
Branch offices: Administrative and sales offices in Reno, Nev.; Denver; Olympia, Wash.
Principal officers: David E. Addison, president; Russell W. Pascoe, vp; Douglas Todd, secretary/treasurer.

Greenfield-Thompson Associates Inc.

1645 McCandless, Milpitas, Calif. 95035-1630; 408-262-4333

Year founded: 1985.
Services provided: 95% claims administration, 5% other services.
Region served: California.
Specialty: 100% workers compensation.
Self-insured clients/claims: Administration: 88 clients, $20 million claims paid.
Client mix: Administration: 65 public/government entities, 23 corporations.
Staff: 38 total staff members, all of whom serve self-insured clients only.
Charges: Administration: flat annual fee.
1988 gross revenues: Not reported.
Branch offices: Administrative office in Tustin, Calif.
Principal officers: J.L. Thompson, chairman; D. Greenfield, president.

H

HCM Claim Management Corp.

225 Brae Blvd., Park Ridge, N.J. 07656-0713; 201-307-2488

Year founded: 1981.
Parent company: Hertz Corp.
Services provided: 90% claims administration, 2% auditing, 8% other services.
Region served: Nationwide.
Specialty: 50% automobile, 15% property damage, 10% general liability, 5% inland marine, 20% other.
Self-insured clients/claims: Administration: five clients, $120.3 million claims paid.
Client mix: Administration five corporations.
Staff: 400 total staff members, 212 of whom serve self-insured clients only.
Charges: Administration: flat rate.
1988 gross revenues: $20 million total.
Branch offices: Administrative offices in New York; Boston; Washington, D.C.; Miami; Pittsburgh; Dallas; Chicago; Los Angeles and Glendale, Calif.
Principal officers: Thomas J. Santorelli, president; William Gavin, director-insurance; Vincent Scarda, vp-claims.

Heyenrath & Associates

1142 Manhattan Ave., Suite 240, Manhattan Beach, Calif. 90266; 213-546-1108

Year founded: 1980.
Services provided: 80% auditing, 20% other services.
Region served: Nationwide.
Specialty: 50% workers compensation, 30% general liability, 10% automobile, 10% property damage.
Self-insured clients/claims: Auditing: 125 projects conducted.
Client mix: Auditing: 40 corporations, 60 public/government entities, 10 multiemployer plans, 15 associations plans.
Staff: Three total staff members.
Charges: Auditing: flat fee, $75-$125 per hour plus expenses.
1988 gross revenues: Not reported.
Branch offices: Administrative office in Spokane, Wash.
Principal officers: Leo W. Heyenrath, senior partner.

I

Inservco Insurance Services Inc.

3461 Market St., Suite 201, Camp Hill, Pa. 17011; 800-356-0438

Year founded: 1980.
Parent company: Pennsylvania National Mutual Insurance Co.
Services provided: 10% claims administration, 15% adjusting, 75% other services.
Region served: Pennsylvania, New Jersey, North Carolina, Virginia and Maryland.
Specialty: 95% workers compensation. 3% general liability, 1% automobile, 1% professional liability.
Self-insured clients/claims: Administration: 21 clients. Adjusting: seven clients; types of claims include workers compensation, general liability, professional liability, automobile.
Client mix: Administration: seven multiemployer plans, six public/government entities, four corporations, four association plans. Adjusting: five corporations, two multiemployer plans.
Staff: 165 total staff members, 25 of whom serve self-insured clients only.
Charges: Administration: $35-$50 per hour. Adjusting: $30-$40 per hour, $50-$300 per claim. Auditing: $35-$45 per hour.
1988 gross revenues: Not reported.
Branch offices: Administrative offices in Trenton, N.J.; Greensboro, N.C.; Chesapeake, Va ; Pittsburgh, Altoona, Erie and Fort Washington, Pa.
Subsidiaries: Penn National Communications.
Principal officers: Marlin T. Wilbert, president; Robert L. Conrad, executive vp; Kenneth L. Shaffer, treasurer; Kenneth R. Shutts, secretary/general counsel.
Membership: SIIA, Self Insurance Exchange, National Council of Self Insurers.

Intermar Surveys Ltd.

901-2 Lansing Square, Toronto, Ontario M2J 4P8; 416-495-0458

Year founded: 1954.
Parent company: Tower Insurance Services.
Services provided: 50% adjusting, 50% other services.
Region served: Canada.
Specialty: 80% ocean marine, 20% inland marine.
Self-insured clients/claims: Adjusting: five clients.
Client mix: Adjusting: five corporations.
Staff: 25 total staff members, 20 of whom serve self-insured clients only.
1988 gross revenues: Not reported.
Branch offices: Administrative offices in Halifax, Nova Scotia; Montreal; Vancouver, British Columbia.
Principal officers: J. Potter, president; H.H. Schwartze, chairman.

J

Johns Eastern Co. Inc.

P.O. Box 4175, Sarasota, Fla. 34230; 813-957-3041

Year founded: 1946.
Services provided: 20% claims administration, 74% adjusting, 1% auditing, 5% other services.
Region served: Florida, Virginia, District of Columbia, Maryland, Delaware, Pennsylvania and New Jersey.
Specialty: 65% workers compensation, 15% general liability, 10% automobile, 5% property damage, 5% professional liability.
Self-insured clients/claims: Administration: 39 clients, $6 million claims paid. Adjusting: five clients; types of claims include workers compensation, automobile, general liability, professional liability. Auditing: three projects conducted.
Client mix: Administration: 20 public/government entities, 19 corporations. Adjusting: three public/government entities, two corporations. Auditing: three corporations.
Staff: 140 total staff members.
Charges: Administration: 5% of premium. Adjusting: 10% of premium. Auditing: $100 per hour.
1988 gross revenues: $6.7 million total.
Branch offices: Administrative and sales offices in Clearwater, Fort Lauderdale, Jacksonville, Lakeland, Miami, West Palm Beach, Orlando and Tampa, Fla.; Baltimore; Philadelphia; Greenbelt, Md.; Norfolk, Va.
Subsidiaries: West Coast Auto Appraisal, JECO Excess Agency Inc.
Principal officers: Donald L. Johns, chairman/president; K.M. Johns III, executive vp; Allen Ladd and Norman A. Sensinger, vps/regional managers.
Membership: SIIA, National Assn. of Independent Insurance Adjusters.

K

Keenan & Associates

2355 Crenshaw Blvd., Suite 200, Torrance, Calif. 90501; P.O. Box 4328, Torrance, Calif. 90510; 213-212-3344

Year founded: 1972.
Services provided: 28% claims administration, 2% adjusting, 70% other services.
Region served: California.
Specialty: 89% workers compensation, 5% automobile, 4% property damage, 2% general liability.
Self-insured clients/claims: Administration: 679 clients, $44 million claims paid. Adjusting: 91 clients; types of claims include automobile, general liability, workers compensation.
Client mix: Administration: 668 public/government entities, 11 corporations. Adjusting: 84 public/government entities, seven corporations.
Staff: 224 total staff members, 104 of whom serve self-insured clients only.
Charges: Administration: flat fee. Adjusting: by the hour.
1988 gross revenues: $16.1 million total, $4.9 million from claim services.
Branch offices: Administrative and sales offices in Santa Ana, Riverside, Fresno, Campbell, Sacramento and Chico, Calif. Additional sales offices in San Diego, San Rafael and Westlake Village, Calif.
Principal officers: John R. Keenan, president; David De Wenter, executive vp; Murton L. Munson, senior vp; Mark Schulte, vp.
Membership: California Administrative Service Organization.

N

NATLSCO (National Loss Control Service Corp.)

Kemper Center, Route 22, Long Grove, Ill. 60049-0075; 312-540-2400

Year founded: 1968.
Parent company: Kemper Group.
Services provided: 83% claims administration, 17% other services.
Region served: Nationwide.
Specialty: 65% workers compensation, 20% general liability, 9% automobile, 6% property damage.
Client mix: Administration: 175 corporations, one public/government entity.
Staff: 227 total staff members.
Charges: Administration: percent of incurred claims, percent of payroll, percent of annual premium/deposits, per claim.
1988 gross revenues: Not reported.
Branch offices: Administrative offices in Akron, Ohio; Fairfax, Va.; 94 branch offices of Kemper Group. Sales offices in North Quincy, Mass.; North Haven, Conn.; Summit, N.J.; New York and Syracuse, N.Y.; Philadelphia; Richmond, Va.; Charlotte, N.C.; Atlanta; Orlando, Fla.; Jackson, Miss.; Mansfield, Ohio; Chicago; St. Louis; Houston; Denver; Phoenix, Ariz.; Los Angeles; San Francisco; Seattle; Edina, Minn.
Principal officers: R.W. Satterfield, president; F.G. Minchk, G.J. Krafcisin, A.D. Odom and D.F. Benevich, vps.

North American Claim Management Co.

P.O. Box 6030, Tyler, Texas 75711; 214-561-6700

Parent company: Lindsey & Newsom Claim Services.
Services provided: 35% claims administration and adjusting, 5% auditing, 60% other services.
Region served: Nationwide.
Specialty: 35% automobile, 25% workers compensation, 20% property damage, 10% general liability, 10% professional liability.
Self-insured clients/claims: Administration: more than 50 clients, more than $25 million claims paid. Adjusting: 100 clients; types of claims include truck liability and physical damage, workers compensation, general liability. Auditing: five projects conducted.
Client mix: Administration: clients include corporations, public/government entities and association plans. Adjusting: 80 corporations, 20 public/government entities. Auditing: five corporations.
Staff: 700 total staff members, 100 of whom serve self-insured clients only.
Charges: Administration: time and expense, per claim file, percent of premium. Adjusting: time and expense. Auditing: per day, time and expense, flat fee.
1988 gross revenues: Not reported.
Branch offices: Administrative and sales offices in Richmond, Va.; Greensboro, S.C.; Dallas; Los Angeles. Additional sales offices in Atlanta; Charlotte, N.C.; Shreveport, La.; St. Louis; Boston.
Subsidiaries: North American Health & Rehabilitation, North American Livestock, Lindsey & Newsom Claims Services Inc., Vale National Training Center Inc.
Principal officers: Robert B. Irwin, president; Terry A. Grant, executive vp; Pat O'Neal, senior vp.

Northern General Services Inc.

153 U.S. Route 1, P.O. Box 1720, Scarboro, Maine 04074; 207-883-4393

Year founded: 1987.
Services provided: 55% claims administration and adjusting, 45% other services.
Region served: Maine and New Hampshire.
Specialty: 99% workers compensation, 1% general liability.
Self-insured clients/claims: Administration: 10 clients, $11.1 million claims paid. Adjusting: one client; types of claims include workers compensation.
Client mix: Administration: two corporations, seven public/government entities, one association plan. Adjusting: one corporation.
Staff: 32 total staff members, 27 of whom serve self-insured clients only.
Charges: Administration: flat fee, per claim; adjusting: time and expense.
1988 gross revenues: $800,000 total.
Principal officers: Raphael St. Pier, president; John Plunkett, vp and O. William Robertson, vps; Charles Mitchell, assistant vp-claims; Edward MacDonald, loss prevention manager.
Membership: Northern Maine Claims Assn., Southern Maine Claims Assn.

R

Recreation Underwriting Management Corp.

P.O. Box 184, Norwood, Mass. 02062; 617-769-4666; 617-239-0001

Year founded: 1986.
Services provided: 20% claims administration, 20% adjusting, 10% auditing, 50% other services.
Region served: Nationwide.

Continued on next page

EXCESS PROFESSIONAL MALPRACTICE MARKET FOR HOSPITAL AND NURSING HOME LIABILITY

DORANCO
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Doran Excess Underwriters Inc.
P.O. Box 1417
Mechanicsburg, PA 17055
717-697-4626

Philadelphia 215-925-0265
Outside PA 800-233-9797
Telex 842-546
Fax # 717-697-7506

Continued from previous page

Specialty: 75% general liability, 25% workers compensation.

Client mix: Administration: clients include corporations and public/government entities involved in recreation-related exposures.

Charges: By the hour.

1988 gross revenues: Not reported.

Subsidiaries: Full Recreation Risk Management Services.

Principal officers: Robert J. Hanson, president.

F.A. Richard & Associates Inc.

4641 Fairfield St., Metairie, La. 70006; 504-888-8672

Year founded: 1978.

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

Region served: Nationwide.

Specialty: 68% workers compensation, 25% automobile, 5% general liability, 2% professional liability.

Self-insured clients/claims: Administration: 29 clients, $13.7 million claims paid.

Client mix: Administration: 24 corporations, five public/government entities.

Staff: 130 total staff members, 65 of whom serve self-insured clients only.

Charges: Administration: monthly fee, per case.

1988 gross revenues: $5 million total, $2.5 million from claim services.

Branch offices: Administrative offices in Houma, Baton Rouge, Lafayette, Lake Charles, Alexandria, Shreveport and Monroe, La.; Houston; Huntington Beach, Calif.

Subsidiaries: Loss Control Systems Inc.

Principal officers: Francis A. Richard, president; Lolly J. Leger, executive vp; Todd Richard, secretary/treasurer; Dan Clark and David Cantrell, vps.

Patricia K. Rotchford & Associates

Box 4422, Northbrook, Ill. 60065; 312-498-2938

Year founded: 1986.

Services provided: 50% claims administration, 50% adjusting and auditing.

Region served: Nationwide.

Specialty: 80% professional liability, 10% property damage, 5% general liability, 5% automobile.

Self-insured clients/claims: Administration: 12 clients. Auditing: five projects conducted.

Client mix: Administration: 12 corporations. Auditing: five corporations.

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

1988 gross revenues: Not reported.

Principal officers: Patricia K. Rotchford and Donald Brayer, principals.

Royal Insurance Service Corp.

11111 Carmel Commons Blvd., Charlotte, N.C. 28226; 704-542-2523

Year founded: 1979.

Parent company: Royal Group.

Services provided: 83% claims administration, 2% auditing, 15% other services.

Region served: Nationwide.

Specialty: 50% general liability, 40% workers compensation, 8% automobile, 2% property damage.

Self-insured clients/claims: Administration: 62 clients, $32 million claims paid. Auditing: 28 projects conducted.

Client mix: Administration: 60 corporations, two public/government entities. Auditing: 28 corporations.

Staff: 42 total staff members, three of whom serve self-insured clients only.

Charges: Administration: per claim. Auditing: $75-$90 per hour plus expenses.

1988 gross revenues: $5 million total, $4 million from claim services.

Branch offices: Administrative and sales offices in New York and Chicago.

Principal officers: A. Evans, president; J. Amico, vp; A. Perchetz, secretary/treasurer; J. Notaro, assistant vp; R. Liersaph, director.

Membership: SIIA.

S

SIR Insurance Agency Inc.

12222 Merit Drive, Suite 1200, Dallas, Texas 75251; 214-770-4665

Year founded: 1983.

Services provided: 50% claims administration, 30% adjusting, 10% auditing, 10% other services.

Region served: Texas.

Specialty: 100% workers compensation.

Self-insured clients/claims: Administration: 10 clients, $5 million claims paid. Adjusting: 10 clients, types of claims include workers compensation. Auditing: 10 clients.

Client mix: Administration: 10 corporations. Auditing: eight corporations, one public/government entity, one association plan.

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

Charges: Administration: percent of estimated losses.

1988 gross revenues: $3.5 million total.

Subsidiaries: Self-Insurance Resource Inc., SIR Lloyd's Insurance Co., Standard Financial Indemnity Corp., SIR Financial Group Inc.

Principal officers: Keith C. Kakacek, president; Paul J. McVearry Jr., Gerald W. Dorsey II, Rae Kakacek and John R. Catanzano, vps.

Self Insured Risk Services

24370 Northwestern Highway, Southfield, Mich. 48075-2581; 313-354-9580

Year founded: 1980.

Parent company: Meadowbrook Insurance Group Inc.

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

Region served: Nationwide.

Specialty: 44% general liability, 21% workers compensation, 20% professional liability, 10% property, 5% automobile.

Self-insured clients/claims: Administration: 24 clients, $14.5 million claims paid.

Client mix: Administration: 12 corporations, nine association plans, three public/government entities.

Staff: 26 total staff members, all of whom serve self-insured clients only.

Charges: Administration: annual fee.

1988 gross revenues: $1.6 million total.

Branch offices: Administrative office in Grand Rapids, Mich. Sales offices in Minneapolis; Columbus, Ohio.

Affiliated companies: Star Insurance Co., M.I.N.T., Corporate Risk Consultants, MRM-Bermuda, Meadowbrook Agency.

Principal officers: James A. Kammerer, president; Robert Engle, vp; Thomas Tucker, vp-claims; Lindsay Hayes, vp-loss control.

Self Insurers Service Inc.

111 E. Wacker Drive, Suite 2914, Chicago, Ill. 60601; 312-819-5100

Year founded: 1956.

Parent company: Aon Corp.

Services provided: 80% claims administration, 2% adjusting, 8% auditing, 10% other services.

Region served: Nationwide.

Specialty: 70% workers compensation, 15% professional liability, 10% general liability, 5% automobile.

Self-insured clients/claims: Administration: 200 clients, $60 million claims paid. Adjusting: four clients; types of claims include workers compensation, professional liability, general liability, automobile, physical damage. Auditing: 16 projects conducted.

Client mix: Administration: 160 corporations, 35 public/government entities, five association plans.

Staff: 145 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per claim, flat fee. Adjusting and auditing: time and expense.

1988 gross revenues: $7 million total.

Branch offices: Atlanta; Milwaukee, Wis.; Toledo, Ohio; Denver; Jacksonville, Fla.; Irvine and Santa Clara, Calif.; Syracuse, Buffalo and New York, N.Y.; Las Vegas and Reno, Nev.; Phoenix, Ariz.

Principal officers: Roger M. Simpson, president; Jane Stapleton, managing director; William P. Vit, senior vp; Michael Shook and Richard Hill, assistant vps.

Membership: California Self-Insurers Assn., Illinois Self-Insurers Assr..

Self Insurors Service Bureau Inc.

P.O. Box 12928, Oklahoma City, Okla. 73157; 405-942-0501

Year founded: 1987.

Services provided: 95% claims administration, 4% adjusting, 1% auditing.

Region served: Oklahoma, Louisiana, New Mexico.

Specialty: 100% workers compensation.

Self-insured clients/claims: Administration: 10 clients, $3.5 million claims paid. Adjusting: two clients; types of claims include workers compensation. Auditing: one project conducted.

Client mix: Administration: four corporations, six association plans. Adjusting: two corporations. Auditing: one public/government entity.

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

Charges: Administration: 6%-10% of premium. Adjusting: $40-$50 per hour.

1988 gross revenues: $1.3 million total.

Branch offices: Administrative and sales offices in Metairie, La.; Albuquerque, N.M. Additional administrative office in Tulsa, Okla.

Principal officers: Jerry Fiser, president; Donna Marr, vp-operations; James Marr, vp-marketing.

Membership: SIIA.

Southern Risk Services Inc.

2211 7th Ave. S., Birmingham, Ala. 35233; 205-252-9870

Year founded: 1966.

Parent company: McGriff, Seibels & Williams Inc.

Services provided: 98% claims administration, 2% auditing.

Region served: Southeastern states.

Specialty: 75% workers compensation, 20% general liability, 5% automobile.

Self-insured clients/claims: Administration: 35 clients, $13 million claims paid. Auditing: five projects conducted.

Client mix: Administration: 22 corporations, 10 public/government entities, three association plans. Auditing: five corporations.

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

Charges: Administration: 6%-8% of annual premium. Adjusting: included in administration charges. Auditing: $300 per day plus expenses.

1988 gross revenues: $1.5 million total.

Principal officers: L.B. Feemster, president; Howard Haskell, Bill Muir and Mike Pritchett, vps.

Membership: SIIA.

T

Toplis & Harding Inc.

195 Broadway, New York, N.Y. 10007; 212-267-2700

Year founded: 1918.

Services provided: 10% claims administration, 80% adjusting, 7% auditing, 3% other services.

Region served: Nationwide and Canada.

Specialty: Professional liability, general liability, products liability, automobile, specialty risks.

Self-insured clients/claims: Administration: 100 clients. Auditing: 26 projects conducted.

Client mix: Adjusting: clients include corporations and public/government entities.

Staff: 300 total staff members.

Charges: Administration: annual fee, per claim, time and expense. Adjusting: percent of incurred claims, per claim, time and expense. Auditing: time and expense.

1988 gross revenues: $17 million total.

Branch offices: Located throughout the United States and Canada.

Subsidiaries: Lee McAndrews Inc., William A. Volpe Corp., Charles T. Theus Inc., Albert R. Lee Southern Inc.

Principal officers: Ian M. Winchester, president; John E. O'Connell, Richard G. Gregoire, F. Drake Ratcliff and Robert K. Tisdall, executive vps; Al Peters, senior vp-marketing.

Membership: National Assn. of Independent Insurance Adjusters, Loss Executives Assn. of New York, Excess & Surplus Lines Claims Assn.

U

UNIRISC Inc.

490 L'Enfant Plaza East S.W., Suite 7200, Washington, D.C. 20024; 202-479-4400

Year founded: 1971.

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

Services provided: 40% claims administration, 60% other services.

Region served: Nationwide.

Specialty: 60% inland marine, 30% ocean marine, 10% property damage.

Self-insured clients/claims: Administration: 15 clients, $3 million claims paid.

Client mix: Administration: 15 corporations.

Staff: 70 total staff members, 15 of whom serve self-insured clients only

Charges: Administration: $150-$500 per claim.

1988 gross revenues: $4.6 million total.

Branch offices: Administrative and sales offices in Paramus, N.J.; Orlando, Fla.; Lombard, Ill.; Dallas; Santa Ana, Calif. Additional sales office in Houston.

Principal officers: Gary L. Fullem, president; E. Diane Fletcher, executive vp; Joseph A. Gillespie, vp-finance; Wilma C. Nelsen, vp-client services; James E. Bailey, vp-sales.

Continued on next page

Today, the insurance market is sharp-eyed. Clients are more sophisticated. More informed. More aware of their options. What counts is substance. Here's ours: RLI's niche is specialty products and personal and small business umbrellas. To be the best in our niche, we're investing in better service systems, more streamlined claims processing capability. We're expanding our staff with specialized experts. Pros you can depend on for answers and action. Our image is substance.

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IMAGE VS SUBSTANCE

RLI

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Continued from previous page
Membership: Claims Prevention & Procedure Council.

W

Carl Warren & Co.
320 Arden Ave., Suite 110, Glendale, Calif. 91203; 800-854-1587; 800-824-1249 in California

Year founded: 1944.
Services provided: 60% claims administration, 40% other services.
Region served: Nationwide.
Specialty: 60% general liability, 40% automobile.
Self-insured clients/claims: Administration: 450 clients.
Client mix: Administration: 350 public/government entities, 100 corporations.
Staff: Approximately 200 total staff members, approximately 100 of whom serve self-insured clients only.
Charges: Administration: $34-$40 per hour plus expenses
1988 gross revenues: $14 million total, $8.5 million from claim services.
Branch offices: Administrative offices in Bakersfield, Calabasas, Covina, Fresno, Glendale, Long Beach, San Bernardino, San Diego, San Luis Obispo, Santa Ana, Santa Barbara and Ventura, Calif.
Principal officers: Roy George, president; Michael Dekema and Larry Hunt, executive vps; Patricia Dekema and Joan Weeks, vps.

The Westcott Corp.
P.O. Box 1543, Wausau, Wis. 54402-1543; 715-842-0412; 800-826-0012

Year founded: 1976.
Services provided: 80% auditing, 20% other services.
Region served: Nationwide.
Specialty: 50% ocean marine, 40% workers compensation, 10% general liability.
Self-insured clients/claims: Auditing: 25 projects conducted.
Client mix: Auditing: 25 corporations.
Staff: 13 total staff members, seven of whom serve self-insured clients only.
Charges: Auditing: by the hour plus expenses.
1988 gross revenues: $800,000 total.
Principal officers: Richard D. Westcott, president/treasurer.
Membership: International Assn. of Industrial Accident Boards & Commissions.

Scott Wetzel Services Inc.
500 Pacific Ave., Seventh Floor, P.O. Box 418, Bremerton, Wash. 98310; 206-479-0200

Year founded: 1941.
Services provided: 79.8% claims administration, 8.4% adjusting, 1.2% auditing, 10.6% other services.
Region served: Nationwide.
Specialty: 62% workers compensation, 28% general liability, 9% automobile, 1% professional liability.
Self-insured clients/claims: Administration: 432 clients, $320 million claims paid.
Client mix: Administration: 398 corporations, 29 public/government entities, five association plans.
Staff: 343 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per claim, 7%-13% of losses. Adjusting: $40-$75 per hour plus expenses. Auditing: $50-$100 per hour plus expenses.
1988 gross revenues: Not reported.
Branch offices: 23 administrative and sales offices in the United States. Regional marketing offices in Concord and Orange, Calif.; Chicago; Dallas; Houston; Tampa, Fla.; Mountainside, N.J.; Atlanta; Middletown, Conn.
Principal officers: John R. Harrold, president; R.B. Spratt and Terry Neal, executive vps; Vic Teti, vp-information services; Warren Zimmerman, vp-corporate services.
Membership: SIIA. ■

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A

Adjustco Inc.
2200 Powell St., Emeryville Calif. 94608; 415-547-3110

Year founded: 1973.
Services provided: 67% claims administration, 21% adjusting, 12% other services.
Region served: Nationwide.
Specialty: 67% workers compensation, 26% health insurance, 2% general liability, 2% automobile, 1% property, 1% flex compensation, 0.5% disability, 0.5% life.
Self-insured clients/claims: Administration: 240 clients, $480 million claims paid. Adjusting: 35 clients; types of claims include automobile, general liability, property, professional liability, workers compensation, inland marine.
Client mix: Administration: 181 corporations, 56 public/government entities, three association plans. Adjusting: 20 corporations, 15 public/government entities.
Staff: 855 total staff members, 760 of whom serve self-insured clients only.
Charges: Administration: flat fee, per claim, time and expense. Adjusting: time and expense, per claim.
1988 gross revenues: $42.7 million total.
Branch offices: Administrative and sales offices located nationwide.
Subsidiaries: Leonard J. Russo Insurance Services, PAS, Cost Containment Management, ABCO Premium Audit & Inspection.
Principal officers: Leonard J. Russo, president/chief executive officer; Jack Holton, executive vp/chief operating officer; Paul Braun, senior vp-claims administration; David North, senior vp-business development; David Crosby, vp-sales.
Membership: SIIA, National Council of Self Insurers, National Assn. of Independent Adjusters.

American International Adjustment Co.
P.O. Box 1178, East Orange, N.J. 07019; 201-414-2700

Year founded: 1978.
Parent company: American International Group Inc.
Services provided: 2% claims administration and adjusting, 98% other services.
Region served: Nationwide.
Specialty: 55% workers compensation, 25% general liability, 10% automobile, 5% property damage, 5% miscellaneous.
Self-insured clients/claims: Administration: 110 clients. Adjusting: more than 250 clients; types of claims include workers compensation, general liability, automobile.
Staff: 2,500 total staff members.
1988 gross revenues: $150 million total, $2.7 million from claim services.
Branch offices: Administrative offices nationwide. Sales offices in Boston, New York, Philadelphia, Atlanta, Dallas, Chicago, Los Angeles and San Francisco.
Subsidiaries: American International Health & Rehabilitation Services, American International Recovery.
Principal officers: Lawrence Dorman, chief executive officer; Robert W. Witty, president; Alexander Biel, vp-finance; Ronald W. Crump, vp-marketing.

Associated Risk Services Corp.
4501 Circle 75 Parkway, Suite B-2190, Atlanta, Ga. 30339; 404-980-1908

Year founded: 1984.
Services provided: 80% claims administration, 20% other services.
Region served: Nationwide.
Specialty: 60% workers compensation, 20% general liability, 10% automobile, 5% health insurance, 3% property damage, 2% professional liability.
Self-insured clients/claims: Administration: 56 clients, $47 million claims paid.
Client mix: Administration: 44 corporations, 11 public/government entities, one association plan.
Staff: 154 total staff members, 110 of whom serve self-insured clients only.
Charges: Administration: per claim.
Branch offices: Administrative offices in New Orleans; Orlando, Fla.; Columbus, Ohio; Burbank, Calif.
Subsidiaries: ARS Underwriters Inc., ARS Financial Services Inc.
Principal officers: Richard L. Maloney, president/chief executive officer; James C. Pullin, executive vp/legal counsel; Kathy Oliver and Don Walraven, senior vps; Orville Lewis, senior vp/president-ARS Underwriters Inc.

Assured Recoveries Ltd.
3375 Park Ave., Suite 2000A, Wantagh, N.Y. 11793; 516-579-6108

Year founded: 1988.
Services provided: 95% auditing, 5% other services.
Region served: Nationwide.
Specialty: 70% automobile, 10% general liability, 10% property damage, 10% disability.
Self-insured clients/claims: Auditing: three projects conducted.
Client mix: Auditing: three corporations.
Staff: 25 total staff members, all of whom serve self-insured clients only.
Charges: Auditing: time and expense.
1988 gross revenues: More than $100,000 total.
Branch offices: Sales offices in Philadelphia and Dallas.
Principal officers: John J. Wenz, president; John B. Wenz, vp/secretary.

B

Brown & Brown Inc.
220 S. Ridgewood Ave., Daytona Beach, Fla. 32014; 904-252-9601

Year founded: 1939.
Services provided: 25% claims administration, 75% other services.
Region served: Nationwide.
Specialty: 52% workers compensation, 46% health insurance, 2% disability.
Self-insured clients/claims: Administration: 22 clients, $40 million claims paid.
Client mix: Administration: 14 corporations, four public/government entities, three multiemployer plans, one Taft-Hartley plan.
Staff: 390 total staff members, 65 of whom serve self-insured clients only.
Charges: Administration: $3.60-$12 per employee per month.
1988 gross revenues: $25 million total.
Branch offices: Administrative and sales office in Orlando, Fla. Additional sales offices in Boynton Beach, Delray Beach, West Palm Beach, Brooksville, Fort Myers, Cape Coral, Port Charlotte, Sanibel, Sarasota, DeLand, Eustis, Kissimmee, St. Cloud, Melbourne, Fern Park and Tampa, Fla.
Subsidiaries: United Self-Insured Services.
Principal officers: J. Hyatt Brown, president/chief executive officer; Kenneth E. Hill, executive vp; E.G. Brewer, Robert Thomas III, Van Massey and Jim Henderson, senior vps.
Membership: National Assn. of Employee Benefit Administrators.

The Business Specialist Group Inc.
1847 Dock St., Suite 205, River Ridge, La. 70123; 504-734-8267

Year founded: 1986.
Services provided: 90% claims administration, 10% auditing.
Region served: Louisiana and Mississippi.
Specialty: 50% health insurance, 20% ocean marine, 10% workers compensation, 10% property damage, 10% pensions.
Self-insured clients/claims: Administration: four clients, $2 million claims paid. Auditing: four projects conducted.
Client mix: Administration: two corporations, two association plans. Health plans: 450 employees covered, 710 dependents covered.
Staff: 22 total staff members, three of whom serve self-insured clients only.
Charges: Administration: per employee per month, $3.10-$4.50.
1988 gross revenues: $2.5 million total.
Branch offices: Administrative and sales office in New Orleans. Additional sales offices in Baton Rouge, La.; Biloxi, Miss.
Principal officers: J. Nolan, president; E. Porche and W. Pickle, vps; W. Walter, secretary.

C

Claim Administrators Inc.
P.O. Box 36054, Richmond, Va. 23235; 804-379-2857

Year founded: 1985.
Services provided: 100% auditing.
Region served: Nationwide.
Staff: Two total staff members.
Charges: Auditing: $400-$750 per day.
1988 gross revenues: Not reported.
Principal officers: D.E. Oliver, president; C.F. Oliver, secretary.

Computer Sciences Corp.-Health & Administrative Services Division
4601 Presidents Drive, Suite 130, Lanham, Md. 20706; 301-306-9100

Year founded:1977.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 40% health insurance, 39% automobile, 21% property damage; administers National Flood Insurance and black lung programs for the U.S. government.
Self-insured clients/claims: Administration: 28 clients, $11.2 billion claims paid.
Client mix: Administration: 19 corporations, seven public/government entities, two multiemployer plans.
Staff: 2,000 total staff members, all of whom serve self-insured clients only.
Charges: Administration: flat rate, per claim, per member, per exposure.
1988 gross revenues: More than $100 million total.
Branch offices: Administrative offices in 37 locations. Sales offices in Sacramento, Calif.; Albany, N.Y.; Mount Laurel, N.J.

Continued on next page

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Continued from previous page

Principal officers: William R. Hoover, chief executive officer/president; Al Gluckson, secretary; Van B. Honeycutt, group president; Karl H. Hagenau, division president; Kenneth Van Wagner, senior vp.

Consolidated Risk Management Services

1602 Rolling Hills Drive, Suite 110, Richmond, Va. 23229; 804-285-8000

Year founded: 1968.
Parent company: Consolidated Healthcare Inc.
Services provided: 80% claims administration, 5% auditing, 15% other services.
Region served: Virginia, Michigan, Colorado, Pennsylvania, Maryland, North Carolina, Wisconsin, Delaware and Mississippi.
Specialty: 75% workers compensation, 10% health insurance, 8% general liability, 2% automobile, 2% property damage, 2% disability, 1% professional liability.
Self-insured clients/claims: Administration: 67 clients. Auditing: two projects conducted.
Client mix: Administration: 31 corporations, 26 public/government entities, 10 multiemployer plans. Auditing: two corporations.
Staff: 110 total staff members, 105 of whom serve self-insured clients only.
Charges: Administration: percent of premium. Auditing: per claim file, per project.
1988 gross revenues: Not reported.
Branch offices: Administrative offices in Fairfax, Va.; Farmington Hills, Grand Rapids and Saginaw, Mich.; Denver. Sales offices in Raleigh, N.C.; Pittsburgh; Fairfax, Va.; Farmington Hills, Mich.; Denver.
Principal officers: William D. Monday Jr., president; Michael P. Murawski and Darrell D. Jarvis, executive vps; Robert S. Patterson, senior vp.

Creative Risk Management Corp.

34820 Harper, Mount Clemens, Mich. 48043; 313-792-6355

Year founded: 1971.
Parent company: Lincoln National Corp.
Services provided: 64% claims administration, 2% adjusting, 1% auditing, 33% other services.
Region served: Nationwide.
Specialty: 40% workers compensation, 20% general liability, 20% health insurance, 10% automobile, 3% property damage, 3% inland marine, 2% flex compensation, 2% disability.
Self-insured clients/claims: Administration: 1,625 clients, $41.2 million claims paid. Auditing: four projects conducted.
Client mix: Administration: 104 corporations, 12 association plans, 11 public/government entities. Auditing: two public government entities, two association plans.
Staff: 82 total staff members, 75 of whom serve self-insured clients only.
Charges: Administration: percent of premium, flat fee, time and expense. Adjusting and auditing: time and expense.
1988 gross revenues: Not reported.
Branch offices: Administrative offices in Grand Rapids and Flint, Mich.
Principal officers: James W. Duff, president; Thomas D. Mather and W.T. Platt Jr., senior vps; Lisabeth S. Vernier, vp; F. Victor Warren, vp-claims.
Membership: SIIA.

D

H.L. Duke & Co. Inc.

7 S. Jefferson St., Roanoke, Va. 24011; 703-345-4767; 800-634-9036

Year founded: 1987.
Services provided: 80% claims administration, 20% other services.
Region served: Eastern states.
Specialty: 60% health insurance, 35% workers compensation, 5% disability.
Self-insured clients/claims: Administration: 95 clients.
Client mix: Administration: 95 corporations.
Staff: 11 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee, percent of premium.
1988 gross revenues: Not reported.
Branch offices: Administrative and sales office in Richmond, Va.
Principal officers: Henry L. Duke Jr., president; George A. Steadman and Thomas R. Brown, vps; C. Ed Williamson, senior account executive; Mary Skinner Powell, claims manager.
Membership: SPBA.

F

Florida Employers Insurance Service Corp.

2601 Cattlemen Road, Sarasota, Fla. 34232; 813-955-2811

Year founded: 1960.
Parent company: Florida Employers Insurance Co.
Services provided: 100% claims administration.
Region served: Florida.
Specialty: 90% workers compensation, 9% health insurance, 1% life.
Self-insured clients/claims: Administration: 14 clients, $100 million claims paid. Auditing: one project conducted.
Client mix: Administration: nine corporations, four multiemployer plans, one public/government entity.
Staff: 315 total staff members, all of whom serve self-insured clients only.
Charges: Administration: percent of premium.
1988 gross revenues: $15 million total.
Branch offices: Administrative offices in Fort Lauderdale and Sarasota, Fla.
Principal officers: Raymond Neff, president; John Dubreuil, senior vp-claims; David Webber, senior vp-finance; Robert McManus, senior vp-safety/underwriting; Jim Bos, senior vp-marketing.

G

GAB Business Services Inc.

Linden Plaza, 9 Campus Drive, Parsippany, N.J. 07054; 201-993-3400

Year founded: 1885.
Parent company: SGS North America Inc.
Services provided: 92% claims administration, 7% adjusting, 1% auditing.
Region served: Nationwide.
Specialty: 38% workers compensation, 24% general liability, 21% automobile, 11% miscellaneous, 6% health insurance.
Self-insured clients/claims: Administration: 483 clients, $820 million claims paid. Adjusting: 150 clients; types of claims include workers compensation, general liability, automobile, health, professional liability, marine, rehabilitation, safety and loss, value appraisal, investigative services.
Client mix: Administration: 412 corporations, 56 public/government entities, 15 association plans. Adjusting: clients include corporations and public/government entities. Auditing: clients include corporations and public/government entities.
Staff: 3,543 total staff members.
Charges: Administration and adjusting: per claim, time and expense. Auditing: time and expense, flat fee.
1988 gross revenues: $200 million total.
Branch offices: 600 administrative offices in the U.S. Sales offices in New York; Philadelphia; Washington, D.C.; Wichita, Kan.; Chicago; Kansas City, Mo.; Little Rock, Ark.; San Francisco; Los Angeles; Seattle; Dallas; Houston; Denver; Atlanta; Orlando, Fla.; Milwaukee; London.
Subsidiaries: ITS Inc., INS Investigations Bureau Inc.
Principal officers: R. Simon, chairman; W. Bergs and J. Rizzo, executive vps; R. Auckerman, senior vp; J. Darden, chief financial officer.
Membership: SIIA.

Gallagher Bassett Services Inc.

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

Year founded: 1962.
Parent company: Arthur J. Gallagher & Co.
Services provided: 84% claims administration, 1% auditing, 15% other services.
Region served: Nationwide.
Specialty: 34% workers compensation, 30% health insurance, 19% general liability, 8% property damage, 6% automobile, 2% disability, 1% professional liability.
Self-insured clients/claims: Administration: 735 clients, $545.7 million claims paid. Auditing: eight projects conducted.
Client mix: Administration: 383 corporations, 276 public/government entities, 76 association plans. Auditing: seven corporations, one public/government entity.
Staff: 778 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per claim, per employee, time and expense, fixed annual fee. Auditing: time and expense, by the project.
1988 gross revenues: $44.9 million total.
Branch offices: 77 administrative offices and 24 sales offices in the U.S.
Subsidiaries: Pacific-Atlantic Administrators Inc.
Principal officers: Robert E. Gallagher, chief executive officer; J. Patrick Gallagher, vp; John G. Campbell, chairman-Gallagher Bassett Services Inc.; Peter J. Durkalski, president-Gallagher Bassett Services Inc.; James W. Durkin, vp-employee benefits.
Membership: SPBA, SIIA, National Council of Self-Insurers.

H

Hartford Specialty Co.

Hartford Plaza, Hartford, Conn. 06115; 203-547-5901

Year founded: 1975.
Parent company: Hartford Insurance Group.
Services provided: 90% claims administration and adjusting, 5% auditing, 5% other services.
Region served: Nationwide.
Specialty: 60% workers compensation, 20% general liability, 10% automobile, 5% property damage, 5% professional liability.
Self-insured clients/claims: Administration: 208 clients, $138 million claims paid. Adjusting: 10 clients; types of claims include workers compensation, general liability and automobile liability. Auditing: 25 projects conducted.
Client mix: Administration: 177 corporations, 25 public/government entities, six association plans. Auditing: 20 corporations, five public/government entities.
Staff: More than 450 total staff members.
Charges: Administration: flat fee; adjusting: per claim; auditing: time and expense.
1988 gross revenues: $24.4 million total.
Branch offices: Sales and administrative offices in Dallas; Chicago; Los Angeles; Orlando, Fla.; New York; Detroit; Simsbury, Conn.
Principal officers: Ramani Ayer, president; Don Walker and Phil Griffin, executive vps; Ric Baker, Don Eldridge and John MacDonald, senior vps.

Health Risk Management Inc.

8000 W. 78th St., Minneapolis, Minn. 55435; 612-829-3500

Year founded: 1977.
Services provided: 13% adjusting, 7% auditing, 80% other services.
Region served: Nationwide.
Specialty: 90% health insurance, 5% workers compensation, 5% flex compensation.
Self-insured clients/claims: Adjusting: 40 clients; types of claims include health insurance, workers compensation, disability. Auditing: 15 projects conducted.
Client mix: Adjusting: 34 corporations, two Taft-Hartley Plans, two association plans, one public/government entity, one multiemployer plan. Auditing: 15 corporations.
Staff: 230 total staff members. 225 of whom serve self-insured clients only.
Charges: Adjusting: per case per capita. Auditing: by the project, per case.
1988 gross revenues: $15 million total, $3 million from claim services.
Branch offices: Administrative office in Phoenix, Ariz. Sales offices in Shrewsbury, N.J.; Boston.
Principal officers: Gary McIlroy, chief executive officer; Marlene Travis, president; Terry Booth, vp-sales, Bruce Kelley, vp-analytical services; Tim Temple, vp.

Hewitt, Coleman & Associates Inc.

P.O. Box 3665, Greenville, S.C. 29608; 803-242-4350

Year founded: 1923.
Services provided: 65% claims administration, 35% other services.
Region served: Nationwide.
Specialty: 69% workers compensation, 15% health insurance, 10% general liability, 5% flex compensation, 1% automobile.
Self-insured clients/claims: Administration: 100 clients, $50 million claims paid.
Client mix: Administration: 59 corporations, 27 public/government entities, 14 association plans.
Staff: 114 total staff members, all of whom serve self-insured clients only.
Charges: Administration: percent of premium, per claim, flat fee.
1988 gross revenues: Not re-

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ported.

Branch offices: Administrative offices in Atlanta; Raleigh, N.C.; Orlando, Fla.; Jackson, Miss.; Birmingham, Ala.; Denver. Sales office in Whippany, N.J.

Principal officers: Charles R. Warne, chairman/chief executive officer; Willard L. Quinn, Jr., senior vp-operations; E.J. Kaminski, senior vp-marketing.

Membership: SIIA, National Assn. of Safety & Claims Organizations.

I

Imperial Industries

101 S. First St., Second Floor, Burbank, Calif. 91502-1975; 818-954-0900

Year founded: 1947.

Parent company: PM Acquiring Co.

Services provided: 61% claims administration, 39% other services.

Region served: Nationwide.

Specialty: 97% health insurance, 2% disability, 1% workers compensation.

Self-insured clients/claims: Administration: 14 clients, $27 million claims paid.

Client mix: Administration: 12 corporations, two union-sponsored plans.

Staff: 65 total staff members.

Charges: Administration: $4.95-$6.37 per employee.

1988 gross revenues: $3 million total.

Branch offices: Sales office in Burlingame, Calif.

Principal officers: Robert L. Jenkins, president; Jack O. Moore, vp-administration/claims department; Wayne Fong, vp-finance; Chuck Thompson, vp-sales/service; Kathy Judd, vp-personnel/eligibility.

Membership: SPBA, International Foundation of Employee Benefit Plans.

International Surplus Adjusting Services

3700 Wilshire Blvd., Los Angeles, Calif. 90010; 213-480-4639

Year founded: 1979.

Parent company: CIGNA Corp.

Services provided: 30% claims administration, 40% adjusting, 10% auditing, 20% other services.

Region served: Nationwide.

Specialty: 70% general liability, 10% property damage, 5% workers compensation, 5% professional liability, 5% ocean marine, 5% life.

Self-insured clients/claims: Administration: 18 clients, $1.1 million claims paid. Adjusting: seven clients; types of claims include general liability. Auditing: 22 projects conducted.

Client mix: 36 corporations, four association plans.

Staff: 47 total staff members, 20 of whom serve self-insured clients only.

Charges: Administration: by the hour and other methods. Adjusting: by the hour. Auditing: $600 per day.

1988 gross revenues: $3.5 million total.

Branch offices: Administrative and sales offices in Phoenix, Ariz. and San Francisco.

Principal officers: Richard B. Piccinini, president; Jim Lee, vp; Bill Smith, Los Angeles branch manager; Jim Baker, San Francisco branch manager; Terry Berseth, Phoenix branch manager.

J

Fred S. James & Co. Inc.- Claims Management Services Division

1285 Ave. of the Americas, New York, N.Y. 10019; 212-333-8900

Year founded: 1958.

Parent company: Sedgwick Group P.L.C.

Services provided: 97% claims administration, 1% auditing, 2% other services.

Region served: Nationwide.

Specialty: 92% workers compensation, 3% general liability, 2% automobile, 1% property damage, 1% professional liability, 1% disability.

Self-insured clients/claims: Administration: 1,061 clients, $325 million claims paid. Auditing: 53 projects conducted.

Client mix: Administration: 780 corporations, 253 public/government entities, 28 association plans. Auditing: 45 corporations, eight public/government entities.

Staff: 450 total staff members, all of whom serve self-insured clients only.

1988 gross revenues: Not reported.

Branch offices: 45 administrative offices and more than 90 sales offices in the United States.

Affiliated companies: FPE Group, Risk Management Services, Risk Control Services.

Principal officers: Richard M. Page, chairman; Quill O. Healey, president; Norman A. Spargo, executive vp; Robert L. Young, vp/president-Claims Management Services.

Membership: International Assn. of Industrial Accident Boards & Commissions, National Council of Self-Insurers, Workers Compensation Research Institute.

M

MRM/Multi-Risk Management Inc.

820 N. Orleans, Suite 320, Chicago, Ill. 60610; 312-670-2100

Year founded:1977.

Services provided: 75% claims administration, 10% auditing, 15% other services.

Region served: Nationwide.

Specialty: 40% professional liability, 30% workers compensation, 29% health insurance, 0.5% flex compensation, 0.5% disability.

Self-insured clients/claims: Administration: 130 clients. Auditing: 12 projects conducted.

Client mix: Administration: 126 corporations, two public/government entities, two association plans. Health plans: 7,000 employees covered, 12,000 dependents covered.

Staff: 32 total staff members, 29 of whom serve self-insured clients only.

Charges: Administration: by the hour, annual fee.

1988 gross revenues: Approximately $1.5 million total.

Principal officers: Michael Burack, president; Bob Moysey, vp; Amy Cohen, secretary/treasurer.

Management Services Inc.

2 E. Main St., Suite 208, Danville, Ill. 61832; 217-446-1089

Year founded: 1860.

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

Region served: Nationwide.

Specialty: 45% health insurance, 40% workers compensation, 5% general liability, 5% automobile, 5% property damage.

Self-insured clients/claims: Administration: 747 clients.

Client mix: Administration: 272 corporations, 468 public/government entities, seven association plans. Health plans: 15,500 employees covered, 23,000 dependents covered.

Staff: 120 total staff members, 90 of whom serve self-insured clients only.

Charges: Administration: per employee per month for benefits; per contract or $50-$350 per claim for property/casualty.

1988 gross revenues: Not reported.

Branch offices: Administrative and sales offices in Oak Brook and Champaign, Ill.; St. Louis.

Subsidiaries: Cannon-Cochran Inc.

Principal officers: Sam P. Cannon, chief executive officer; Gary J. Schirmer, president; Robert L. Cowgill, Jerry Kats and Dick Wickert, vps.

Membership: SIIA, National Assn. of Employee Benefits Administrators, Self Insurance Assn. of Illinois.

McDonough Caperton Insurance Group

1 Hillcrest Drive, Charleston, W.Va. 25326; 304-346-0611

Year founded: 1933.

Services provided: 35% claims administration, 2% adjusting, 2% auditing, 61% other services.

Region served: Nationwide.

Specialty: 88% health insurance, 6% workers compensation, 2% professional liability, 2% disability, 1% pensions, 1% flex compensation.

Self-insured clients/claims: Administration: 292 clients, $419 million claims paid. Adjusting: 34 clients; types of claims include health insurance, workers compensation, professional liability.

Client mix: Administration: 250 corporations, 18 public/government entities, eight multiemployer plans, four Taft-Hartley plans, two union-sponsored plans, 10 association plans. Adjusting: 30 corporations, one public/government entity, three multiemployer plans. Auditing: 25 corporations, two multiemployer plans, one association plan. Health plans: 248,000 employees covered, 329,000 dependents covered.

Staff: 560 total staff members, 285 of whom serve self-insured clients only.

Charges: Administration: 90 cents-$18.50 per employee per month.

1988 gross revenues: $28.4 million total, $11 million from claim services.

Branch offices: Administrative offices in Big Stone Gap, Va.; Miami; Atlanta and Savannah, Ga. Sales offices in Cleveland; Pittsburgh; Lexington, Ky.; Roanoke, Va.; Atlanta; Charlotte, N.C.; Sarasota, Fla.; Wheeling, Parkersburg, Morgantown, Beckley and Huntington, W.Va.

Subsidiaries: McDonough Caperton Benefit Services.

Principal officers: Gaston Caperton, chairman; Marston Becker, president-McDonough Caperton Insurance Group; Andrew J. Paterno, president-McDonough Caperton Benefits Group; James M. Pennington, president-McDonough Caperton Benefit Services.

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

Mutual Assurance Administrators Inc.

5601 N.W. 72nd, Suite 354, Oklahoma City, Okla. 73132; 405-722-0444

Year founded: 1975.

Services provided: 75% claims administration, 10% adjusting, 10% auditing, 5% other services.

Region served: Oklahoma, Texas, Georgia, Alabama, Kansas and Arkansas.

Specialty: 90% health insurance, 5% flex compensation, 2% disability, 2% life, 1% workers compensation.

Self-insured clients/claims: Administration: 35 clients, $18 million claims paid.

Client mix: Administration: 28 corporations, five public/government entities, two association plans. Health plans: 18,000 employees covered, 12,000 dependents covered.

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

Charges: Administration: $6-$10 per employee per month.

1988 gross revenues: $850,000 total.

Affiliated company: Mutual Assurance Agency Inc.

Principal officers: Richard F. Carllson, president; Jacki R. Carllson, executive vp; N. Harold Huffman, vp-operations.

Membership: SPBA, SIIA, National Assn. of Employee Benefits Plans.

N

The NBA Group Inc.

346 Westbury Ave., Carle Place, N.Y. 11514; 516-333-8000

Year founded: 1982.

Services provided: 80% claims administration, 5% adjusting, 5% auditing, 10% other services.

Region served: Nationwide.

Specialty: 90% health insurance, 5% disability, 3% flex compensation, 2% workers compensation.

Self-insured clients/claims: Administration: 50 clients, $17 million claims paid. Adjusting: four clients; types of claims include medical and dental. Auditing: six projects conducted.

Client mix: Administration: 45 corporations, one public/government entity; three multiemployer plans, one association plan. Auditing: two corporations, one multiemployer plan, one Taft-Hartley plan, one union-sponsored plan, one association plan. Health plans: 20,000 employees covered, 37,500 dependents covered.

Staff: 40 total staff members, 30 of whom serve self-insured clients only.

Charges: Administration: per employee per month, $6-$15. Auditing: flat fee, time and expense, by the hour.

1988 gross revenues: $2.1 million total.

Branch offices: Administrative and sales office in Stanton, Calif. Additional sales office in Wilmington, Del.

Principal officers: Roger M. Slotkin, president; Darlene Ahmann, senior vp.

Membership: SPBA, SIIA.

National ConServ Inc. (NCSI)

451 Hungerford Drive, Rockville, Md. 20850; 301-251-1880

Year founded: 1972.

Services provided: 30% claims administration, 10% adjusting, 10% auditing, 50% other services.

Region served: Nationwide.

Specialty: 40% general liability, 40% property damage, 10% flex compensation, 5% professional liability, 5% bonds.

Self-insured clients/claims: Administration: 60 clients, $8 million claims paid. Adjusting: four clients; types of claims include property and liability. Auditing: 23 projects conducted.

Client mix: Administration: 23 corporations, 37 public/government entities.

Staff: 150 total staff members, 35 of whom serve self-insured clients only.

Charges: Administration and auditing: by the hour, $22.50-$65 plus expenses. Adjusting: by fee schedule, percent of net losses.

Branch offices: Administrative and sales office in Columbia, Md.

Principal officers: Gus Wittenborn, Larry Bucklew, George Mann and Dewey Jordan.

Membership: SIIA, Washington/Baltimore Claims Assn.

P

Penn General Service Corp. & Subsidiaries

P.O. Box 5007, 24700 Northwestern Highway, Suite 500, Southfield, Mich. 48075; 313-353-5800

Year founded: 1972.

Parent company: Republic Hogg Robinson Inc.

Services provided: 100% claims administration.

Region served: Nationwide.

Specialty: 75% health insurance, pensions, flex compensation, disability and life; 25% workers compensation.

Self-insured clients/claims: Administration: 263 clients.

Client mix: Administration: 252 corporations, two public/government entities, nine association plans. Health plans: 75,000 employees covered, 187,500 dependents covered.

Staff: 150 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per employee per month for health claims; percent of premium for workers compensation.

1988 gross revenues: Not reported.

Branch offices: Administrative and sales offices in Springfield, Mass.; Austin and Lubbock, Texas; Los Angeles; Atlanta; Cadillac, Mich. Additional sales offices in Dallas; Boca Raton, Fla.

Subsidiaries: Penn General Insurance Services of California, Penn General Services of Florida, Penn General Services of Georgia, Penn General Services of New England, Penn General Services of Michigan, Penn General Southwest Inc.

Principal officers: Charles E. Keller, president; Donald A Benyas, executive vp; William J. Nietschmann, Richard Wos and Larry Wheeler, senior vps.

Membership: SPBA, SIIA.

Professional Risk Management Inc.

P.O. Box 1049, Youngstown, Ohio 44501; 216-726-5800

Year founded: 1981.

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

Region served: Nationwide.

Specialty: 90% health insurance, 5% workers compensation, 5% COBRA.

Self-insured clients/claims: Administration: 58 clients, $14.5 million claims paid.

Client mix: Administration: 26 corporations, 32 public/government entities, four association plans. Health plans: 7,011 employees covered, 11,574 dependents covered.

Staff: 22 total staff members, all of whom serve self-insured clients only.

Charges: Administration: per capita.

1988 gross revenues: $750,000 total.

Principal officers: J.B. White, president/secretary; Robert E. Hogg Jr., treasurer.

Membership: SPBA.

Continued on next page

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FEBRUARY

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R

RMSCO Management Services Inc.

651 W. Washington Blvd., Chicago, Ill. 60606; 312-707-9000

Year founded: 1981.
Services provided: 75% claims administration, 10% adjusting, 15% auditing.
Region served: Nationwide.
Specialty: 97% health insurance, 1% flex compensation, 1% disability, 1% workers compensation.
Self-insured clients/claims: Administration: 37 clients, $20 million claims paid.
Client mix: Administration: 36 corporations, one association plan. Health plans: 16,827 employees covered, 8,368 dependents covered.
Staff: 18 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per capita.
1988 gross revenues: $803,000 total.
Branch offices: Administrative and sales office in Santa Ana, Calif.
Principal officers: Robert M. Schrayer, president; Karen Z. Vacko, executive vp; Max Robert Schrayer II and Richard A. Freeman, senior vps.
Membership: SPBA, SIIA.

Rasmussen Agency Inc.

60 Evergreen Place, East Orange, N.J. 07018; 201-675-3940

Year founded: 1975.
Services provided: 90% claims administration, 2% auditing, 8% other services.
Region served: New Jersey, Pennsylvania, Delaware, Maryland, Virginia, North Carolina.
Specialty: 80% workers compensation, 10% health insurance, 5% general liability, 5% automobile.
Self-insured clients/claims: Administration: 248 clients, $52 million claims paid. Auditing: four projects conducted.
Client mix: Administration: two corporations, 245 public/government entities, one multiemployer plan.
Staff: 144 total staff members, 132 of whom serve self-insured clients only.
Charges: Administration: percent of premium or budget, per employee per month, $4-$9. Auditing: by the hour, $30-$50 plus expenses.
Branch offices: Administrative and sales offices in Mays Landing, N.J.; Broomall, Pa.; Richmond, Va.; Raleigh, N.C.
Principal officers: R.H. Rasmussen, president; R.F. Hughes, senior vp/treasurer; C.D. Martin and L.E. Small, senior vps; A.J. Constantino, senior vp-claims.
Membership: SPBA, SIIA, National Assn. of Safety & Claims Organizations.

B.G. Redmon Associates Inc.

1921 S. Alma School Road, Mesa, Ariz. 85210; 602-730-9583

Year founded: 1971.
Services provided: 100% claims administration.
Region served: Arizona, New Mexico, California and Utah.
Specialty: 35% health insurance, 30% workers compensation, 20% general liability, 10% automobile, 5% disability.
Self-insured clients/claims: Administration: three clients, $3.5 million claims paid.
Client mix: Administration: three corporations. Health plans: 1,650 employees covered, 3,500 dependents covered.
Staff: Six total staff members, three of whom serve self-insured clients only.
Charges: Administration: flat fee.
1988 gross revenues: $400,000 total.
Branch offices: Administrative office in Phoenix, Ariz.
Subsidiaries: S.W. Benefits Center.
Principal officers: Bob G. Redmon, president; Mike Goldberg, vp/treasurer; Hank Mackey Jr., vp.
Membership: SIIA, Arizona Self-Insurers Assn.

Russell Insurance Services Inc. (RISC)

1380 156th Ave. N.E., Suite C-2, Bellevue, Wash. 98007; 206-644-1658

Year founded: 1986.
Services provided: 80% auditing, 20% other services.
Region served: Nationwide.
Self-insured clients/claims: Auditing: 10 projects conducted.
Client mix: Auditing: nine corporations, one association plan.
Staff: Two total staff members, one of whom serves self-insured clients only.
Charges: Auditing: by the hour, $125; flat fee.
1988 gross revenues: Not reported.
Principal officers: A. Dan Russell, president; Agnes M. Russell, vp.

S

Self Insured Services Co.

300 Security Building, Dubuque, Iowa 52001; 319-556-1456

Year founded: 1980.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 80% health insurance, 20% workers compensation.
Self-insured clients/claims: Administration: 70 clients, $35 million claims paid.
Client mix: Administration: 70 corporations. Health plans: 20,000 employees covered, 35,000 dependents covered.
Staff: 32 total staff members, all of whom serve self-insured clients only.
Charges: Administration: per employee.
1988 gross revenues: Not reported.
Branch offices: Administrative office in Plymouth, Minn. Sales office in Davenport, Iowa.
Principal officers: John E. Butler, president.
Membership: SPBA, Society of Professional Business Administrators; National Assn. of Safety & Claims Offices.

Smith Administrators

P.O. Box 6123, Salt Lake City, Utah 84106; 801-272-8811

Year founded: 1976.
Services provided: 100% claims administration.
Region served: Nationwide.
Specialty: 80% health insurance, 10% flex compensation, 5% workers compensation, 5% disability.
Self-insured clients/claims: Administration: 350 clients, $55 million claims paid.
Client mix: Administration: 319 corporations, 18 public/government entities, nine union-sponsored plans, four association plans. Health plans: 40,000 employees covered, 62,000 dependents covered.
Staff: 125 total staff members, 110 of whom serve self-insured clients only.
Charges: Administration: 7%-12% of billed premiums.
1988 gross revenues: $5.2 million total.
Branch offices: Sales office in Denver.
Principal officers: Richard L. Smith, chief executive officer; Wesley Argyle, attorney; Tony Thompson, controller; LaVon Elliott, claims manager; Robert Gerber, data processing manager.
Membership: SPBA.

U

Underwriters Safety & Claims Inc.

11405 Park Road, Louisville, Ky. 40223; 502-244-1343

Year founded:1941.
Services provided: 65% claims administration, 5% auditing, 30% other services.
Region served: Midwest states, Alabama, Arkansas, Mississippi, Tennessee and Kentucky.
Specialty: 40% workers compensation, 40% health insurance, 10% flex compensation, 10% disability.
Self-insured clients/claims: Administration: 49 clients, $50 million claims paid. Auditing: four projects conducted.
Client mix: Administration: 48 corporations, one public/government entity. Auditing: two corporations, two public/government entities. Health plans: 7,615 employees covered, 19,000 dependents covered.
Staff: 122 total staff members, 61 of whom serve self-insured clients only.
Charges: Administration: per claim, per employee per month. Auditing: time and expense.
1988 gross revenues: $8 million total, $2.5 million from claim services.
Branch offices: Administrative offices in Pittsburgh; Chicago and Marion, Ill.; Memphis and Knoxville, Tenn.; Paintsville, Ky.; Norton, Va. Sales office in Nashville, Tenn.
Principal officers: Bruce L. Ferguson, president; Bruce W. Ferguson, senior vp; Jack D. Stewart, vp-employee benefits; Scott C. Ferguson, vp-finance/administration; Gary G. Gilmour, vp-claims.
Membership: SIIA.

V

Vista Administrators Inc.

444 W. Galena Blvd., P.O. Box 10, Aurora, Ill. 60507; 312-844-2151

Year founded: 1981.
Services provided: 77% claims administration, 23% other services.
Region served: Metropolitan Chicago and surrounding counties.
Specialty: 98% health insurance, 2% workers compensation.
Self-insured clients/claims: Administration: eight clients.
Client mix: Administration: four corporations, three public/government entities, one union-sponsored plan. Health plans: 1,932 employees covered, 828 dependents covered.
Staff: Four total staff members, three of whom serve self-insured clients only.
Charges: Administration: $1-$2 per employee per month.
1988 gross revenues: Not reported.
Principal officers: Nicholas P. Viola, president/chief executive officer; Marilee Viola, secretary/treasurer.
Membership: Self Insurance Institute of Illinois, Chicago Claims Assn., International Foundation of Employee Benefit Plans.

W

Wausau Insurance Cos.- Risk Management Services Division

2000 Westwood Drive, Wausau, Wis. 54401; 715-845-5211

Year founded: 1911.
Parent company: Nationwide Group.
Services provided: 80% claims administration, 15% adjusting, 5% auditing.
Region served: Nationwide.
Specialty: 69% health insurance, 14% workers compensation, 12% professional liability, 3% general liability, 2% automobile.
Self-insured clients/claims: Administration: 139 clients, $160 million claims paid. Adjusting: six clients; types of claims include general liability. Auditing: three projects conducted.
Client mix: Administration: 126 corporations, 10 public/government entities, one multiemployer plan, two association plans. Adjusting: five corporations, one public/government entity. Auditing: one corporation, two public/government entities. Health plans: 800,000 employees covered, 1.7 million dependents covered.
Staff: 6,000 total staff members, 125 of whom serve self-insured clients only.
Charges: Administration: per claim, percent of incurred or paid losses, percent of payroll, percent of premium. Adjusting and auditing: time and expense, $27-$58 per hour.
1988 gross revenues: $9 million from claim services.
Branch offices: 27 administrative and 150 sales offices nationwide.
Subsidiaries: Countrywide Services Corp.
Principal officers: Paul A. Donald, chairman; Lee J. Weinberger, president/chief executive officer; Carl J. Santillo, executive vp-operations; Thomas Kryshak, executive vp-finance; Bill D. Wymore, executive vp-insurance services.

The Woodsmall Cos.

5 Crown Center, Kansas City, Mo. 64108; 816-421-7788

Year founded: 1974.
Services provided: 30% claims administration, 70% other services.
Region served: Nationwide.
Specialty: 92% health insurance, 5% workers compensation, 1% general liability, 1% automobile, 1% flex compensation.
Self-insured clients/claims: Administration: 51 clients, $44.3 million claims paid.
Client mix: Administration: 42 corporations, 5 public/government entities, two multiemployer plans, two association plans. Health plans: 23,000 employees covered, 45,000 dependents covered.
Staff: 118 total staff members, 52 of whom serve self-insured clients only.
Charges: Administration: 5%-8% of premium for property/casualty; $5-$10 per employee per month for employee benefits.
1988 gross revenues: $6.8 million total, $2 million from claim services.
Branch offices: Administrative and sales office in Des Moines, Iowa.
Subsidiaries: Woodsmall Public Risk Services Inc., Woodsmall Benefit Services Inc., Energy Assurance Inc.
Principal officers: Warren O. Woodsmall, chairman; Peter L. Woodsmall, president; Thomas E. Klug, J. Michael Brewer and Lanny J. Cowell, senior vps.
Membership: SPBA, National Assn. of Employee Benefit Administrators, Employers Council of Flexible Compensation. ■

Darwood takes NAIC post monitoring foreign insurers

KANSAS CITY, Mo.—John Darwood, former insurance adviser to the Bahamas Finance Ministry, now heads the Non-Admitted Insurers Information Office of the National Assn. of Insurance Commissioners.

Mr. Darwood assumed his new position earlier this month at the NAIC's headquarters in Kansas City, Mo.

Richard Clayson, former insurance liaison manager for the defunct Insurance Exchange of the Americas in Miami, is the Bahamas' new Nassau-based insurance adviser.

Mr. Darwood's new position with the NAIC—which compiles a list of non-admitted insurers it considers financially fit to operate in this country—involves "monitoring the ongoing financial situation" of those alien insurers, he explained.

"State regulators depend on the list to determine whether to let alien insurers operate in their state," he said.

Mr. Clayson said his goal in the Bahamas will be "tidying up the various aspects of the legislation" that allow captive formation.

In addition, Mr. Clayson said he will continue to build on the regulatory foundation left behind by Mr. Darwood.

The domicile currently allows captives to incorporate under the Insurance Act of 1969 or the External Insurance Act of 1983.

There are 31 captives in the Bahamas operating under both laws.

"We're running two almost parallel sets of legislation," Mr. Clayson explained. "Everyone's long-term ambition is to see that those are merged into one."

—By Michael Bradford

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Industry education, service weak: Scholar

By MARK A. HOFMANN

ATLANTA—Property/casualty insurance industry leaders must look beyond quick fixes to weather "some fairly serious crises" during the next five years, says a leading insurance scholar.

The industry must commit itself to a long-term program that includes consumer education and upgrading its practices and personnel, suggests William R. Feldhaus, interim chairman of the department of risk management and insurance at Georgia State University's College of Business Administration in Atlanta.

"You can't do it overnight with an ad blitz, he said.

The Insurance Information Institute hopes to raise tens of millions of dollars from insurers to finance a three- to five-year public relations campaign to rebuild the insurance industry's image (*BI*, Jan. 23).

A major effort that provides both consumer education and enhanced services is required to improve the public's attitude toward the insurance industry because the industry's image has hit "an all-time low," said Mr. Feldhaus during his keynote address at the winter meeting of the Insurance Marketing Communications Assn., held Jan. 16-18 in Atlanta.

Without these efforts, the same consumer frustration that led to the passage of Proposition 103 in California will give rise to "many more initiatives in many states."

Among other things, provisions of Proposition 103: mandate a rollback of property/casualty insurance "charges" to 20% below November 1987 levels; require the establishment of a non-profit insurance consumer-protection corporation; establish a prior approval rate system; subject insurers to the state's antitrust and unfair business practices laws; and prohibit insurers from canceling or failing to renew auto insurance policies, except under certain circumstances (*BI*, Dec. 12, 1988; Nov. 14, 1988).

Part of the industry's public image problem can be attributed to its evolution over the century, during the first half of which insurers concentrated on property coverage, Mr. Feldhaus said. Because the industry during this period operated as an "almost cartel" and prices were stable, insurers enjoyed a decent public image, Mr. Feldhaus said.

But over the past 50 years, the industry's orientation has shifted to liability coverages, "a much more difficult product to deal with," Mr. Feldhaus said.

Indeed, a comparison of the property/casualty insurance industry during each half-century period could lead observers to think they are viewing "two almost different industries," Mr. Feldhaus observed.

Increasing competition for liability insurance business followed by hard market periods over the past half century has led to market instability, which in turn has bred consumer distrust about the credibility of insurance pricing, he said, noting that the public believes insurers rack up "excessive profits."

Since the last —and arguably the worst—hard market in the mid-1980s, businesses, professional groups and governmental entities have spawned captive insurers and other alternatives to traditional insurance companies. Policyholder-owned insurers like A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd. are "not going to go away anytime soon," Mr. Feldhaus predicted.

Consumers also blame regulators for some of the problems because they feel that state insurance departments often look out for the interests of the insurers they regulate at the expense of consumer interest, Mr. Feldhaus said.

"I don't think the public has the confidence in regulators that it once did," Mr. Feldhaus said in an interview after his address.

The provision in Proposition 103 and in insurance reform initiatives proposed by consumer groups in several other states that would establish formal insurance consumer protection offices demonstrates the public's disillusionment with regulators' effectiveness, Mr. Feldhaus said.

Questions by the public about the insurance industry's commitment to consumer service add to insurers' image woes, he said.

Claims handling is a particularly sore spot among consumers, he noted.

Claims present insurers with "a tough situation in which to make friends and influence people," Mr. Feldhaus explained. Dealing with claims is inherently negative because a loss has been suffered.

But, consumers complain that insurers "lack responsiveness" and indeed "ignore claimants," which helps fill a well of bitterness, Mr. Feldhaus said.

Consumers feel that agents also provide inadequate service, he said. In many cases, consumers see no reason to have an agent because the agent seems to add no value to the transaction. "People ask, 'Why should I give this person money for lack of service?' " he said.

Mr. Feldhaus offered several possible cures for the public confidence crisis. Chief among those is a hefty dose of consumer education.

The insurance industry should promote education in high schools, because that is when most people—as teen-age drivers facing hefty auto insurance premiums—have their first contact with insurers, he said.

To help ameliorate that experience, all high school students should be taught the basic economics of insurance, Mr. Feldhaus said. Some state agents' associations have made "noteworthy efforts" to make high school students aware of the role that insurance plays in society, "but we need a lot more," he observed in an interview.

In many school districts, only students who take home economics or other non-college preparatory courses receive any instruction in insurance, and that instruction often only deals with how to be a smart shopper, he said.

Instruction in the hows and whys of insurance, as well as banking and general financial education, ought to be part of every high school student's curriculum, Mr. Feldhaus said.

A high school insurance education program also might help attract college students to an insurance career, Mr. Feldhaus said. Unpleasant experiences with or ignorance of the property/casualty insurance industry means that students enter college "already turned off by the business," he said. As a result, enrollment in college insurance and risk management courses has "at best plateaued," he added.

Mr. Feldhaus called on the insurance industry to further push the St. Louis-based American Assembly of Collegiate Schools of Business to require college business schools that seek AACSB accreditation to include insurance or risk management courses in their core curriculums.

The Orlando, Fla.-based American Risk & Insurance Assn., which represents college-level instructors of insurance and others interested in promoting insurance education, repeatedly has called for such a requirement. At ARIA's annual meeting in Reno, Nev., last August, a representative of the New York-based Risk & Insurance Management Society Inc. pledged RIMS' support in the effort (*BI*, Aug. 29, 1988).

But the AACSB has declined to require schools to include insurance or risk management courses as core subjects, because courses already required cut into the number of electives business students can take.

Mr. Feldhaus said that while he is pessimistic about the chances of risk management or insurance courses being added to the recommended core as stand-alone subjects, he thinks the basic concepts of both disciplines could be part of the broad areas of study already required by the AACSB.

In addition, insurers should try to educate their customers about the economics of the business, Mr. Feldhaus suggested. Insurers that educate their policyholders will retain a greater percentage of business than those that make no such attempt, he predicted.

Education should spread to the insurance industry workforce as well, he said. Insurers must upgrade personnel training programs, Mr. Feldhaus said.

At the same time, insurers should strengthen their relationships with agents, he added.

Agents also need to burnish their professionalism by bringing added value to the transaction and emphasizing customer service, he said. Public perception of agents "has shifted in a negative direction during the past three to five years" and it is up to agents to change that through renewed commitment to serving their clients, Mr. Feldhaus said. ■

IMCA eyes courses for communicators

ATLANTA—The Insurance Marketing Communications Assn. is considering creating a professional designation for insurance advertising and communications personnel.

The Wellesley, Mass.-based IMCA has begun working with the Insurance Institute of America in Malvern, Pa., to develop a curriculum for the proposed professional designation, which has the working title of "Associate in Insurance Marketing and Communication," said Ned Loughridge, manager of corporate communications for the Schaumburg, Ill.-based Zurich-American Insurance Group and a member of IMCA's Professional Designation Committee.

The effort is in a very preliminary stage, Mr. Loughridge stressed. IMCA envisions the curriculum eventually consisting of two or three courses dealing with marketing and communications issues that would be taken in conjunction with two of the 10 courses required for the Chartered Property & Casualty Underwriter designation, he said.

Meanwhile, IMCA continues to pursue the aims set forth in its twofold constitution, which are:

- To provide a forum for the exchange of insurance marketing communications information and techniques.
- To enhance the management and technical skills of its members.

To promote those aims, IMCA holds two annual meetings and issues periodic reports on communications issues of interest to property/casualty insurance company marketing and advertising officials.

The group currently has 150 members broken into two categories, according to William T. Hadley, IMCA executive director.

IMCA has 92 company members and 58 associate members. Associate members represent advertising agencies, publications and other organizations involved in marketing communications. Both types of membership carry dues of $400 per year.

IMCA was founded in 1923, and formerly was known as the Insurance Advertising Conference. Further information on the group can be obtained by writing to William T. Hadley, Executive Director, Insurance Marketing Communications Assn., 62 Northgate Road, Wellesley, Mass. 02181.

—By Mark A. Hofmann

Insurers must woo consumers to survive crisis, Bailey says

By MARK A. HOFMANN

ATLANTA—The nation's property/casualty insurance industry faces a "strange and unusual time" as it contends with a well-orchestrated attack from trial lawyers and some consumer activists, says an insurance industry attorney.

The public resents what it regards as insurers' reneging on promises to cut rates in exchange for tort reform, says William E. Bailey, special counsel to the New York-based Insurance Information Institute.

Add to the equation consumer activists' rage and California's Proposition 103, and insurers face a very ominous situation.

To combat the dilemma, Mr. Bailey urges property/casualty insurers to make a commitment to realign themselves with customers and persuade them that repeal of the McCarran-Ferguson Act will shrink rather than expand competition.

Mr. Bailey made his comments during an address at the winter meeting of the Insurance Marketing Communications Assn. in Atlanta Jan. 16.

"We have a market in which our customers don't trust us," he said. He made clear that he thinks some of the distrust can only be blamed on the industry itself.

Some insurers' ill-conceived promises to cut liability insurance rates if states passed tort reforms is an example of how the industry hurt itself, Mr. Bailey said.

" 'Give us tort reform and your rates will go down'—what a terrible thing to promise the American" people, he said.

Many of the tort reforms adopted by the legislatures amounted to "Pablum" that did little or nothing to control costs, he said. Insurers could not cut rates, and thus looked as though they had lied to the public.

"We promised a product at reduced prices and the American public believed us and we didn't deliver," he said.

At the same time, the tort reform crusade exacerbated the traditional animosity between the plaintiffs' bar and the property/casualty industry, Mr. Bailey said.

"We came out of the tort reform cycle with a heated plaintiffs' bar," he noted. The heat did not confine itself to private practice, either, for 19 state attorneys general brought suit against insurers last year, charging individual insurance and reinsurance companies, the Insurance Services Office Inc. and Lloyd's of London with violation of antitrust statutes (*BI*, June 20, 1988; March 28, 1988).

Mr. Bailey pointed out that attorneys general tend to be plaintiffs' lawyers before seeking public office. "They're angry and they have a populist movement that is appealing to our customers," Mr. Bailey said.

The passage of Proposition 103, which, among other things, rolls back most property/casualty "charges" to 20% below those of November 1987 and subjects insurers to several new price regulations (*BI*, Nov. 14, 1988), was "simply symptomatic" of consumer frustration with the insurance industry, said Mr. Bailey. That frustration was fueled, he stressed yet again, "by a self-interest group called plaintiff attorneys."

Insurers should react to the passage of Proposition 103 in several ways, Mr. Bailey said.

Insurance companies "have to make the commitment to realign" themselves with their customers, he said.

Insurers should never assume that consumers can "see through the false promises of a Proposition 103," he admonished his audience.

Insurers must also persuade consumers that repeal of the limited antitrust exemptions granted consumers under the McCarran-Ferguson Act and state statutes would shrink rather than expand competition in the insurance market, Mr. Bailey said. "McCarran-Ferguson benefits consumers," he said.

"What worries me most about discussions of the McCarran-Ferguson Act is the ignorance of those who discuss it," Mr. Bailey said. Such ignorance extends to the insurance industry, he said. To their detriment, insurers have not emphasized that the exemption is extremely limited, he said.

Mr. Bailey also criticized Ralph Nader, who has been at the forefront of those seeking to have the McCarran-Ferguson Act repealed (see story, page 64). According to Mr. Bailey, Mr. Nader is "a pro-government individual" who wants to convert the insurance industry into a "regulated utility." Doing so would benefit neither consumers nor insurers, Mr. Bailey said, adding that is a message that must be repeated.

"If you cherish this private sector business, it's time to communicate to our customers that as much as you don't like us, the alternative is worse," he said. ■

Bills seek to postpone Section 89 rules

By DEBORAH SHALOWITZ

WASHINGTON—The implementation of Section 89 non-discrimination rules for welfare plans would be delayed for one year under identical legislation introduced in the House and Senate.

H.R. 518, introduced Jan. 19 by Rep. Philip Crane, R-Ill., calls for a one-year delay in the Jan. 1, 1989, effective date of Section 89.

In addition, Sen. Steve Symms, R-Idaho, was expected to introduce a similar bill late last week.

"We must postpone (implementation of Section 89) if for no other reason than to send a message to the business community not to drop their benefit programs and wait until a broader understanding of the implications of Section 89 is understood," Rep. Crane said.

"How can we proceed with this program when no ground rules have been created?" Rep. Crane asked, referring to the lack of Internal Revenue Service rules on Section 89.

Drug testing

Only 3% of the nation's employers test workers for illegal drug use, according to a new government survey.

And although large employers are far more likely than small employers to have drug testing programs, large employers test relatively few employees for drug usage, according to data collected from 7,500 businesses last summer by the Bureau of Labor Statistics.

Among employers with 1,000 or more workers, 43% have drug testing programs, according to the survey.

Only about 2% of employers with fewer than 50 workers have drug testing programs, said the survey, which did not include governmental entities.

"The larger the establishment, the more likely it was to have a drug testing or employee assistance program," the survey concluded.

The incidence of employee assistance programs showed a comparable pattern—76% of employers with 1,000 or more workers had such programs compared with 9% of employers with fewer than 50 workers that had such programs, according to the survey.

Among employers most likely to have drug testing programs were mining companies, including oil and gas extraction operations, communications firms, public utilities and transportation firms, partly because of federal requirements, according to the survey.

Among employers least likely to have testing programs included those in the retail trade, services and construction industries, the survey showed. Employers in these industries tend to be small: 76% of both construction and service establishments had fewer than 10 employees, as did 67% of retail trade firms, according to the survey. In addition, those employers typically experience high worker turnover, which would make testing more costly, the survey found.

But employers with drug testing programs test relatively few of their employees, the survey found.

For example, in the 12 months prior to the survey, businesses with testing programs reported testing slightly fewer than 1 million current employees—or about 1% of all current workers, according to the BLS.

Of all workers tested, about 9% tested positive for drug use.

Employers typically are more interested in testing job applicants for drug use than testing current employees, the survey found.

For example, businesses tested about 3.9 million job applicants during the 12 months prior to the survey. Of the job applicants businesses tested, about 12% tested positive for drug use, according to the survey.

At the time the survey was conducted, about 4% of all employers without drug testing programs said they were considering beginning testing programs sometime during the next 12 months, and 3% said they were thinking about starting employee assistance programs.

Among employers considering implementing drug testing programs, 3% of businesses with fewer than 50 employees and 14% of employers with 1,000 or more workers were considering such programs, the survey said.

Washington

AIA's Suttle retires

William W. Suttle, senior vp-political affairs for the American Insurance Assn., is retiring to practice law.

Mr. Suttle began his AIA career as an associate counsel in 1972 in the association's Atlanta office. In 1979, Mr. Suttle moved to Washington to head the federal affairs department.

Mr. Suttle plans to practice law in Chapel Hill, N.C.

A replacement for Mr. Suttle has not been named.

The AIA represents 195 property/casualty insurance companies, which together write more than $54 billion in premiums annually and have assets of more than $118 billion.

Retirement forum

National retirement income policy will be the focus of a major two-day conference in Washington, D.C., sponsored by the American Council of Life Insurance, the Assn. of Private Pension & Welfare Plans, the U.S. Department of Labor and the AFL-CIO.

The conference will be held on March 16-17 at the Omni Shoreham Hotel in Washington.

The forum, "Towards a National Income Policy," will cover:

- Retirement income adequacy and security.
- Social Security.
- The impact of the federal budget deficit on public policy developments.
- Retirement savings and capital formation.
- Labor and management perspectives on retirement income policy.
- Pension assets in the American economy.

Invited speakers to the conference include Vice President Dan Quayle; Sen. David Pryor, D-Ark.; Rep. William Clay, D-Mo.; and representatives of business, labor, life insurance companies and consumer organizations involved in retirement income issues.

For further information, contact Stephen Kraus of the ACLI at 202-624-2109. ■

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Nader to seek U.S. regulation of Lloyd's

By STACY SHAPIRO

LONDON—Consumer activist Ralph Nader vows to seek support in the new Congress to repeal the McCarran-Ferguson Act and federally regulate foreign reinsurers like Lloyd's of London.

"We in the United States are pushing the U.S. Congress to hold comprehensive hearings on foreign reinsurers and their record," said Mr. Nader during a brief appearance at the Assn. of Trial Lawyers of America's winter conference in London earlier this month.

"These hearings will relate to proposals to federally regulate foreign reinsurers, require them to disclose more information and to establish a standby industry-funded reinsurance program to be used as a yardstick and as a contingency replacement when a reinsurance market begins to constrict or perhaps begins to conspire with primary insurers to tighten up" coverage availability, he said.

"There is clearly going to be interest in the repeal of McCarran-Ferguson," which grants insurers a limited exemption from federal antitrust law, Mr. Nader said.

Meanwhile, the consumer activist predicts that other states this year will consider legislation similar to California's Proposition 103, which—among other things—calls for the rollback of most property/casualty insurance "charges" to 20% below November 1987 levels (*BI*, Nov. 14, 1988). The rollback provision, however, has been stayed until the California Supreme Court rules on Proposition 103's constitutionality.

Mr. Nader added that if some or all of the provisions in Proposition 103 are considered unconstitutional by the court, he will propose another California ballot initiative along similar lines.

"People are thirsty for that 20% reduction," he said.

Also during the ATLA meeting, Mr. Nader continued his attack on Lloyd's of London that he began last July in a report on the 300-year-old institution (*BI*, July 11, 1988).

The report, prepared by Mr. Nader's Center for Study of Responsive Law in Washington, D.C., called Lloyd's a "driving force" behind the liability insurance crisis of the mid-1980s. The report charged that Lloyd's underwriters raised premiums, reduced coverage and led the rest of the reinsurance market to do the same.

The 154-page report also repeated many of the charges contained in the antitrust lawsuits filed by 19 state attorneys general against property/casualty insurance industry defendants, including former Lloyd's Chairman Peter Miller (*BI*, June 20, 1988; March 28, 1988).

When the report was published, Lloyd's chose not to respond, Mr. Nader pointed out. Only a few weeks later did "one of Lloyd's executives"—Lloyd's Chairman Murray Lawrence—choose to respond to the allegations in a speech, Mr. Nader said (*BI*, July 25, 1988).

Lloyd's underwriters have subsequently refused to speak publicly about the antitrust litigation or Mr. Nader's report, pointing out that the matter is "sub judice."

Underwriters also have pointed out that past public statements are being used as evidence against them in the antitrust litigation, making them wary of any further public statements.

However, refusing to comment because litigation is pending is "an all-purpose alibi for companies," Mr. Nader responded. "You'd almost think they'd have someone sue them in perpetuity so they can use that excuse."

The public statements that the underwriters made and that now are part of the antitrust litigation "are a small price to pay for free speech," Mr. Nader said.

Mr. Nader

"They certainly aren't saying they can't attack the U.S. judicial system because of cases pending. They certainly are spending a long time telling us how we have to reduce our protection for injured and sick people. I don't see how they can suddenly say that responding to a report like this is impossible because of pending litigation," he continued.

Meanwhile, Mr. Nader said he is "quite impressed" with the "constant confirmation" of his report on Lloyd's.

He noted that Lloyd's largest underwriting agency, Sturge Holdings P.L.C., recently announced a 37% increase in 1988 pretax profits. These profits are based on underwriting agency fees from the 1985 underwriting year, the year in which Lloyd's has said huge losses had to be paid because of the U.S. legal system, Mr. Nader pointed out.

"In 1985, Lloyd's was swarming over the media in the U.S. claiming precipitous losses, calamitous projections of further losses and demanding reduction of civil liability standards in the United States," he said. "It was also at a time when it was pulling out reinsurance backing from a number of primary insurers in the United States, leaving local governments, hospitals, day-care centers and other firms uninsured or only insured at very exorbitant rates.

"So I think it really is important to square this report with the subsequent months and events in order to understand why we in the United States are pushing the U.S. Congress to hold comprehensive hearings on foreign reinsurers and their record," he said.

The attention in the United States on Lloyd's will also deal with the "inadequate level of loss prevention activity" in the market, Mr. Nader said.

"Lloyd's is almost a non-entity in terms of being a presence for the adequacy of stronger levels of safety standards, whether on double bottoms on oil tankers or pushing for safer automobiles or safer flood- or hurricane-resistant practices," he said.

"It's just not the Lloyd's we read about in the 18th century when (underwriters) were pushing ships traveling to the Orient to be proficient in the use of lifeboats and they led the way in ship safety. Not only is there a very ineffective loss prevention program at Lloyd's, it's now much more of a financial cash cow than an engineering, underwriting organization."

Mr. Nader said that Lloyd's reminds him of an early General Motors Corp. before cars were made safer as a result of his campaigns.

(Mr. Nader's 1965 book, "Unsafe at Any Speed," focused on safety problems in the Corvair, which was manufactured by GM's Chevrolet division.)

Mr. Nader said he hopes Lloyd's and other insurers become safety advocates, "because I want them to be a substitute for me."

Insurers have a vested interest in safety because if companies do not act in a safe manner, insurers lose money, he said.

But first, insurers' immunity from some antitrust measures must be dismantled in order for the insurers to become safety-conscious, he said. "Then they are competing and can stand with a separate voice," he said.

Asked whether he would be visiting Lloyd's while he was in London, Mr. Nader smiled and said, "not without a bodyguard."

A member of the audience asked Mr. Nader: "If Lloyd's and foreign reinsurers are so greedy and devious, why haven't they been thrown out of the U.S. by the normal forces of the market?"

Mr. Nader replied: "The lead that Lloyd's has in reinsurance is such that others prefer to follow and profit in the wake of Lloyd's practices rather than challenge Lloyd's. It's a very tight fraternity, a very arcane fraternity called the international reinsurance market.

"It just doesn't pay for an upstart reinsurer to challenge Lloyd's when they can make so much money following Lloyd's lead and following Lloyd's assessment of risk.

"Also, they are all exempt from the antitrust laws so it encourages collusion and cooperation and protective limitation—antitrust jargon," he said. ■

Lawyers, federal judge debate tort system

By STACY SHAPIRO

LONDON—The U.S. tort system is to blame for the U.S. liability insurance crisis of the mid-1980s, says a London attorney, who called the United States "the most litigious society the world has ever known."

However, various proponents of the tort system—including a federal judge—defended the system, noting that contingency fees and punitive damages help improve safety.

The debate at the Assn. of Trial Lawyers of America's winter conference in London came off earlier this month, even though the scheduled contenders did not attend.

ATLA had attempted to stage a debate between leaders of the London insurance market and consumer activist Ralph Nader.

However, the London market leaders refused ATLA's invitation, saying they could not speak openly in light of the antitrust litigation filed against insurance industry defendants by 19 state attorneys general (*BI*, June 20, 1988; March 28, 1988). And, Mr. Nader missed the forum because fog grounded his flight in Shannon, Ireland.

Nevertheless, the British insurance lawyer and several Americans were able to joust over the causes of the liability insurance crisis of the mid-1980s and the value of the U.S. civil justice system.

And, upon his arrival, Mr. Nader defended the U.S. civil justice system.

David McIntosh, senior partner for the London law firm of Davies Arnold Cooper, told ATLA members that there is a very real need to address the "iniquities, unreliability and capriciousness of the U.S. tort system."

The U.S. court system is to blame for the liability insurance crisis of the mid-1980s, Mr. McIntosh said, pointing to giant jury awards in personal injury cases; contingency fees that encourage frivolous cases to go to court; and punitive damages that inflate awards.

In addition, U.S. plaintiffs' lawyers have participated in "the worst type of ambulance chasing" around the world, particularly in the Bhopal, India, chemical disaster where American lawyers "arrived at the scene almost before the incident happened and began to sign up illiterate clients with a view to being the first to start a class action in the U.S. courts," Mr. McIntosh charged.

"Consumer activists," like Mr. Nader, "have played a part in encouraging in the U.S. the most litigious society the world has ever known," Mr. McIntosh said.

"I recognize that some of you will be intrinsically hostile to many of the views that I have put forward, but I challenge you to justify in all respects a tort system which has been responsible for. . .bizarre awards," he said.

Specifically, Mr. McIntosh mentioned a $1.8 million award to an "overweight man with a pre-existing heart condition" from a lawn mower manufacturer as a result of the man suffering a heart attack after he repeatedly tried to start the mower.

Mr. McIntosh suggested that there should be changes in the U.S. civil justice system that already are implemented in the U.K. tort system, namely:

- Requiring the losing party to pay for the winning party's legal costs.
- Requiring that judges assess damages rather than by juries, who "can be over-influenced by emotional considerations."
- Limiting the scope of the discovery process.

Mr. McIntosh's views were countered by those of a U.S. federal judge, plaintiffs' attorneys and, later, Mr. Nader.

Judge Jim Carrigan of the U.S. District Court of Colorado defended use of the jury system for civil cases, contingency fees and punitive damages.

"I've known a lot of judges and a lot of juries and, frankly, I prefer juries," said Judge Carrigan. Juries provide an excellent cross-section of the community and reflect the values of that community while judges "are more concerned about their prostate than probate," he said.

When juries do give excessive awards, appellate judges frequently reduce the judgments or the cases are settled for lower amounts, he pointed out.

"I suggest to you that we grossly overestimate the intelligence of a certain class of judges and we grossly underestimate the intelligence of juries," Judge Carrigan said. "Juries are much smarter than you think."

Contingency fees "are what we regard as the key to the courthouse for the middle class," who are not eligible for legal aid and are not wealthy enough to pay attorneys on an hourly basis, said Judge Carrigan.

"I fervently believe that contingent fees help keep down the cost of litigation," because lawyers do not waste their time on cases they cannot win, he said, adding that attorneys spend less time and money on paperwork when they are working on a contingency fee basis.

"I suggest to you that the hourly fee and the Xerox machine are the twin bloodsuckers in the process of justice," he said.

Punitive damages also reduce both the number of cases litigated and their cost because manufacturers realize the huge risks involved in marketing a defective product, according to Judge Carrigan. As a result, fewer consumers are injured and have to go to court, he said.

"I suggest to you that rather than increasing the number of cases that we have, contingent fees and punitive damages prevent far more injuries than we litigate. . .and thus we have a much safer society as a result," he said.

Also disputing Mr. McIntosh's position was the immediate past president of ATLA, Eugene I. Pavalon of Asher, Pavalon, Gittler & Greenfield Ltd. in Chicago, who said that the insurance industry is attacking the U.S. justice system with false information.

"People who begin to attack our system with words like 'litigious society,' 'litigation explosion' and 'a lottery system of jury awards' (use) anecdotes which prove to be false, several of which David McIntosh relied upon," said Mr. Pavalon.

For example, the lawn mower case cited by Mr. McIntosh involved a doctor in his early 30s who purchased a lawn mower that apparently "proved not to be manufactured according to manufacturer specifications. He pulled the string 34 or 35 times. The result was he did suffer a heart attack," said Mr. Pavalon.

"Why is it that the attacks by the opponents of our present compensation and tort system have to rely on fraud and out-and-out distortion of facts in order to change the system and limit the rights of the victims?" Mr. Pavalon asked.

"The answer is very simple. When one looks at our system, at the cost of our system and what it provides for our society, the objective conclusion is that. . .our system not only works, it works extremely well and it provides more benefit to our society and, indeed, the U.K. should look very carefully and emulate it," he said.

Mr. Pavalon added that the liability insurance crisis was not caused by a "litigation explosion" in U.S. courts, but by the insurance industry's cash-flow underwriting between 1978 and 1981, which depended on high interest rates to bring in investment income. When interest rates plummeted, the insurance industry increased its rates "with a fierceness we had never seen before" Mr. Pavalon said.

Meanwhile, Mr. Nader says that as long as Lloyd's of London lobbies for tort reform in the United States, he will lobby for changes in the U.K. civil justice system like the adoption of a contingency fee system and jury trials for civil cases.

"There is greater pressure by Lloyd's of London and other foreign multinationals in the United States to bring down the protection afforded by the courts under U.S. common law to that of lower common denominators in, for example, Britain and South Korea," Mr. Nader said.

"Well, that's a very provocative display of modern day imperialism and as long as Lloyd's of London is going to lobby in the States to reduce the rights of injured and sick people in our courts of law. . .we will take an increased interest in lifting up the rights accorded to British citizens who are injured or sick as a result of negligence or criminal activity of corporations and others." ■

Congress

Continued from page 1

• Increasing federal excise taxes on premiums paid to foreign reinsurers.

• A renewed effort to establish a federal bureaucracy to notify workers that they could contract an occupational disease because of workplace exposure to certain hazardous materials.

• Reforming and strengthening the Occupational Safety and Health Administration.

"This has the potential to be a very exciting, a very interesting congressional session," said David Pratt, vp-federal affairs with the American Insurance Assn. in Washington, D.C.

For now, much of the interest and speculation is centered on the fate of the McCarran-Ferguson Act.

Efforts to amend or repeal McCarran-Ferguson are not a recent congressional development: Several measures were proposed in the late 1970s, and last year a bill that would have gutted McCarran-Ferguson cleared a House subcommittee (*BI*, June 20, 1988).

But prior efforts never had much broad-based congressional support. For example, last year's subcommittee approval of McCarran-Ferguson legislation came without the support of a single Republican member on the House Monopolies and Commercial Law Subcommittee.

Indeed, the subcommittee vote was seen by some observers as more of a kind of goodbye present to Rep. Peter Rodino, D-N.J., the retiring chairman of the House Judiciary Committee, than an indication of congressional desire to limit insurers' antitrust immunity.

Today, most observers agree that congressional interest in overhauling McCarran-Ferguson has expanded, fueled by consumer anger at the property/casualty insurance industry.

"It is clear that the industry faces a greater challenge on McCarran-Ferguson than it has in the past," said David Farmer, vp-federal affairs in the Washington, D.C., office of the Alliance of American Insurers.

Some say that the November approval of Proposition 103 by California voters is likely to cause congressmen to have second thoughts about supporting the insurance industry's wish that McCarran-Ferguson be left alone.

Because of Proposition 103, "the politicians recognize that the public is upset about insurance," said J. Robert Hunter, president of the National Insurance Consumer Organization in Alexandria, Va. "The vote tells congressmen that those too close to the industry may be at political risk," he said.

"Because of Prop. 103, the suits filed against the industry by attorneys general and high auto insurance costs, you'll likely have broader congressional interest in McCarran-Ferguson change," said Mr. Harkavy of RIMS, referring to the antitrust litigation filed last year by 19 state attorneys general against property/casualty insurance industry defendants.

"There will be a significant break. Support for McCarran-Ferguson changes will come from middle-of-the-road Republicans," predicted NICO's Mr. Hunter.

Some observers, though, question whether the drive to overhaul McCarran-Ferguson will get very far.

Acknowledging that his may be a minority view, Leslie Cheek, senior vp-federal affairs for Crum & Forster Inc., said the odds that Congress will overhaul McCarran-Ferguson are declining.

Mr. Cheek believes, for example, that Sen. Metzenbaum still lacks the votes to move a bill out of the Senate Judiciary Committee.

In addition, new, more politically moderate Bush appointees to such key agencies as the Federal Trade Commission will be more receptive to arguments that McCarran-Ferguson is worth preserving, Mr. Cheek said.

'Because of Prop. 103, the suits filed against the industry by attorneys general and high auto insurance costs, you'll likely have broader congressional interest in McCarran-Ferguson change,' said Mr. Harkavy of RIMS.

By contrast, some very conservative, soon-departing ideologues within the Reagan administration were opposed to any exemption from federal antitrust law.

"When all these things are put together, I see McCarran-Ferguson in less danger than in previous Congresses," Mr. Cheek said.

Regardless of the outcome of the McCarran-Ferguson debate, no one believes that advocates of change will attempt to subject all insurer activities to federal antitrust law.

Instead, certain joint activities—like participation in industrywide underwriting pools and sharing information on paid losses—would likely still be allowed if McCarran-Ferguson reform is approved.

"It would be a kind of a safe harbor approach. The industry would not have an exemption from antitrust law except for specified activities," Mr. Harkavy said.

The new Congress also will debate what has become a perennial issue: federal product liability reform.

Business groups say a uniform federal liability statute is necessary to assure more predictability and fairness in the tort litigation system.

While the congressional debate on various product liability bills has been going on for more than seven years, this year's debate will take a new twist.

While business groups concentrated their prior lobbying efforts on one branch of Congress at a time, this year lobbying groups will be making simultaneous reform pushes in the House and Senate.

"There will be an effort to have movement in both the House and Senate. That is the better approach," said Victor Schwartz, counsel for the Washington, D.C.-based Product Liability Alliance.

"We will go to the dance with partners in the House and Senate," said James Anderson, senior director of government relations for the National Assn. of Wholesaler-Distributors in Washington, D.C.

But the identity of those partners remains in doubt.

Rep. Bill Richardson, D-N.M., who sponsored a reform bill last session and successfully fought for passage in the House Energy and Commerce Committee, may relinquish his leadership on the product liability issue because of a possible entry in the New Mexico gubernatorial race, business lobbyists say.

And, plenty of doubts remain over whether product liability legislation can move beyond a House or Senate committee.

"It is a very difficult, tough issue. The trial bar is tough opposition," Mr. Harkavy pointed out.

"The obstacles to passage continue to be the same: powerful opposition from plaintiffs' attorneys along with opposition from those concerned about pre-emption of states' rights," said the Alliance's Mr. Farmer.

Continued on next page

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Congress

Continued from previous page

NAW's Mr. Anderson notes, though, that business groups have made good progress in winning more congressional support for federal product liability reform legislation. In the last session, the Democratic-controlled Energy and Commerce Committee approved a reform bill for the first time.

"We have a good track record in both houses," Mr. Anderson said, also referring to Senate Commerce Committee approval of reform legislation in earlier congressional sessions. "This is no time to give up."

Business groups also will be making a push for legislation to clarify some of the uncertainties in the 1986 amendments to the Risk Retention Act. That law makes it easier for employers and professional organizations to form special multiowner captives known as risk retention groups, or buy liability insurance on a group basis through purchasing groups.

Business groups have said that ambiguous provisions in the Risk Retention Act may retard the development of risk retention groups while discouraging insurers from providing coverage to risk purchasing groups.

And, regulators say that financially shaky insurers that write coverage through purchasing groups have attempted to use the Risk Retention Act to evade state regulation.

While business groups, such as the National Risk Retention Assn., declined to detail exactly what changes they will propose, their recommendations are expected to:

- Require purchasing group insurers to meet one of several objective standards—such as be admitted in at least one state or have a minimum amount of capital and surplus—before they could underwrite purchasing group coverages.
- Make clear that insurers do not have to submit rates and policy forms to regulators in every state in which a purchasing group has members. Some say a 1987 New York federal court decision gives regulators the right to demand such information.

Michael Mullen of the NRRA anticipates the introduction of new Risk Retention Act amendments within the next month. 'Our goal is enactment of a legislative package in the 101st Congress.'

While Commerce Department staffers have proposed that only one state—the state that a purchasing group declares as its principal place of business—could regulate rates and policy forms used by a purchasing group insurer, one source said that business groups may propose that no state could impose such requirements on a purchasing group insurer.

Michael Mullen, Washington counsel for the NRRA, anticipates the introduction of new Risk Retention Act amendments within the next month.

"Our goal is enactment of a legislative package in the 101st Congress," Mr. Mullen said.

The NAW's Mr. Anderson notes that it is too early to predict the chances that Congress will approve amendments clarifying the act.

"Those promoting clarification are now only beginning to make their views known to those on Capitol Hill. It's too soon to say how widely accepted these ideas will be," he said.

While business groups favor changes to the Risk Retention Act to eliminate uncertainties in the law, they worry that a new effort will be made to boost to 4% from 1% the federal excise tax on reinsurance premiums paid to foreign insurers. Such a proposal was killed last year.

"You can expect such a proposal when congressional staffers draw up their revenue-raising lists," Mr. Harkavy said.

"The fact that a higher excise tax raises more revenue" makes it more attractive to congressmen at a time of growing concern about budget deficits, said Andre Maisonpierre, president of the Washington, D.C.-based Reinsurance Assn. of America, which favors a higher excise tax (*BI*, Sept. 5, 1988).

Meanwhile, Sen. Metzenbaum's staff says the Ohio Democrat will make good on his earlier promise to introduce legislation—killed on the Senate floor last year—to create a new federal agency that would notify workers who are or have been at high risk of contracting an occupational disease because of workplace exposure to certain hazardous materials.

The notified employees also would be advised to seek medical testing to determine whether their exposure has or could result in illness. Employers would have to pay for the medical screening (*BI*, April 4, 1988).

Employers blasted the proposal, charging that notifying employees about the potential of contracting an occupational disease would significantly increase workers compensation and tort claims filed by employees.

While the proposal undoubtedly will resurface, business lobbyists say House leaders, angered by the Senate defeat of the proposal, may delay efforts to pass such a measure until they are assured that enough votes for approval exist in the Senate.

"The House wants assurance that a Senate bill can be passed," said Susan Spangler, director of risk management for the National Assn. of Manufacturers in Washington.

In another occupational and safety issue, business lobbyists expect that legislation will be proposed to beef up OSHA's ability to enforce workplace safety rules.

Indeed, a congressional task force chaired by Rep. Paul Henry, R-Mich., is exploring ways to improve OSHA's effectiveness as a safety watchdog. ■

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Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,621
Vice-Presidents, General Managers and Other Administrative Personnel 3,657

Financial:
Chief Financial Officers and Vice-presidents of Finance 2,993
Secretaries, Treasurers, controllers and other Financial Personnel 4,454

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,994
Sub-total **24,719**

Associations 477
Government, Unions and Educational Institutions 979
Commercial Consumers Sub-total **26,175**

Insurance Agents and Brokers 10,557
Insurance Companies 7,380
Actuaries, Consultants, Attorneys, Adjusters, Appraisers and Third Party Administrators 3,843
Others Allied to the Field . . . 2,991
TOTAL **50,946**

* Source Business/Occupational breakdown of qualified circulation, May 30, 1988 issue, as submitted to BPA for June 1988 BPA Publisher's Statement

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Kemper

Continued from page 2

"I am not down at all on property/casualty business. We intend to do well on both pieces. The main thrust is to sort out the pieces," Mr. Luecke said.

Mr. Luecke

Mr. Maatman also noted that the consolidation of the national property/casualty companies in the mutual unit will allow them greater flexibility in marketing their products.

"I think the national property/casualty companies will be able to play the underwriting cycle much smarter than in the past," Mr. Maatman said, while seeking to retain good business.

"To the degree that the marketplace permits, we will continue to be a viable competitor within the bounds of good sense," Mr. Maatman said. He said that move will allow the national property/casualty companies to lose some money in the short run without having to answer to stock market pressures.

"We can accept some added underwriting loss in return for market share," he said.

Mr. Maatman stressed, however, that adopting a more competitive strategy does not mean that the Kemper national property/casualty companies will become aggressive combatants for market share at any price.

"We are not going out to be the low price on the street," he said.

During the first nine months of 1988, 72.2% of the national property/casualty companies' $1.68 billion in net written premiums came from commercial lines and 27.8% came from personal lines, Mr. Maatman said.

He predicted that when the reorganization is completed, the ratio of commercial to personal lines premium for the national property/casualty companies may reach 80%/20%.

During the first nine months of 1988, Kemper's national property/casualty insurance companies' net written premium increased by 7.35% to $1.68 billion, compared with an industrywide increase of 2.2% during the same period. The national property/casualty companies' combined ratio for the same period stood at 103.4%, compared with an industry combined ratio of 104.9%.

Mr. Maatman said that Kemper's decision to pull out of the loss-ridden Massachusetts personal automobile market eventually could result in a two-point improvement in the combined ratio (*BI*, April 18, 1988).

Kemper Group's reinsurance operations will be retained by Kemper Corp. because "historically return on investment has averaged 20% and those are the kind of returns Kemper Corp. wants," said David B. Mathis, chairman and chief executive officer of Kemper Reinsurance Co.

A reinsurance operation, unlike a primary commercial property/casualty insurance company, can produce that higher return because "the reinsurance business has the ability to react to change in the marketplace" more quickly than a large primary insurer, Mr. Mathis said.

A reinsurance company's underwriting is under more central control than a large property/casualty company's, he explained, and so growth can be more controlled and dependent on conditions in the market.

Kemper Re currently cedes a "negligible" amount of business to Lumbermens and other Kemper Group units, a spokesman said, adding that practice is not expected to change following the split.

'I think the national property/casualty companies will be able to play the underwriting cycle much smarter than in the past,' Mr. Maatman says. 'We will continue to be a viable competitor within the bounds of good sense,' he says.

Kemper Corp. also will retain Freeport, Ill.-based Economy Fire & Casualty Co. and Decatur, Ill.-based Federal Kemper Insurance Co. to write personal lines property/casualty insurance and some "Main Street" business coverages in the Midwest, Mr. Luecke said.

However, property/casualty insurance will account for only about 15% of Kemper Corp.'s revenues following the split, nearly all of which will be personal lines business, Mr. Luecke said.

One question that remains is which unit—Kemper Corp. or the mutual companies—will own National Loss Control Service Corp., a unit that provides loss control and industrial hygiene services to Kemper Group policyholders and other clients.

Shearson's Mr. Ghose pointed out that apart from the quantifiable advantages the transaction will have for Kemper Corp. shareholders, the move also may have an important psychological impact.

In some ways, the division marks "the coming of age of Kemper," he said.

He noted that Kemper Corp. was incorporated in October 1967 as a non-operating holding company, with Lumbermens holding the bulk of its stock.

The purpose of the holding company was to make diversification easier for the Kemper Group as well as to give Kemper companies greater public visibility, Mr. Ghose noted.

Now, the latest move will allow Kemper Corp. "to move out of the shadow of Lumbermens" and assert an independent identity, Mr. Ghose said.

Lumbermens will hold about 48 million Kemper Corp. shares after the transaction is completed, down from about 58 million shares currently, Mr. Luecke said.

The shares to be transferred to Kemper Corp. would be held as Kemper Corp. treasury stock, thereby reducing the number of outstanding shares.

Mr. Luecke said that the stock transaction should be effective by April. He said that he expects "no hang-up" with regulatory approval for the change.

But, he said, the creation of separate management staffs and boards of Kemper Corp. and Lumberman's won't occur for "more than months."

Currently, all of Kemper Corp.'s services are provided by Lumbermens.

Mr. Luecke said that additional employees could be hired to meet staffing needs at the expanded Kemper Corp.

In addition, Kemper Corp. will seek to list its stock on the New York Stock Exchange to achieve a higher corporate profile in the market and to reduce stockholder transaction costs, Mr. Luecke said. The stock currently is traded on the NASDAQ over-the-counter market.

Kemper Corp. announced that it would raise its quarterly dividend to 21 cents per share from 18 cents, payable May 31 to shareholders of record as of May 10. ■

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Datebook

FEB. 6. Postemployment Benefits and the Proposed New Accounting Standard seminar in New York City, sponsored by the Financial Executive Institute; $295 for FEI members; $335 for non-members. **Also Feb. 10** in Dallas, **Feb. 16** in Los Angeles, **Feb. 21** in Washington, and **Feb. 23** in Chicago. Financial Executive Institute, 10 Madison Ave., P.O. Box 1938, Morristown, N.J. 07960; 201-898-4629.

FEB. 6-7. Ergonomics: Building Efficiency and Safety in the Workplace course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; $300. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6383.

FEB. 6-8. Contract Work and Contractors Liabilities conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 460 pounds ($814.20). Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

FEB. 8-10. Insurance Research Tools workshop in Lake Buena Vista, Fla., sponsored by the Society of Insurance Research; $200 for SIR members; $300 for non-members. Debra Krueger, Society of Insurance Research, P.O. Box 933, Appleton, Wis. 54912; 414-730-8858.

FEB. 8-11. Health Care Cost Issues in Workers' Compensation forum in New Orleans, sponsored by the International Workers' Compensation Foundation; $195 for IWCF members; $250 for non-members. John N. Shanks II. 1015 Merchants Plaza, East Tower, P.O. Box 2102, Indianapolis, Ind. 46206-2102; 317-636-5511.

FEB. 9. Private Health Insurance-Where Do We Go From Here? conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 210 pounds ($371.70). Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175.

FEB. 9. Medical Benefit Plan Performance breakfast seminar in Philadelphia, sponsored by MEDSTAT Systems Inc.; no charge. Blair Driskell, MEDSTAT Systems Inc., 777 E. Eisenhower Parkway, Ann Arbor, Mich. 48108; 313-996-1180.

FEB. 9-10. Accountants' Liability course in Washington, D.C., sponsored by the American Law Institute-American Bar Assn. Committee on Continuing Professional Education; $350 plus $25 non-refundable processing fee. Registrar, American Law Institute-American Bar Assn, 4025 Chestnut St., Philadelphia, Pa. 19104; 800-253-6397; 215-243-1661 within Pennsylvania.

FEB. 9-10. Insurance: Third-Party Liability Problems seminar in San Antonio, Texas, sponsored by the Defense Research Institute Inc.; $370 for DRI members; $395 for non-members. DRI, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

FEB. 9-10. Occupational Health Nursing Principles and Certification Review course in Torrance, Calif., sponsored by Fireman's Fund Risk Management Services Inc.'s Occupational Health Consulting & Ergonomics division; $295. **Also Feb. 23-24** in Denver; **March 9-10** in Cambridge, Mass.; and **March 30-31** in Arlington, Va. Annette B. Haag, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., P.O. Box 777, Novato, Calif. 94998-9002; 415-899-2423.

FEB. 9-10. Reinsurance Claim Management course in Hartford, Conn., sponsored by The College of Insurance; $595 for College sponsors; $695 for non-sponsors. **Also Sept. 19-20** in Chicago. The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111.

FEB. 9-10. Coping With Volatility: A Conference on Pension and Other Benefit Issues for 1988 and Beyond in Washington, D.C, co-sponsored by the National Assn. of State Auditors, Comptrollers & Treasurers and the law firm of Jones Day Reavis & Pogue; $285. Helena Sims, NASACT, 202-624-5451.

FEB. 14. Maximizing Coverage, Minimizing Costs workshop in Boston, sponsored by the Society of Chartered Property & Casualty Underwriters; $150 for Society of CPCU members; $180 for non-members; early registration discount available. **Also March 7** in Milwaukee and **March 28** in Akron, Ohio. Mari Jennings, Society of CPCU, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2735.

FEB. 15. Wellness Is Worth It seminar in Columbus, Ohio, co-sponsored by the Coalition for Cost Effective Health Services, Blue Cross/Blue Shield of Ohio and Johnson & Johnson Health Management Inc.; $15 for coalition members and students; $25 for non-members. Coalition for Cost Effective Health Services, 285 E. Main St., Columbus, Ohio 43215; 614-221-1381.

FEB. 15-16. The Future Shape of the London Insurance Market conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 395 pounds ($699.15). Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175.

FEB. 15-16. Managing Risk Communications seminar in Denver, sponsored by E.I. du Pont de Nemours & Co.; $925; $795 each for two or more registrants from same company. **Also March 30-31** in Houston; and **April 26-27** in Philadelphia. Du Pont, Room X5143B, P.O. Box 4500, Greenville, Del. 19807; 800-532-7233; 302-999-6982 within Delaware.

FEB. 16. Drugs and Alcohol in the Workplace seminar in Columbus, Ohio, sponsored by the Ohio Manufacturers' Assn.; $105 for OMA members; $140 for non-members. Ohio Manufacturers Assn., 33 N. High St. Columbus, Ohio. 43215.

FEB. 16. Labor and Employment Law Update seminar in Dallas, sponsored by the Greater Dallas Chamber; $100; Miriam Harris, Greater Dallas Chamber, 1201 Elm St., Suite 2000, Dallas, Texas 75270; 214-746-6765.

FEB. 16-17. Insurance and Reinsurance Taxation course in Scottsdale, Ariz., sponsored by The College of Insurance; $595 for College sponsors; $695 for non-sponsors. **Also April 26-27** in Chicago and **Nov. 16-17** in Honolulu. Professional Programs, The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111.

FEB. 16-17. Directors and Officers Liability —Strategies for the 1990s symposium in Los Angeles, sponsored by The Wyatt Co.; $725; $625 per additional registrant from same company. **Also March 16-17** in New Orleans. Mary Fontana, The Wyatt Co., 303 W. Madison St., Suite 2400, Chicago, Ill. 60606-3308.

FEB. 17. Risk Management Winter Seminar in Tampa, Fla., sponsored by Insurance Software Packages Inc.; $75. **Also March 3, March 10,** and **March 24.** Patti Mahaffey, Insurance Software Packages Inc., 5118 N. 56th St., Tampa, Fla. 33610; 800-237-8133; 813-621-6069 in Florida.

FEB. 20-22. 1989 Trustees and Administrators institute in Orlando, Fla., sponsored by the International Foundation of Employee Benefit Plans; $525 for IFEBP members; $600 for non-members. **Also June 26-28** in Lake Tahoe, Nev. Registration Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

FEB. 20-23. Insurer Solvency Assessment conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 595 pounds ($1,053.15). Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

FEB. 21. The Greenhouse Effect-Implications for Insurers conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 210 pounds ($371.70). Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

FEB. 21-24. Reinsurance Contract Wording seminar in Tarrytown, N.Y., sponsored by Robert W. Strain Seminars Inc.; $1,445. **Also Sept. 5-8.** Robert W. Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 914-832-9384.

FEB. 22. Human Factors in Loss Control course in New York City, sponsored by The College of Insurance; $195 for College sponsors; $245 for non-sponsors. Professional Programs, The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111.

FEB. 23. Managing Underground Storage Tanks in Illinois seminar in Rolling Meadows, Ill., sponsored by Gallagher Bassett Services Inc.'s Center for Risk Management Training; $85 for center clients; $110 for non-clients. Gallagher Bassett Services, 60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555.

FEB. 23-24. Transportation of Hazardous Materials/Waste course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; $100. **Also March 20-21** in Sacramento, Calif., **June 12-13** in Sacramento, Calif., and **July 10** in Los Angeles. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6383.

FEB. 23-24. Health Care Risk and Insurance Management: Constructing the Comprehensive Program seminar in Los Angeles, sponsored by the American Society for Healthcare Risk Management; $345 for ASHRM members; $465 for non-members. Trudy Goldman, ASHRM, 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6425.

FEB. 23-25. Qualified Plans, PCs and Welfare Benefits course in Phoenix, Ariz., sponsored by the American Law Institute-American Bar Assn. Committee on Continuing Professional Education; $525 plus $25 non-refundable processing fee. Registrar, American Law Institute-American Bar Assn., 4025 Chestnut St., Philadelphia, Pa. 19104; 800-253-6397; 215-243-1661 within Pennsylvania.

FEB. 24. Surviving Chaos, Issues and Answers for Uncertain Times seminar in Phoenix, Ariz., sponsored by the Arizona Central Chapter of the Risk & Insurance Management Society; $55 for RIMS members; $65 for non-members. James A. Brackney, Pinnacle Capital Corp., 502 S. Second Ave., Station 2352, Phoenix, Ariz. 85072-3999; 602-262-1053.

FEB. 24. Hot Topics: Section 89 in '89 Conference for Consultants and Plan Administrators in Dallas, sponsored by the Employers Council on Flexible Compensation; $285 for ECFC members; $335 for non-members. Employers Council on Flexible Compensation, 927 15th St. N.W., Suite 1000, Washington, D.C. 20005; 202-659-4300.

FEB. 26-28. 1989 HMO Policy Conference in Washington, D.C., sponsored by the Group Health Assn. of America; before Jan. 30: $495 for GHAA members, $595 for non-members, $390 for government employees; after Jan. 30: $580 for GHAA members, $680 for non-members, $390 for government employees. Group Health Assn. of America, 202-778-3228.

FEB. 27-28. Back Injury Prevention course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; $280. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6383.

FEB. 27-MARCH 3. Government Risk Management Seminars: Basic Fundamentals, Quantitative Methods, Advanced Techniques and School Risk Management seminars in Tucson, Ariz., sponsored by the Public Risk Management Assn.; $450 for PRIMA members; $500 for non-members; $50 discount for additional registrants from same organization. PRIMA GRM Seminars, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

APRIL 9-14. 27th Annual Risk Management and Employee Benefits Conference in Atlanta, sponsored by the Risk & Insurance Management Society Inc.; full week: $595 for members, $695 for non-members; partial week: $475 for members, $575 for non-members; one-day registration: $195 for members and non-members; full week and partial week registration fees increase by $100 after Feb. 10. RIMS Conference Department/Registration, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

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FSA proposal

Continued from page 1
after receiving full reimbursement from their employer for uninsured expenses, they would quit, leaving their employers holding the bag.

"There is a risk to the employer for employees who terminate employment early in the plan year and have big medical bills," said Marianne Gellatly Brackey, national practice leader with Hewitt Associates.

"Why should an employer face this kind of liability? It makes sponsoring FSAs a less attractive option for employers," said Gerald Uslander, a principal in the Louisville, Ky., office of William M. Mercer Meidinger Hansen Inc.

Consultants suggest there are steps employers can take to reduce the risk that they will be stuck with big medical bills from employees who quit their jobs before the end of a plan year.

One step companies could take would be to "front-load" employees' contributions to quickly build up balances in their FSAs, according to a Mercer analysis.

For example, employers could require workers to make larger contributions to their FSAs during the first few months of the year.

Typically, FSAs now are structured so that employees make level contributions to their accounts during each pay period.

While "front-loading" would reduce the likelihood that reimbursed medical expenses would exceed the balance in an FSA when an employee quit, taking an extra large bite out of employees' paychecks would decrease the appeal of FSAs to employees.

"Salary reduction is done on a budgetable basis. Employees make their decisions to participate based on how much they can afford to reduce their salary per pay period. An employee might say, 'I can't participate because my paycheck would be too small,' " said Catherine A. Corse, assistant vp-employee benefits at Barnett Banks Inc. in Jacksonville, Fla.

Another step companies could take to reduce their risk would be to require employees to sign an agreement that would allow companies to deduct any FSA shortfall from an employee's final paycheck, Mercer suggests. However, there is the possibility that the amount of the final paycheck still would not be sufficient to cover the shortfall, especially after income and Social Security taxes are withheld.

Mercer also notes that employers choosing this option should examine whether any state laws could prevent such a practice.

Other ways employers could reduce their risk would be to limit maximum contribution limits to an FSA or eliminate reimbursement for certain predictable expenses, such as orthodontia, according to a bulletin by the Employers Council on Flexible Compensation in Washington, D.C.

How much risk an employer would face would depend on employee turnover, noted Ms. Brackey of Hewitt Associates.

In addition, Ms. Brackey said that employees who participate in FSAs tend to be longer-term and less likely to leave.

The proposal creating this new risk for employers sponsoring FSAs is just one of several proposals that the IRS is expected to make in its new regulations.

Other expected IRS proposals, which tend to be more technical in nature, include:

- Employees could not contribute funds to their FSAs to pay for medical insurance premiums of a spouse who is covered under another employer's health care program.
- Employers could return to employees in an "equitable" manner unused balances in FSAs that now must be forfeited by employees under the IRS' 1984 "use it or lose it" rule.

Under that rule, employees who don't use all funds they contribute to an FSA by the end of a plan year must forfeit the balance in the account.

However, the IRS never has provided guidance on what employers should do with forfeited FSA funds. Some companies have donated the forfeitures to charity, while others have used the funds to pay for the administrative expense of running a flexible benefits program.

The IRS is likely to propose that employers could return the forfeited amounts as taxable cash to employees.

It isn't clear how this "equitable" distribution would be made. One way might simply be to take the total amount of leftover funds, divide it by the number of employees contributing to FSAs during the year and give that amount to each employee.

However, the distribution to any individual employee would not be based on the size of his or her forfeiture. That would run against the "use it or lose it" rule.

Continued on next page

California lawmakers mobilize while court reviews Prop. 103

By DONNA DiBLASE

SACRAMENTO, Calif.—California legislators are introducing a flurry of Proposition 103-related bills while the California Supreme Court considers the constitutionality of the controversial new law.

The proposals would, among other things, freeze property/casualty insurance premiums at current levels until the court rules on the law's constitutionality, enact a provision of the law currently stayed by the court and establish penalties for not complying with provisions of the proposition.

In addition, Proposition 103 supporters have filed with the Insurance Department proposals for regulations implementing the law.

Among its provisions, the law mandates a rollback of property/casualty insurance "charges" to 20% below November 1987 levels and requires establishment of a non-profit insurance consumer-protection corporation. The state Supreme Court has stayed implementation of those provisions while it considers the law's constitutionality (*BI*, Dec. 12, 1988).

However, other Proposition 103 provisions that became effective immediately after the court lifted its temporary stay of the law on Dec. 7 prohibit insurers from canceling or failing to renew auto insurance policies, except under certain circumstances, and mandate that the insurance commissioner, who has been appointed by the governor, be elected.

Two of the bills deal with the Proposition 103 provisions stayed by the state Supreme Court.

Assembly Bill 121, introduced by Assemblyman Patrick Johnston, D-Stockton, would require insurers to freeze premiums at Nov. 8, 1988, levels until the court rules on the law's constitutionality. The bill is being considered by the Assembly Finance and Insurance Committee.

And, S.B. 3, introduced by Sen. Dave Roberti, D-Hollywood, would establish an insurance consumer advocate office in the state Department of Justice. The bill has not yet been assigned to a committee.

Meanwhile, S.B. 103, a bill that would impose penalties on insurers that cancel or do not renew policies in all property/casualty insurance lines covered by Proposition 103, was amended to apply only to private passenger auto insurance policies.

The bill, which now also includes a sunset clause that would void the bill if Proposition 103 does not survive legal challenges, has been approved by the Senate Insurance, Claims and Corporations Committee and sent to the Senate Appropriations Committee.

S.B. 103, introduced by Sen. Alan Robbins, D-Van Nuys, and named after Prop. 103, would impose a fine equal to half the premiums charged in the preceding year on canceled auto policies. Alternatively, insurers would have to refund higher premiums paid by former policyholders who obtain coverage elsewhere.

Among other legislative actions:

- S.B. 205, introduced by Sen. Gary Hart, D-Santa Barbara, would prohibit candidates for insurance commissioner from accepting campaign contributions from insurers, brokers, agents or insurance industry political action committees.

The bill also calls for prohibiting a commissioner from working in the insurance industry for up to two years after leaving office. The bill has not yet been assigned to a committee.

- S.B. 5, also introduced by Sen. Roberti, would prohibit insurers from renewing auto policies in their affiliated companies at higher premiums. The bill also has not yet been assigned to a committee.

Following passage of Proposition 103, State Farm Insurance Cos. of Bloomington, Ill., announced that new auto insurance policies would be issued by a subsidiary that charges higher rates. Premiums charged by the subsidiary would be 20% to 60% more than State Farm would have charged, a State Farm spokesman estimated (*BI*, Nov. 28, 1988).

In addition, Voters' Revolt—the organization that drafted Proposition 103—and a coalition of other organizations backing the initiative filed an administrative petition with the California Department of Insurance proposing regulations to implement the law.

Among other things, the groups propose that petitions from insurers that request exemptions from the insurance "charge" rollbacks because the reductions would threaten their solvency be reviewed in public hearings by an administrative law judge within 14 days of the request.

The groups also propose that the insurance commissioner be required to decide whether to exempt the insurer from the rollbacks within three days of receiving the judge's recommendation.

The Insurance Department has until Feb. 17 to either accept the proposed regulations, deny them or conduct a public hearing on them.

The department is reviewing the petition.

In addition to these developments, Novato, Calif.-based Fireman's Fund Insurance Cos. has agreed to renew automobile policies according to provisions of Proposition 103 while the state Supreme Court reviews the law, a spokesman said.

The Insurance Department had issued a notice of non-compliance against seven of the insurer's affiliates that were issuing six-month extensions of policies instead of renewals. ■

Update

Hazard rule decision appealed

Continued from page 2
ruled that all industries must comply (*BI*, Dec. 5, 1988).

But, the appellate court did not issue a formal written order on when the Occupational Safety and Health Administration must begin enforcing the standard for the construction industry, and OSHA has not begun enforcing the standard.

The decision follows two other conflicting rulings by separate appellate court panels earlier in the year. A panel in July imposed a temporary stay but another panel in August ruled the construction industry is not exempt (*BI*, Sept. 5; July 18, 1988).

U.K. eyes legal system reform

LONDON—The British government last week proposed sweeping changes in the legal system of England and Wales, including adopting a "restricted" contingency fee system for the first time.

The Lord Chancellor, the British cabinet member who oversees the judiciary in England and Wales, recommended the changes in consultative documents issued last week. The proposals to streamline and make legal services more cost-effective include:

- Adopting a "restricted" contingency fee system. A fee would be based on the amount of damages awarded, as in the U.S. civil justice system. But, "restrictions on the amounts recoverable and on the stage at which they could be recovered" could be established in subsequent legislation, or "in codes of conduct produced by appropriate professional bodies," the Lord Chancellor said.

Unrestricted contingency fees are not "in the public interest," he said.

- Eliminating the distinction between trial lawyers—called barristers—and the lawyers who only prepare cases—called solicitors. The Lord Chancellor recommends that all lawyers granted "certificates of advocacy" be allowed to present cases in court.

The Lord Chancellor is accepting comments on the proposal until May. Legislation to enact the Lord Chancellor's recommendations likely will be introduced in Parliament this year (*BI*, Nov. 14, 1988).

Weavers offers legal cost cover

LONDON—A leading London underwriter of excess liability insurance for U.S. risks plans to offer legal defense cost insurance to publicly traded companies beginning next month.

H.S. Weavers (Underwriting) Agencies Ltd. will unveil its new legal defense costs insurance program at a Feb. 21 Lloyd's broker meeting.

The new policy is a breakthrough for policyholders because Weavers claims-made excess liability insurance policy excludes defense costs.

The new Weavers policy will offer limits of either 500,000 pounds ($885,000) or $1 million. But, other details of the coverage—including whether limits are aggregate or per claim, whether the policy is written on a claims-made or occurrence form and whether Weavers will offer primary or excess coverage—will not be made public until Feb. 21.

Travelers eliminates 225 jobs

HARTFORD, Conn.—Travelers Corp. is eliminating 225 jobs as part of an effort to reduce operating costs by $20 million annually.

The positions targeted for elimination include management and support positions in Travelers' agency marketing, employee benefits national accounts and business diversification divisions.

The largest number of layoffs will be in the employee benefits national accounts group, which primarily handles employee benefits operations and claims, a Travelers spokesman said.

In addition, 132 employees have accepted Travelers' "voluntary separation" option, which includes severance pay of up to one year's salary based on length of service.

The layoffs are in response to the second part of an ongoing "Cost Benefit Analysis," launched in December 1987. The first phase, concluded in June 1988 after a survey of 8,000 Travelers positions, prompted the insurer to eliminate about 900 employees. The cuts yielded an annual savings of about $120 million. The latest cuts were based on a survey of some 2,000 positions.

Illinois appeals offset ruling

CHICAGO—Illinois Insurance Director John E. Washburn is appealing a U.S. District Court ruling that reinsurers can offset payments they owe an insolvent insurer by amounts the insurer owes them if both debts arise prior to the insurer's liquidation.

Mr. Washburn filed a notice of appeal with the 7th U.S. Circuit Court of Appeals on Jan. 25 as the liquidator of Chicago-based Reserve Insurance Co.

Mr. Washburn is appealing a U.S. District Court judge's September 1987 reaffirmation of a 1985 decision by another U.S. District Court judge who held that 26 reinsurance companies could offset payments they owed Reserve with amounts Reserve owed them (*BI*, Sept. 21, 1987; Nov. 11, 1985). Mr. Wasburn contends that the reinsurers owe Reserve approximately $2.8 million.

Reserve was ordered liquidated in May 1979. The Illinois department would not say by how much Reserve is insolvent.

Briefly noted

A Louisiana judge last week signed a voluntary rehabilitation order for **Anglo-American Insurance Co.**, a Louisiana-domiciled insurer unrelated to Anglo-American Insurance Co. Ltd. of Great Britain. . . .Employees can defer up to $7,627 to their 401(k) plans this year, up from the 1988 limit of $7,313, the **Internal Revenue Service** announced last week. In addition, the maximum annual benefit that can be funded through a qualified defined benefit pension plan will be $98,064 this year, up from $94,023. However, the current $30,000 per participant limit on annual contributions to defined contribution plans remains unchanged. . . .**Aon Corp.** is merging its Cole, Booth, Potter Inc. reinsurance brokerage unit into subsidiary Aon Reinsurance Agency Inc.

FSA proposal

Continued from previous page

This proposal would have relatively little significance since forfeitures tend to be small.

In 1987, the average forfeiture for medical care FSAs was just $27 per participating employee, a Hewitt survey showed.

- Employees with FSAs who do not use all of their allotted vacation days could receive the value of those unused days as taxable cash.

"This would make vacation days a more valuable benefit," said Harry Conaway, a principal in Mercer's Washington, D.C., office.

- Certain taxable benefits, such as accidental death and disability coverage, could be included in flexible benefit programs. Currently, Section 125 of the Internal Revenue Code prohibits employers from offering some taxable benefits through a flexible benefit plan.

Employers like FSAs because they are a way of persuading employees to accept high medical plan deductibles and coinsurance requirements since workers enrolled in FSAs can use pretax—rather than aftertax—dollars to pay these expenses.

FSAs are popular among employees because FSAs allow them to use pretax dollars to pay for expenses that may not be covered by employer-sponsored benefit plans, like vision care and dependent care expenditures. ■

E&O cover

Continued from page 1

Republic and Winterthur have filed a motion to dismiss or stay National Union's lawsuit in New York pending the outcome of the Texas litigation.

The case began in August 1986 when Jack Hires of Sparks, Nev., filed a property damage and theft claim with Republic after his home was vandalized. The home repairs cost $4,617.60, while the theft claim totaled $10,091.34, according to National Union court papers.

Republic apparently thought it had settled the theft portion of the claim for $7,238.53 after issuing checks in January 1987. However, a lawyer representing Mr. Hires then asked if he could cash the checks without giving up the right to negotiate additional payments, according to an internal Republic memo included with National Union's complaint.

Republic refused to consider additional claims, and Mr. Hires in May 1987 filed suit in 2nd Judicial District Court in Reno, Nev., charging breach of contract, bad faith, misrepresentation and negligence.

In an amended April 1988 complaint, Mr. Hires added a claim for invasion of privacy and alleged that Republic "engaged in a continuous course of misconduct regarding the investigation, handling and payment of claims made by their insureds."

The case went to trial on May 9, 1988. Two days later, the jury—after deliberating for 48 minutes—returned the $22.9 million verdict against Republic, court papers say.

Mr. Hires' lawyer offered last November to settle the case for $12.1 million, and Republic wrote to National Union and Lexington Insurance Co.—another AIG unit and Republic's excess E&O insurer—on Nov. 22 requesting that they tender their policy limits to settle the claim.

The Nov. 22 letter noted that the two insurers had not acknowledged coverage of Republic's claim and that Republic considered this "tantamount to a denial" of coverage.

On the same day, Republic filed suit in 192nd Judicial District Court in Dallas against National Union, Lexington and seven commercial general liability insurers for a declaratory judgment that they must cover the Hires verdict.

Meanwhile, the Dec. 15, 1988, deadline set by Mr. Hires' lawyer for acceptance of the $12.1 million settlement offer passed, and Republic is now appealing the entire $22.9 million verdict, court papers say.

National Union wrote E&O coverage for Winterthur and several of its subsidiaries, including Republic, starting in July 1986. The 1986-87 and 1987-88 policies provided a $5 million limit over a $2 million self-insured retention.

National Union agreed to increase the limit to $15 million over the $2 million retention for the 1988-89 policy, which renewed in July after the Hires verdict was rendered, court papers filed by National Union show.

Lexington provided excess E&O coverage starting in July 1987, though court papers do not specify the limits of the excess coverage.

All three National Union policies included endorsements specifically covering Republic for punitive damages. But the endorsements exclude coverage where punitive damages are "uninsurable under the law."

It is not clear whether the punitive damages assessed against Republic are insurable, and one general liability insurer has already filed papers arguing they should not be covered as a matter of public policy.

One lawyer involved in the case pointed out that it still is an "open question" whether Nevada or Texas law will be applied in the case.

According to an analysis of punitive damage insurability by the Chicago law firm of Peterson, Ross, Schloerb and Seidel, Nevada has yet to determine whether punitive damages are insurable. Punitive damages are generally insurable in Texas.

In addition to the two E&O insurers, Republic's lawsuit names seven insurers that have written primary, excess and umbrella liability coverage for Republic since 1986. They are Royal Insurance Co. of America; United States Fire Insurance Co. and North River Insurance Co., both units of Crum & Forster Inc.; Transamerica Insurance Co.; Pacific Employers Insurance Co., a CIGNA Corp. unit; Chubb Custom Insurance Co., a Chubb Corp. unit; and National Surety Corp., a unit of Fireman's Fund Insurance Cos.

Royal wrote a $1 million primary limit for Republic, according to lawyers involved in the litigation.

The limits written by the other insurers and the layering of the liability insurance program are not described in court papers, however, and lawyers involved in the case said they could not provide additional details.

The nine-page Republic lawsuit argues that the claims brought in the Hires action fall within the coverage provided by the nine insurers and that the insurers have a duty to pay.

Despite receiving written notice of Republic's claim, the insurers have failed to meet their obligations, the suit charges. The insurers' failure to acknowledge their liability also "severely hampered" Republic's ability to consider the $12.1 million settlement offer by Mr. Hires' attorney, the suit charges.

All of the insurers have filed answers generally denying Republic's allegations, and some insurers have raised several specific defenses.

U.S. Fire and North River, for example, have replied that the jury verdict is not a covered claim under their policies and that coverage should be barred by the policies' late notice provisions and E&O exclusions, according to Robert D. Allen, a lawyer with Vial, Hamilton, Koch & Knox in Dallas, who represents the two Crum & Forster units.

Royal also has argued that the punitive portion is not insurable.

While discovery proceedings in the Texas case were getting underway, National Union filed suit against Winterthur and Republic in New York State Supreme Court in Manhattan for a ruling that the Hires verdict is not covered.

After Winterthur and Republic filed a motion to have the case moved to U.S. District Court in Manhattan, National Union filed an amended declaratory judgment complaint in the federal court Jan. 5.

In the complaint, National Union notes that although the Hires action was filed in Nevada in May 1987, Republic did not notify its E&O insurer of the suit under the terms of its 1986-1987 policy and did not mention it while seeking renewal for the 1987-88 policy period.

In addition, although the trial and resulting $22.9 million verdict occurred in May 1988, Winterthur and Republic did not notify National Union under the terms of the 1987-88 policy and did not report the loss in renewal applications for the 1988-89 policy period, the complaint says.

Winterthur President and Chief Executive Officer Robert T. Guyer applied for the 1988-89 renewal on May 20, 1988, one week after the verdict, but didn't mention the award, the complaint says. That same day, a claims officer of Republic Financial Services reported the Hires verdict in a memo to W.C. Hassard, RFS president and CEO, the complaint says.

Among other things, the memo suggested that National Union "be advised immediately to obtain their counsel and recommendations."

However, Mr. Hassard also made no mention of the Hires verdict when he made application for the E&O coverage renewal on behalf of RFS on June 1, 1988, 10 days after being advised of the verdict in the internal memo, National Union charges.

Republic notified Alexander & Alexander of the jury verdict on July 12, 1988, asking the broker to notify its E&O insurer. A&A in turn notified National Union on July 25, four days after inception of the renewed E&O policy, National Union says.

In its complaint, National Union asks for an order that Winterthur and Republic failed to provide timely notice of the Hires verdict and that they are not covered for the jury award under any of the three National Union E&O policies.

National Union also alleges that Winterthur and Republic fraudulently failed to disclose the award in their applications for the 1988-89 renewal, and that the 1988-1989 policy should therefore be considered void.

On Jan. 20, Winterthur and Republic filed a motion to dismiss or stay National Union's complaint on the grounds that litigation was already pending in the Texas state court.

U.S. District Judge Robert P. Patterson has not ruled on the motion. ■

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Car battery maker to appeal jury's $9.7 million judgment

By DONNA DiBLASE

SAN DIEGO—The manufacturer of an automobile battery that exploded and severely injured a San Diego man is appealing a $9.7 million jury verdict leveled against the company.

A San Diego County Superior Court jury on Jan. 20 awarded $3.2 million in compensatory damages and $6.5 million in punitive damages to San Diego-area residents Gary and Mona Jones after it found that Milwaukee-based Johnson Controls Inc. knowingly manufactured a defective car battery and failed to warn consumers of its potential hazards.

Johnson Controls manufactures the Die-Hard brand of auto batteries sold by Chicago-based Sears Roebuck & Co. Inc.

Sears, a co-defendant in the case, is not responsible for paying any portion of the award, according to David C. Haber, a partner with the Universal City, Calif., law firm of Knapp, Petersen & Clarke and the defense attorney for Johnson Controls and Sears.

Johnson Controls will appeal the award, maintaining, among other things, that the owner of the battery did not properly maintain or inspect it, Mr. Haber said.

"We expect the decision to be reversed," Mr. Haber said.

The battery was owned by Roger B. Hill, another defendant in the case, who also was not found liable for damages. Mr. Jones was trying to jump start Mr. Hill's car when the battery exploded.

Officials at Johnson Controls, which reported $2.7 billion in sales in 1987, declined to discuss details of the company's liability insurance program since the case is being appealed.

The Milwaukee office of insurance broker Marsh & McLennan Cos. Inc. places a portion of Johnson Controls' property/casualty insurance program, a spokeswoman for M&M confirmed. However, she declined to elaborate on details of the program.

"We're not worried about the insurance coverage because we don't expect to have to pay the award," Mr. Haber said.

The suit, *Gary Jones and Mona Jones vs. Sears Roebuck & Co. Inc.; Johnson Controls Inc.; Globe-Union Inc.; and Roger B. Hill*, was filed in May 1987. Globe-Union was the predecessor company to Johnson Controls.

According to court papers, the battery exploded as Mr. Jones made the electrical connection while attempting to jump start Mr. Hill's car in June 1986. Mr. Jones lost an eye and suffered brain damage that now causes him occasional seizures.

The suit charges that the battery was defectively manufactured and that it was not "suitable for use by the general public as an electrical power supply for automobiles."

In addition, both Sears and Johnson Controls knew that the battery was unsafe and failed to warn the plaintiffs of the "defective, dangerous and deficient character" of the battery, according to the court papers.

The suit also alleged that Mr. Hill "negligently and carelessly failed to maintain, inspect and otherwise service" the battery and knew, but failed to warn Mr. Jones, of the the battery's defective nature.

The suit sought from each defendant unspecified damages to cover medical costs, loss of wages and earning capacity and court costs.

However, defense attorney Mr. Haber says that neither Johnson Controls nor Sears should be responsible for any damages because the battery was improperly maintained.

"Batteries are explosive, and about one in a million do explode" under normal operating conditions, he said.

"But, in this case, the battery was already broken. It was 3½ years old, leaking and the owner tried to hold it back together" instead of having the battery repaired or replaced, Mr. Haber explained.

The battery was corroded with sulfuric acid, and when the acid was wiped from the side terminal, hydrogen leaked from the terminal's seal. When Mr. Jones attached a jump cable to the terminal, the battery exploded, Mr. Haber explained.

Mr. Haber said there have been no recalls of Die-Hard batteries "because there was no defect in this battery. This battery was abused and then stuck back together."

"There was a warning on the battery that said 'Danger: Explosion can cause blindness,' " Mr. Haber said.

And, no other similar suits are pending against Johnson Controls over the Die-Hard battery, Mr. Haber said.

However, he said he has heard of battery explosion cases in which the user of the battery does not act with due caution. For example, people have held a lighted match or blowtorch over a battery while examining the battery, he said.

According to Mr. Haber, one factor that may have led to the jury award was that the judge told the jury during the trial that Johnson Controls and Sears concealed from the plaintiffs during discovery internal documents regarding Die-Hard battery defects.

However, plaintiffs' attorney Harvey R. Levine, a partner with the San Diego firm of Shernoff & Levine, did introduce internal reports by Johnson Controls that he charged concluded that some batteries were defectively manufactured and could explode.

The reports—which were introduced along with other documentation on the battery, such as engineering reports—included information and analysis on Die-Hard batteries that had been returned under warranty, Mr. Haber said.

"We have never concealed documents," said Mr. Haber, contending that the documents had been available to the plaintiffs throughout discovery.

Mr. Levine could not be reached for comment.

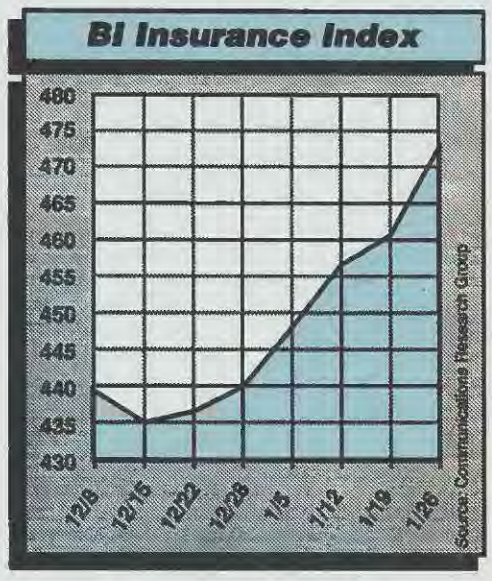
The jury decided to award damages against only Johnson Controls.

The company has filed a motion for a new trial and expects "to file the actual appeal in about a month," Mr. Haber said.

Johnson Controls will appeal the verdict on the basis that the battery was defective as a result of poor maintenance and that the defendants did not conceal any documents in the case, Mr. Haber explained.

If the award is eventually upheld, Sears would be held liable for the award only if Johnson Control is unable to pay the damages, Mr. Haber noted.

A spokeswoman for Sears confirmed that the retailer is largely self-insured for liability exposures, but declined to provide further details. ■



Insurance industry stocks soared last week, as the *Business Insurance Index* jumped 12 points to 473.2 on Jan. 26 from 461.2 on Jan. 19. Advancing issues were led by Sierra Health Services, up 19.7%; FHP International Corp., up 14.5%; and Kemper Corp., up 12.5%. Declining issues followed Northwestern National Life Insurance Co., down 3.7%; Alexander & Alexander Services Inc., down 3.7%; and The Home Group Inc., down 3%. The issue showing the most activity during the period was: Sears, Roebuck & Co. (Allstate) 2.8 million shares traded. The *BI Index* gained 2.6% for the period; Dow Jones 30 Industrials, up 2.3%; Standard & Poor's 500, up 1.6%; and the New York Stock Exchange Composite, up 1.5%.

British Issues

Jan. 26 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	376	12.1	25.3	6.7	376—366
Gen Accident	905	9.0	58.0	6.4	916—902
Gdn Royal Exch	201	10.8	13.1	6.5	201—197
Royal	420	13.7	30.0	7.1	420—414
Sun Alliance	1072	8.2	54.7	5.1	1070-1034
Brokers					
Bradstock	214	12.1	9.0	4.2	217—213
CE Heath	435	13.8	34.5	7.9	438—433
Hogg Robinson	152	14.1	8.0	5.3	164—163
Lloyd Thompson	203	16.0	8.0	3.9	203—200
PWS Holdings	128	18.3	5.2	4.1	131—128
Sedgwick Grp	251	20.9	16.0	6.4	255—247
Steel Brri Jones	217	19.4	13.3	6.1	217—214
Willis Faber	232	14.7	15.3	6.6	236—232

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

JANUARY 26, 1989 — 1/20/89 THRU 1/26/89

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander Svcs	NYSE	23.00	-3.7	-2.1	26.13	17.75	985	1.00	4.3	15.8	3.71	6.20
Corroon & Black Corp.	NYSE	31.75	0.4	2.0	34.75	28.00	78	1.08	3.4	4.8	12.40	2.56
Gallagher Arthur J. & Co.	NYSE	17.25	6.2	3.0	19.13	13.88	88	0.48	2.8	12.2	5.16	3.34
Hall Frank B. & Co.	NYSE	2.75	4.6	-4.5	5.50	2.50	54	0.00	0.0	-1.5	0.00	N/A
Hilb, Rogal & Hamilton	OTC	15.63	9.7	2.5	15.75	9.75	17	0.00	0.0	13.1	4.60	3.40
Marsh & McLennan Cos. Inc.	NYSE	57.50	0.6	2.2	59.63	45.25	342	2.50	4.3	14.1	6.74	8.53
Poe & Assoc Inc.	OTC	8.25	0.0	0.0	9.25	6.75	1	0.40	4.8	9.3	0.27	30.56
BROKERS	AVERAGE		2.5	0.4					2.8	9.6		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	31.50	0.0	6.8	32.00	23.50	66	0.36	1.1	6.8	17.63	1.79
Berkshire Hathaway Inc. DEL	NYSE	4875.00	4.3	39.6	5050.00	2755.00	45	0.00	0.0	19.6	2492.68	1.96
ITT (Hartford Group)	NYSE	54.38	2.1	8.5	54.88	43.25	1545	1.48	2.7	7.1	52.23	1.04
Sears Roebuck & Co. (Allstate)	NYSE	41.75	0.0	2.1	46.13	32.25	2759	2.00	4.8	10.9	34.74	1.20
CONGLOMERATES	AVERAGE		1.6	14.3					2.2	11.1		
INSURERS/REINSURERS												
Aetna Life & Cas Co.	NYSE	48.63	0.3	2.9	52.50	39.50	694	2.76	5.7	8.0	53.56	0.91
American General Corp.	NYSE	33.38	2.7	11.7	36.38	27.50	618	1.40	4.2	8.4	28.04	1.19
Amer Heritage Life Invt	NYSE	25.13	0.5	-2.4	27.00	24.00	5	1.08	4.3	10.6	20.98	1.20
Amer Indty Fin'l Corp.	OTC	10.75	0.0	2.4	12.00	8.25	2	0.56	5.2	7.0	15.26	0.70
American Int'l Group	NYSE	73.00	2.5	7.7	73.00	49.00	1327	0.40	0.5	10.8	33.56	2.18
Aon Corp	NYSE	27.75	-0.5	-0.9	29.00	21.88	106	1.28	4.6	9.1	15.13	1.83
Argonaut Group	OTC	48.50	1.0	10.9	49.00	29.50	67	0.00	0.0	7.2	29.19	1.66
AVEMCO Corp.	NYSE	24.00	-1.0	-7.3	28.75	17.88	16	0.34	1.4	11.2	7.74	3.10
Baldwin & Lyons Inc.	OTC	14.75	0.0	-0.9	16.38	12.13	7	0.20	1.4	6.1	17.57	0.84
Belvedere Corp.	AMEX	5.50	0.0	22.2	6.00	4.00	6	0.04	0.7	8.1	7.87	0.70
Chandler Insurance	OTC	10.88	0.0	17.6	11.25	4.25	83	0.00	0.0	5.3	7.18	1.52
Chubb Corp.	NYSE	61.13	2.7	5.4	63.38	51.25	448	2.16	3.5	7.0	46.13	1.33
CIGNA Corp.	NYSE	50.50	1.5	7.2	55.38	42.75	660	2.96	5.9	9.4	49.19	1.03
CNA Fin'l Corp.	NYSE	59.63	1.5	-1.4	66.13	51.00	290	0.00	0.0	9.4	46.40	1.29
Continental Corp.	NYSE	33.50	-0.4	3.5	41.63	31.50	629	2.60	7.8	10.7	42.10	0.80
Durham Corp.	OTC	32.00	-3.0	-3.0	36.75	21.50	8	0.92	2.9	37.2	26.00	1.23
Fireman's Fund Corp.	NYSE	31.63	1.2	8.1	33.50	25.75	584	0.50	1.6	6.7	26.17	1.21
Forum Re (Bermuda)	OTC	1.50	0.0	-8.0	4.00	1.13	0	0.00	0.0	4.2	2.58	0.58
Fremont Gen Corp.	OTC	13.75	1.9	2.8	14.00	8.75	334	0.60	4.4	9.3	16.24	0.85
Frontier Insurance Group	OTC	13.50	1.9	8.0	13.50	6.50	21	0.00	0.0	6.8	5.97	2.26
General Re Corp.	NYSE	58.25	-0.2	5.0	59.38	45.50	1081	1.20	2.1	11.8	26.21	2.22
Home Group Inc.	NYSE	12.25	-3.0	11.4	14.38	10.50	214	0.20	1.6	1.5	17.76	0.69
Hanover Ins Co.	OTC	26.75	0.0	0.0	27.75	20.50	269	0.36	1.3	5.1	25.10	1.07
Harleysville Group Inc.	OTC	19.13	1.3	6.3	19.50	13.38	28	0.48	2.5	7.5	16.65	1.15
Hartford Steam Boiler	OTC	37.50	2.0	2.0	37.75	22.50	185	1.40	3.7	10.8	10.65	3.52
Kans City Life Ins	OTC	33.00	0.0	-4.3	39.50	25.25	16	0.00	0.0	9.5	39.22	0.84
Kemper Corp.	OTC	27.00	12.5	12.5	27.50	20.75	1204	0.84	3.1	8.6	26.50	1.02
Lawrence Ins. Group	AMEX	8.25	0.0	4.7	11.63	4.50	3	0.24	2.9	18.3	2.90	2.84
Liberty Corp. S C.	NYSE	37.25	-1.0	3.5	47.25	33.88	12	0.80	2.1	12.9	17.40	2.14
Lincoln Nat'l Corp.	NYSE	47.25	2.2	7.4	53.50	40.25	201	2.48	5.2	12.2	36.62	1.29
NAC Re Corp	OTC	32.25	0.8	1.6	33.50	18.50	194	0.00	0.0	14.4	19.92	1.62
Navigators Group	OTC	22.00	3.5	10.0	21.75	14.50	4	0.00	0.0	10.7	12.88	1.71
Nobel Ins Ltd	OTC	5.00	5.3	5.3	9.50	3.75	8	0.42	8.4	-35.7	7.76	0.64
Northwestern Nat'l Life	OTC	29.75	-3.7	-4.4	34.50	22.63	374	1.12	3.8	7.1	35.05	0.85
Ohio Cas Corp.	OTC	42.25	8.3	18.2	41.00	32.25	221	1.88	4.4	7.9	27.86	1.52
Old Rep Int'l Corp.	OTC	26.13	6.1	8.9	25.88	19.13	152	0.74	2.8	6.1	27.82	0.94
Orion Cap Corp.	NYSE	19.88	8.9	29.3	20.75	13.13	153	0.76	3.8	6.8	9.34	2.13
Phoenix Re Corp.	OTC	10.25	5.1	7.9	11.00	6.75	70	0.00	0.0	5.6	11.08	0.93
Protective Life Corp.	OTC	14.25	4.5	7.5	15.13	12.25	59	0.70	4.9	17.4	17.25	0.83
Re Capital Corp.	AMEX	9.88	2.6	8.2	11.75	7.88	7	0.00	0.0	22.0	11.49	0.86
Provident Life & Acc Ins Co.	OTC	21.38	3.6	11.1	25.00	15.63	200	0.68	3.2	18.0	21.96	0.97
St. Paul Cos. Inc.	OTC	47.75	3.8	9.8	51.00	38.25	1299	2.00	4.2	6.7	35.83	1.33
SAFECO Corp.	OTC	27.00	5.3	14.3	30.00	22.75	1026	1.08	4.0	7.5	21.39	1.26
SCOR US Corp	NYSE	8.75	0.0	-4.2	9.50	6.63	31	0.20	2.3	6.3	9.39	0.93
Seibels Bruce Group Inc.	OTC	12.50	7.5	9.8	14.25	11.00	51	0.80	6.4	8.4	12.51	1.00
Selective Ins Group Inc.	OTC	23.75	1.1	3.3	26.50	19.25	54	1.24	5.2	5.3	19.52	1.22
Statesman Group Inc.	OTC	3.25	3.8	3.8	5.50	2.75	44	0.05	1.5	-325.0	3.48	0.93
Tokio Marine & Fire Ins	OTC	89.75	3.8	-1.8	98.00	63.25	23	0.22	0.2	54.4	0.00	N/A
Torchmark Corp.	NYSE	32.25	1.2	5.7	33.50	24.50	175	1.20	3.7	10.5	12.24	2.63
Transamerica Corp.	NYSE	33.13	-2.6	-2.2	36.75	29.75	624	1.88	5.7	7.6	24.94	1.33
Travelers Corp.	NYSE	35.50	0.0	2.2	40.00	33.00	1032	2.40	6.8	13.0	45.28	0.78
Trenwick Group Inc.	OTC	15.00	0.0	3.4	15.00	9.75	120	0.24	1.6	14.7	15.41	0.97
United Fire & Cas Co.	OTC	30.50	0.4	0.0	30.50	24.00	5	1.08	3.5	5.1	22.56	1.35
United States Fid & Gty	NYSE	30.25	1.7	6.1	34.38	28.50	652	2.64	8.7	8.1	19.53	1.55
UNUM Corp.	NYSE	27.00	0.4	0.0	28.13	17.88	254	0.48	1.8	11.3	28.53	0.95
USLIFE Corp.	NYSE	37.88	1.0	8.6	40.13	28.00	138	1.36	3.6	10.0	46.77	0.81
Washington Nat'l Corp.	NYSE	26.00	2.0	-3.7	28.75	24.00	12	1.08	4.2	-7.5	32.33	0.80
Zenith Nat'l Ins Corp.	NYSE	17.13	1.5	-2.1	23.88	15.00	108	0.80	4.7	8.0	12.53	1.37
INSURERS/REINSURERS	AVERAGE		1.8	5.0					3.1	3.7		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International Corp.	OTC	14.75	14.5	21.6	14.50	6.00	224	0.00	0.0	8.1	2.77	5.32
HMO America Inc.	OTC	1.06	6.0	12.8	2.75	0.81	48	0.00	0.0	-1.7	1.12	0.95
Maxicare Health Plans	OTC	0.75	8.7	0.0	4.25	0.50	357	0.00	0.0	-0.1	0.00	N/A
Pacificare Health Systems	OTC	15.00	7.1	22.4	15.00	5.75	13	0.00	0.0	13.2	5.51	2.72
Saleguard Health Ent.	OTC	5.50	0.0	0.0	0.00	0.00	21	0.00	0.0	11.0	2.50	2.20
Sierra Health Services	AMEX	2.25	19.7	38.0	3.00	1.25	39	0.00	0.0	17.3	1.59	1.42
United Health Services	OTC	5.06	12.4	12.4	2.69	1.75	214	0.00	0.0	-1.9	2.59	1.95
United Medical Corp.	AMEX	5.63	-2.1	7.2	6.13	2.50	39	0.00	0.0	-281.5	3.91	1.44
U.S. Healthcare	OTC	6.00	0.0	3.3	8.88	4.25	2199	0.16	2.7	33.3	2.89	2.08
Western Health Plans Inc.	AMEX	0.81	8.0	17.4	1.69	0.25	10	0.00	0.0	-0.4	0.82	0.99
HMOs	AVERAGE		7.4	13.5					0.3	-20.2		
ALL COMPANIES	AVERAGE		2.5	6.2					2.6	1.6		

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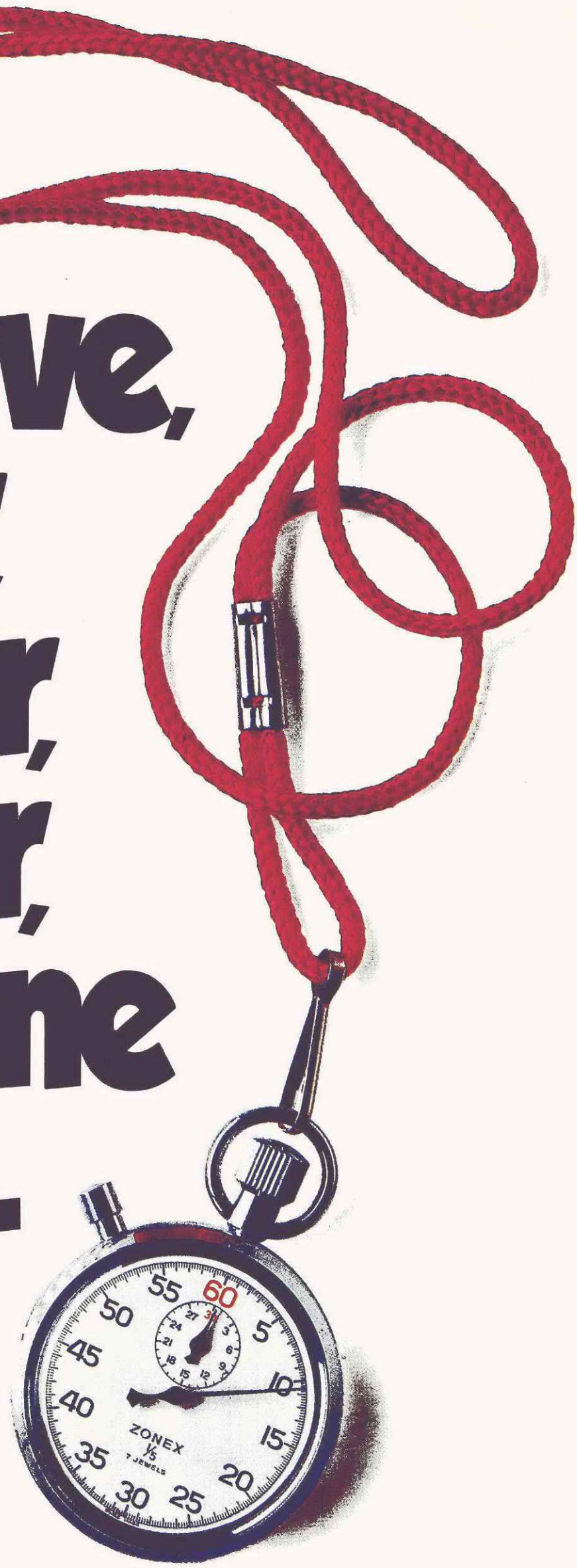

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