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Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / $4

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Updates

Mitsubishi agrees to $34 million sexual harassment settlement

NORMAL, Ill.—Mitsubishi Motor Manufacturing of America Inc. last week said it will pay $34 million to settle the much-publicized sexual harassment class-action suit brought on behalf of more than 300 women employees.

The suit, originally filed by the Equal Employment Opportunity Commission in April 1996, alleged widespread sexual harassment at Mitsubishi's Normal, Ill., plant and is considered the largest sexual harassment case in U.S. history.

The $34 million settlement, which will be

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New review for CIGNA

Pennsylvania must hold new hearings on restructuring

By DAVE LENCKUS

HARRISBURG, Pa.—The Pennsylvania Insurance Department will hold new hearings on the reorganization of CIGNA Corp.'s property/casualty operations, after the state Supreme Court declined to review an appellate court decision that held regulators' original approval process was improper.

The court's decision, handed down earlier this month, marks the latest chapter in the long-running battle between some entities trying to undo the reorganization plan and CIGNA's efforts to put the issue behind it.

The high court's orders did not comment on the status of CIGNA's reorganization pending the outcome of a new regulatory review of its plan.

That issue could ignite yet another round of litigation even before Pennsylvania's insurance commissioner convenes new hearings over whether CIGNA's reorganization is in policyholders' best interests.

A spokesman for the Philadelphia-based insurer said CIGNA is under no legal obligation to revert its property/casualty operation to its previous structure, noting that the 1997 appellate ruling did not order a reversal of the restructuring. CIGNA's 1995 reorganization of its property/casualty operations resulted in one entity for active business and a separately capitalized runoff facility for long-tail and other liabilities.

But critics of the reorganization—a group of policyholders and a handful of insurers—contend the reorganization must be invalidated because the appellate court also vacated the regulatory approval that CIGNA relied upon. Attorneys for those critics last week said they were weighing whether to seek a court order to try to compel CIGNA to return its property/casualty operation to its pre-1996 structure pending the outcome of the new hearings.

One stock analyst said, however, that the entire restructuring issue may be moot today, given improvements in CIGNA's reserves and lower estimates of the insurance industry's long-tail liabilities.

See **CIGNA** *on page 37*

President willing to sign modest product liability bill

By MARK A. HOFMANN

WASHINGTON—Product liability reform advocates are optimistic that they can beat the clock and get a modest, compromise product liability reform bill to President Clinton before Congress adjourns in the fall.

The White House reached agreement with Sens. Slade Gorton, R-Wash., and John D. Rockefeller IV, D-W.Va., on a mild reform measure last week. The two senators sponsored a product liability reform bill that won the backing of the Senate Commerce Committee last year.

The House has not yet taken up the matter during this Congress, a fact that makes swift Senate action more important, say supporters.

Although the compromise draft falls short of a comprehensive product liability reform bill, S. 5, that passed both houses of Congress in 1996 only to be vetoed by President Clinton, reform advocates are urging businesses to get behind the new measure.

"It's a question of whether people are going to make the perfect the enemy of the good," said Victor E. Schwartz, counsel to the Arlington, Va.-based Product Liability Coordinating Committee and a longtime product liability reform advocate.

"There's time to get this passed if the business community does not divide against itself and conduct civil wars," he said.

"Something is better than nothing. We would support generally—and we have supported generally—limitations such as those contained in the proposal, but to be truly effective, there will have to be future enhancement," said Gary Bird, legislative affairs chairman for the Risk & Insurance Management Society Inc. and director-risk management for Phoenix-based Phelps Dodge Corp.

Sens. Gorton and Rockefeller released a joint statement on the agreement last Thursday.

"While the reforms are more modest than some of us

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Right to COBRA preserved

Benefits cannot be denied if individual has dependent coverage

By JERRY GEISEL

WASHINGTON—Many employers will have to review their COBRA benefit administration practices after a Supreme Court ruling that individuals have a right to COBRA coverage even if they are insured under other group health plans.

An employer cannot deny COBRA coverage to a beneficiary who had other group health care coverage, such as through a spouse's plan, at the time the beneficiary elected COBRA coverage, the justices unanimously ruled last week.

While the ruling will mean slightly higher health care costs for employers, it resolves a murky area of the law.



No pain and suffering damages allowed in KAL jet disaster.....page 35

Justices decline to hear GM retiree case...page 35

"This is a decision that will benefit the vulnerable, those with chronic ailments and illnesses," said Sheldon Weinhaus, a principal with Weinhaus & Dobson in St. Louis. Mr. Weinhaus represented James Geissal, a 62-year-old cancer patient dismissed in 1993 by his employer, Moore Medical Corp. Moore Medical canceled Mr. Geissal's COBRA coverage after learning that he had dependent health care coverage through his wife's employer, Trans World Airlines (*BI*, Feb. 2).

The decision resolves what had been a gray area of the federal law: whether a terminating employee who has coverage from both his or her own and a spouse's employer has the same right to COBRA coverage as employees who have coverage only from their own employers.

Under the Consolidated Omnibus Budget Reconciliation Act of 1985, employers must extend health care coverage to employees who quit or are terminated. Employers, though, can drop COBRA coverage when former employees obtain coverage from other

See **COBRA** *on page 35*

An exercise in savings

Program for grounds workers helps campus reduce costs

By SALLY ROBERTS

DAVIS, Calif.—The University of California at Davis is proving that by flexing a little muscle, it can save a large sum of money.

After incorporating 15 minutes of stretching and upper- and lower-back and abdominal strengthening exercises into the eight-hour workday of its 61 grounds employees and offering incentives for them to participate in the daily workouts, the university's grounds department cut its direct workers comp and sick leave costs by 39.5% in a five-month period in 1997.

Including such indirect costs as retraining, job substitutions and productivity, savings from the pilot program totaled nearly $42,000, according to the university's employee health services department, whose health awareness program funded the pilot project.

The exercise and incentive program cost roughly $15,800

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PHOTO: COURTESY OF UNIVERSITY OF CALIFORNIA AT DAVIS

An exercise program for workers helps cut workers compensation and sick leave costs at UC-Davis.

Spotlight on Benefits:
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NEWSPAPER

Updates

$34 million harassment settlement

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distributed among the eligible claimants, will go on record as the largest amount ever paid to resolve a sexual harassment case. The settlement, however, appears modest compared with Texaco Inc.'s $176.1 million agreement reached in November 1996, settling a race discrimination suit brought by a class of 1,342 African-American employees.

In a statement, Kohei Ikuta, executive vp of MMMA said: "We have had problems involving sexual harassment that required correction, and we extend our sincere regret to any woman who has been harmed. But today we are moving forward. The goal of today's settlement with the EEOC is to enhance our commitment that our workplace environment achieve our goal of zero tolerance of sexual harassment."

As part of the settlement, which is still subject to a judge's approval, MMMA agreed to continue to provide mandatory sexual harassment awareness training to employees and to revise as necessary its existing sexual harassment policy and complaint procedures.

The manufacturer also agreed that it will, to its best effort, investigate all complaints of sexual harassment within three weeks, prepare written findings of the results of each investigation, and propose remedial actions within seven days after completing the investigation.

A three-person panel also will be appointed to oversee the execution of the steps included in the settlement for a three-year period. Upon the completion of that period, the panel will submit a final written report to MMMA, the EEOC and the U.S. District Court for the Central District of Illinois, where the suit was filed.

AOL settles class action suit

DULLES, Va.—America Online Inc. will pay $35 million to settle a class-action shareholders suit over the way the company treated certain marketing costs.

The company said "a substantial portion" of that figure is covered by insurance but would not disclose further details.

The suit stemmed from how the company accounted for millions of dollars in marketing costs in 1995 and 1996. AOL's method was to amortize marketing and subscriber-acquisition costs over a two-year period.

In October 1996, the company took a $385 million write-off of the previously deferred marketing costs and announced it would stop using that accounting method. Because of the write-off, the company lost money that year and the stock value plunged, shareholders alleged in their 1997 suit over the loss.

The suit also claimed the company made misleading forecasts as to the future number of subscribers and income.

The settlement is subject to court approval.

"We're pleased to put behind us this suit regarding events in 1995 and 1996," George Vrandenburg, senior vp and general counsel at Dulles, Va.-based AOL, said in a written statement. "We believe a lengthy and distracting litigation process is not in the best interests of AOL's members, the company or its shareholders."

Superior to transfer, sell unit

CALABASAS, Calif.—Superior National Insurance Group Inc. is planning to transfer the business and employees from Business Insurance Co. to an affiliate and then sell the newly acquired workers compensation insurer to Zurich Centre Group L.L.C., a subsidiary of the Zurich Insurance Group.

Superior National announced in May that it would acquire BICO and two other workers comp insurance subsidiaries from Foundation Health Systems Inc. for $290 million (*BI*, May 11; Feb. 16). That deal, which is subject to regulatory and shareholder approval, is expected to close in October.

Superior National Insurance Group is the parent company of specialty workers comp insurers Superior National Insurance Co. and Superior Pacific Casualty Co.

Harassment ruling curtailed

SAN FRANCISCO—The California Supreme Court last week limited an appellate court ruling that employers can be held strictly liable for the sexual harassment activities of low-level supervisors.

The court declined to review the earlier decision by the California Court of Appeal, 2nd District, in the lawsuit of *Justine Lai and Elvira Viernes vs. Prudential Insurance Co. of America*. The refusal to review the lower court's ruling allows the plaintiffs in that case to proceed to trial. However, the high court directed that the 2nd District's decision not be published, meaning the appellate court ruling cannot be used as precedent and the defense that lower-level managers are not supervisors still is available.

Justine Lai and Elvira Viernes, two Prudential insurance agents working in Alhambra, Calif., claim a sales manager forced them to perform sexual acts while on company property. Prudential investigated and found the manager, Chiman Dialani, did have sexual relations with the employees at and outside the workplace, court records show. Mr. Dialani was terminated in 1990, according to the court records.

At trial, Prudential argued that Mr. Dialani was merely a co-worker and not a supervisor. On March 17, the appellate court in Los Angeles overturned a trial court, finding that the description of "supervisor" does not apply only to those involved in hiring, discipline and

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Errors & omissions

• A May 4 article about the RIMS/QIC Quality Scorecard misidentified the highest-scoring insurer on the list as it was not clearly identified in the scorecard report. The correct company is Associated Electric & Gas Insurance Services.

CalPERS, Kaiser reach tentative rate hike deal

By JUDY GREENWALD

SACRAMENTO, Calif.—A tentative settlement reached in the dispute between the California Public Employees' Retirement System and Kaiser Permanente calls for a premium hike of 10.75%.

The agreement hammered out between CalPERS and Kaiser staff members also calls for CalPERS staff to collaborate with Kaiser on a quarterly review of Kaiser's relevant business and financial activities, as well as an audit of its rating data and methodology.

The 10.75% increase to its basic plan, which along with premium increases in its Medicare-coordinated plans is expected to cost CalPERS members and employers an additional estimated $49.3 million, is being recommended b CalPERS staff. CalPERS' board o directors and health benefits com mittee is expected to consider th tentative agreement when it meet this week.

CalPERS, the huge health in surance buyer second in size na tionally only to the federal gov ernment, became embroiled in dispute with Kaiser earlier thi

See **CalPERS** *on page 3*

E.C. toughens regulation on major-accident prevention

By CAROLYN ALDRED



BRUSSELS, Belgium—European companies face new risk management requirements with the coming implementation of a directive on the control of major accidents involving dangerous substances.

The European Commission directive, which must be implemented in all member countries by Feb. 3, extends the so-called Seveso Directive introduced more than a decade ago after a major dioxin accident in Italy in 1976.

The new directive will require man more companies to institute major-acci dent prevention policies than those cov ered under the original directive, healt and safety officials note.

"At the threshold of the 21st century the new Seveso II Directive represents modern piece of legislation that wi hopefully contribute to improving safety in the Eu ropean chemical industry," said a spokesman for th European Commission's Industrial Risk Center.

Although most large industrial plants probabl

See **Directive** *on page 3*

Cigarette maker to fight award

Verdict is first of its kind to award plaintiffs punitive damages

JACKSONVILLE, Fla.—Brown & Williamson Tobacco Corp. will ask a judge to set aside a $950,000 jury award to the family of a smoker who died from lung cancer.

A state court jury in Jacksonville, Fla., last week awarded $500,000 in actual damages and $450,000 in punitive damages to the family of Roland "Eddie" Maddox, who died last year at 67 after smoking for nearly 50 years until 1995.

An additional $52,000 was awarded to Mr. Maddox's insurer, Blue Cross & Blue Shield of Florida, in a subrogation action to recover medical expenses for treating his illness.

The award is the largest ever against a cigarette maker in a case related to the health effects of tobacco, and the case is the first of its kind to include punitive damages.

The verdict follows a settlement in the case by co-defendant Liggett Group Inc. for an undis closed amount (*BI*, May 18).

Brown & Williamson said i a statement that it is "shocke by the jury's verdict" and will ap peal if the verdict is not ove turned.

A spokeswoman for attorne Norwood Wilner, who represente the family of Mr. Maddox, sai the lawyer has hundreds of sim lar cases pending against tobacc makers.

—By Michael Bradfor

Ohio county self-insures comp

Legislation amended to facilitate stadium project

By MICHAEL BRADFORD

CINCINNATI—An Ohio county has persuaded state lawmakers to let it self-insure its workers compensation risks in the construction of a stadium.

In addition, a unique medical services program is in place to provide care to injured workers.

Because Ohio law does not allow public entities to self-insure, Hamilton County had to win special permission from state lawmakers to self-fund its workers comp and general liability exposures related to the construction of Paul Brown Stadium. The arrangement is the first one state lawmakers have granted to a public entity in Ohio. The county had to get the current law amended to allow for the stadium project.

The two-year stadium project, which will provide a new arena for the Cincinnati Bengals professional football team, is expected to employ about 5,000 workers.

The workers comp program will provide statutory benefits to injured workers, and medical se vices will be provided under qualified health care plan that required of all self-insured ent ties. The plan was developed b Health Alliance in Cincinnati an Ohio Employee Health Partne ship in Columbus.

Health Alliance provides a ne work of physicians, hospit emergency departments, occupa tional health centers and oth services to care for injured work ers on the project. Ohio Employe

See **Ohio** *on page 3*

Inside

• Businesses should push for the product liability bill now before Congress rather than hold out for more, this week's editorial says. **PAGE 8**

• Willis Corroon continues its European expansion with a joint venture in Italy. **PAGE 29**

• French mutual insurer Groupama and Swiss Life Insurance Co. are the finalists to acquire Groupe des Assurances Nationales. **PAGE 29**

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Benefits:

BALANCING WORK & LIFE

Benefits reaching a wider audience

By JOANNE WOJCIK

Employers are spicing up their menu of work/life benefits to attract and retain talented workers.

While in the past work/life programs have consisted mainly of child care and elder care referral services, today employers are offering benefits that appeal to younger, mostly childless employees—in particular, the so-called Generation X.

Among the most popular—and least expensive—work/life benefits offered by employers today are flexible work arrangements such as flex time, part-time work schedules, compressed workweeks and telecommuting.

Some employers also are providing services in the "personal convenience area"—such as laundry and dry cleaning, onsite fitness centers, healthy cooking classes and even deskside massages.

That's because employers have begun to realize that helping their employees with their personal lives will keep them more focused and productive at work, experts say.

"A lot relates back to recruiting and retention. The economy has made it hard to attract talented workers. So employers have gone beyond the traditional benefit choices," observed Norma S. Lewis, principal and director of health and welfare at Buck Consultants Inc. in St. Louis.

In many cases, the work/life benefit offerings reflect the changing demographics of today's workforce, pointed out Richard Federico, work/life consultant with The Segal Co. in New York.

"Young people coming out of school are making demands for such things as business casual (dress), fitness centers, Internet access, flexible work arrangements," he said.

"They're the things that companies need to do to get the full contribution of their employees, regardless of whether they're single or married, with or without children," said Dana Freedman, senior vp of Corporate Family Solutions, a work/life benefit consulting firm in Nashville, Tenn.

"What it all comes down to is

See **Benefits** *on next page*

Employers warming up to flexible schedules

Flex time, compressed workweeks, telecommuting attract capable workers but require manager support

By JUDY GREENWALD

A receptionist at Boston-based John Hancock Mutual Life Insurance Co., which has offered its employees a variety of flexible work arrangements since 1993, thought telecommuting sounded like a pretty good idea for her, too.

While the company turned down her request, numerous other employees at John Hancock, as well as at many other companies across the country, are enthusiastically embracing these "alternative work" arrangements with their employers' wholehearted support.

Surveys show a wide array of flexible work arrangements are increasingly popular among employers. For instance, a survey of 1,085 employers by New York-based Buck Consultants Inc. scheduled to be released next week, found that 52% of employers offer flex time work arrangements, while 22% offer compressed workweeks, 16% telecommuting and 16% special summer work schedules.

More employers plan to get involved. Another 38%, for instance, are considering telecommuting, while 35% are thinking about flex time.

Employers and consultants say flexible work arrangements are an ideal way to attract desirable employees in a competitive work environment and to retain valuable long-term employees.

However, managers' support is critical if employees are going to be able to take full advantage of these programs, consultants and others warn.

Flexible work arrangements appeal to employers. "Without the enticements to attract people who have very specific family needs, (employers) wouldn't be able to attract capable employees," said Jack Doerr, national group benefits practice leader with Sedgwick Noble Lowndes in Chicago, who added, "I see this becoming more and more prevalent."

Anne Chamberlain, a principal with Buck Consultants in New York, said she interviews job candidates who are "clear upfront they would like a flexible arrangement of some sort, and to me this is something I wouldn't have seen even a couple of years ago, so it suggests to me the programs are becoming very popular."

"People need relief from some of the stress of trying to manage both work and life outside of work," said consultant Fran Riley of Fran Riley Associates in New York.

"The benefits to the organization is when employees come in having more control over their time and more opportunities to deal with some of the issues outside the workplace, they're more ready for work and feel not only less stress but are grateful to the company for allowing them to have these kinds of flexible arrangements," Ms. Riley said.

"We've found it to be a tremendous morale booster and also a way to increase productivity," said Kathy Hazzard, manager-

See **Flex time** *on page 6*

Work/life benefits offer competitive edge

Changing demographics mean more men taking advantage of programs

By AMANDA MILLIGAN

Many of today's work/life programs were born out of competitive necessity, but a growing number of employers today embrace the programs in recognition of the blurring between employees' professional and personal lives, experts say.

In a tight employment market, corporations must go beyond traditional benefit plans to distinguish themselves from industry competitors in the eyes of prospective employees, said Robert Burnett, a principal in the San Francisco office of Buck Consultants Inc.

Ginny Olson, an Atlanta-based principal with Towers Perrin, said: "Right now, we're at a real turning point because the labor market is so tight. Pay and benefits by themselves will not do it."

Work/life programs can vary from company to company but often include child and elder care resource and referral services, onsite child care and flexible work arrangements.

Progressive companies no longer expect workers to check personal issues at the office door. Viewing professional and personal lives separately is a thing of the past, as companies are recognizing that "if it's going to affect one or the other, then it will affect both," said Eleanor Nelson, chief executive officer of Workplace Connections Inc., a Waltham, Mass.-based resource and referral service.

As the number of two-earner households increases, both men and women are bearing the household responsibilities. While working women sparked the workplace child care boom of the 1980s—part of the so-called mommy track—work/life needs in the 1990s have diversified drastically, experts say.

Richard Federico, work/life consultant for New York-based The Segal Co., said the entrance of Generation X, loosely defined as those in their 20s, into the workforce has shifted social norms toward a shared view of housework and childrearing. "There's more of an expectation that they will share the parenting of their families," he said.

Ms. Nelson said she has also witnessed a greater influx of men into work/life programs. "We see more fathers coming into all of our programs, which you wouldn't have thought 15 years ago. It's a real feeling that my father never had that men really take a much larger role with their children" just by doing everyday activities with them, she said. "It isn't a woman's thing."

It's missed soccer games and teacher conferences that compound the stress placed on the working father, said Mr. Federico. But society has expected the father to place career development ahead of familial demands.

"I think the pressures are still greater on the father," he said. "In the past, they were left out." Gradually, he sees this changing, and men are quietly taking on more of the parenting roles, such as picking up and dropping off their children at school or day care. But communicating this need to the employer is difficult. "People don't talk

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Personal interaction still essential for EAPs page 15

Directory of employee assistance programs page 16

Directory of dependent care resource & referral servi

Spotlight Ed
Judy Gr

Benefits

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time saved," Mr. Federico said, noting the more time employees save conducting their personal business, the more time they can dedicate to work.

For example, the University of Texas in Houston found that providing backup child care saved its employees with children up to 17 hours each time they needed to find alternate care, according to Sherry Wilson, work/life coordinator.

The university has two on-campus child care facilities, one of which is open 24 hours a day.

Among the other work/life benefits offered to the university's 4,000 staff members, 1,000 faculty members and, in some cases, to its 3,000 students are fitness centers; free college searches; legal, financial and psychological counseling; brown-bag lunches featuring speakers discussing elder care; and deskside massages.

"We have people in the rec centers who will go to the employee and give them neck massages and stress reduction tips," Ms. Wilson said. "We go to the employee because the employee often doesn't have the time to come to us."

Lactation centers are one of the more popular work/life programs being offered in response to the recent "baby boomlet," in which older working women are having children later in life, according to Ms. Freedman of Corporate Family Solutions.

Another recent work/life invention is adoption benefits. In some cases, these adoption benefits, which typically average $3,000 per adoption, are being expanded to include adoption of stepchildren after remarriage and grandchildren when empty-nesters assume child-rearing responsibilities, according to Ms. Freedman.

Recognizing that employees in different demographic groups have different needs, many employers are becoming more scientific in determining what benefits to offer, according to Buck's Ms. Lewis.

"There is an effort now to do more diagnostics," she said, such as "surveying employees to find out which benefits they'd be most likely to use."

Benefit consultant William M. Mercer Inc. just published its first Survey on Employee Benefit Preferences, which encompasses work/life programs as well as traditional benefits, to help employers tailor their work/ life benefit offerings to the type of demographics they're trying to attract.

Among the findings: The most popular benefits among employees over the age of 40 are pre-retirement counseling and financial counseling. By contrast, employees under age 40 said they wanted comfortable and attractive work spaces, flex time, telecommuting and job sharing.

Rick Wald, a principal in Mercer's Minneapolis office, already is using the survey to help clients decide which work/life benefits to offer.

"A retailer came to us and said it was having trouble attracting and retaining seasonal employees," Mr. Wald recounted. "We asked what kind of worker it was hoping to attract, and (the retailer) said high school and college students."

Because workers in this demographic group are fairly easy to find, Mr. Wald questioned why they were interested in retaining them.

"They had stats that showed that sales were higher in stores with higher average worker tenure," he said.

So Mr. Wald worked with the client to develop a tuition reimbursement program that encouraged employees to return to work each fall.

"We told them that if they work September through March, they'll get partial tuition reimbursement for full-time summer school. Then, if they come back the next year, they'll get an additional reimbursement for the courses already taken during the summer," Mr. Wald explained.

While some enlightened companies are taking a similarly scientific approach to determining how to get the most bang for their work/life benefit buck, such benefits, for the most part, are offered on an ad hoc basis.

For example, Seattle-based Starbucks Coffee Co. launched its Partner Connection program in response to employee demand.

"It actually grew out of one of our partners asking to play on a company-sponsored soccer team," said Joan Moffat, manager of partner relations and work/life benefits. "That's really how it started, to help partners find other partners with similar interests."

Starbucks calls its employees "partners."

Besides sports teams, other Partner Connection activities include arts and leisure, volunteer projects, classes and information exchanges for single parents.

For example, the "Wonderful World of Food" group, which started out with employees going out to restaurants and sharing recipes, published a "Partner Cookbook" that is being sold to raise money for charity, according to Ms. Moffat.

"It may start out as a social group, but it becomes part of giving back to the community," she said, pointing out that this makes the work/life program coincide with Starbucks' corporate philosophy.

Plano, Texas-based EDS also relies on suggestions from employee electronic mail—the high-tech version of the old-fashioned suggestion box—to determine which work/life benefits to introduce.

"We have a very vocal population," explained Marcia MacLeod, manager of benefit developments.

For example, the company recently launched a bone marrow transplant registration and testing program in response to one employee's need to find a suitable donor.

"If it benefits only a few but it's low cost" the company will add it, Ms. MacLeod said.

Indeed, cost often is an issue when employers consider whether to add work/life benefits, experts say.

Probably the most expensive work/life benefit is paid time off—including vacation days, personal days, paid sick days and short-term disability—the cost of which is rivaling that of health care benefits, according to the 1997 U.S. Chamber of Commerce Survey on Employee Benefits.

Payment for time not worked represented 10.2% of payroll in 1996, compared with 9.6% for medically related benefits and 6.3% for retirement and savings plans, the survey found.

Indeed, "absenteeism, most of it work/life-related, is the biggest cost to employers today," acknowledged Mr. Federico of Segal.

That's why more and more employers are offering compressed workweeks, flexible schedules and part-time work, which give employees time to conduct their personal business without having to call in sick.

"Flexible work arrangements are the least expensive benefit and often produce higher productivity and performance for the same number of hours worked," he said.

The only cost is likely to be the up-front education of managers who need to learn how to manage more flexibly, he said.

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NEW traditions For alternative RISK

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Back to work already?

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Benefits

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Some work/life benefits can be offered at practically no cost to the employer.

Philadelphia-based CIGNA Corp., for example, charges its employees $5 to attend lunchtime cooking demonstrations featuring local area chefs.

Phyllis Liebert, the corporate nutritionist, started the program to encourage employees—especially working parents—to cook healthier.

The $5 admission covers a modest honorarium paid to each chef, which basically covers the cost of ingredients, Ms. Liebert explained. However, the chefs, many of whom have their own restaurants, are encouraged to bring in promotional materials and cookbooks they have published.

CIGNA also hosts a farmers' market several times a year, featuring area produce.

PepsiCo invites area craftspeople to display their wares at the company's Purchase, N.Y., headquarters, as a courtesy to its employees. The vendors set up before Christmas, Mother's Day, Father's Day, Easter and other holidays, so employees "can get all kinds of things, from dishcloths to jewelry" without stepping off campus, a company spokeswoman explained. The objective is to prevent employees from taking longer lunches just to go shopping, she said.

In fact, one large manufacturer started offering its factory workers free lunch on Fridays when it discovered large numbers of workers were returning late if they drove to lunch.

"They found that having food in-house reduced the time away from the assembly line," explained Mercer's Mr. Wald. BI

Flex time

Continued from page 3

work/family programs at John Hancock, which has had flex time since the early '70s and has subsequently introduced a wider variety of programs, including telecommuting and compressed workweeks.

She noted that even though it was not the motivation behind the program, some employees in Boston are working longer hours with their flexible work arrangements and so are more available to Hancock's California- and Hawaii-based clients.

A spokesman for Stamford, Conn.-based Xerox Corp., which encourages flexible work arrangements, said, "All of our studies tell us there's a direct correlation between employee motivation and satisfaction and customer satisfaction, which means it's obviously a business issue."

Manager support for flex arrangements, though, is critical and often problematic. "It does create definite management problems," said Sedgwick's Mr. Doerr. When everyone is working under the same roof during the same hours, "it's very easy to call staff meetings, very easy to put together spur-of-the-moment planning sessions." That becomes far more difficult with flex arrangements.

'There's no real incentive for most managers on their long list of priorities to manage flexibility,' says Richard Federico.

The growing emphasis among companies on dynamic, creative teamwork and more employee interaction could clash with the trend toward flexible work arrangements, said Kerri Folmer, director-human capital group, in Watson Wyatt Worldwide's San Francisco office. Ms. Folmer suggested one solution is the use of more technology, such as global video links.

"Everyone's facing this problem," said Richard Federico, work/life consultant with The Segal Co. in New York. "The only time it's easy is when it's inbred within your organization almost from the starting point."

"There's no real incentive for most managers on their long list of priorities to manage flexibility," said Mr. Federico, who suggested companies consider including their managers' amenability to these programs as part of their own performance reviews.

Initially, in some areas it has been "a tough sell," acknowledged Hancock's Ms. Hazzard. "It works best if I have a champion in the area, if the department chairman says, 'I'm going to do this'" even if managers are lukewarm to the idea.

The Xerox spokesman said the company has found that when flexible work arrangements cause problems, they actually reflect "deeper-rooted problems that having to cope with flexibility just exposes."

He also said: "I think, early on there was a certain attitude among certain managers that if you were working from home, you weren't working. This is a very gradual process. It takes a long time to change a corporate culture, and I'm sure at Xerox there are still pockets of employees and managers who are just not comfortable with this sort of environment."

Flexible work arrangements "require a higher level of management and coordination between a manager and their employees, and some managers need to learn to be more flexible," said Buck's Ms. Chamberlain.

Good communication also is critical, "so that managers understand the program and managers will allow employees to apply for the program or consider hiring employees under this arrangement," she said. "Sometimes we find a company will design a very good arrangement, but because managers don't have the information about the programs or don't understand them, they're not encouraging or allowing employees to participate."

However, "it's not a problem where people communicate very clearly at the beginning, and it's a very clear policy that's understandable and where people are not penalized for these arrangements," said Ms. Chamberlain.

Even where problems develop with these programs, however, employers are still sticking with them. For instance, David Ives, president of Salem, Mass.-based North Shore International Insurance Services Inc., which provides claims management and insurance technical services, spoke of one case that didn't work out.

"We created a satellite office in the Midwest to relocate an employee from our headquarters so that she could move with her spouse, who was making a career move. And after going through the time and the expense of that, within a year the person left the company."

Despite that experience, however, North Shore continues to offer its approximately 80 employees an array of flexible work arrangements. "It allows us to attract and retain talented staff who, under other circumstances, would have to leave the organization," said Mr. Ives. "I think that's one of the reasons we have such a high retention rate among our staff." BI



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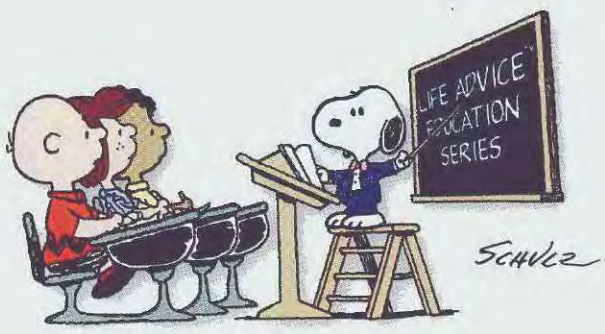
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Opinions

A bill in the hand is worth...

BUSINESS NEEDS TO VOICE its support for the latest version of product liability reform if it is ever to get the relief from the courts that it desires.

The need for reform of unfair product liability laws is too great for businesses to stand on the sidelines simply because they think this measure does not go as far as they would like. Little fanfare accompanied the agreement last week on new reform proposals that enjoy the rare support of both the executive and legislative branches. It is up to business to ensure the measure does not expire with a similar lack of attention.

As we report this week, the measure would set a uniform standard for awarding punitive damages in product liability cases in states that permit punitive damages and would set an 18-year statute of repose for durable workplace goods. The bill also would provide manufacturers with a drug and alcohol defense to bar a claim if they can prove the plaintiff was under the influence of alcohol or drugs at the time of the accident and that the plaintiff's impaired condition was the chief cause of the harm.

Unlike S. 5, which cleared Congress last year but was vetoed, this measure would not set punitive liability caps except for the smallest of businesses and would not impose limits on joint liability for non-economic damages.

Why is business support so critical?

First, strong support from the business community is needed to encourage lawmakers to act on this measure. In this election year, the time for any legislation to be considered and win approval from lawmakers is limited.

In addition, previous measures withered and died due to infighting among advocates and equivocation over whether their reforms went far enough or would make a difference. Business must endorse the present measure with a strong and unified voice.

Finally, it is time to recognize that even modest gains are better than none at all.

The reforms contained in the latest proposal are attractive for several reasons. They will help provide predictability while ensuring fairness for both manufacturers and their customers. The setting of a uniform standard for the award of punitive damages by itself makes the proposal a clear improvement over the current situation.

We must offer one caveat. The most recent version of the proposal contains a murky provision dealing with subrogation in workers compensation cases involving employer fault. At a minimum, this language must be clarified. Ideally, however, the provision would be



stripped from the measure to keep the bill as clean as possible.

Despite that concern, we think it is imperative for business to line up quickly behind this measure. The convergence of support from both the White House and lawmakers in Congress should not be taken for granted. This support should not be squandered in the false hope that it can be marshaled again to back even stronger and more sweeping reforms.

It also has been shown with earlier targeted product law reforms that such measures can serve to demonstrate how broader reforms would work to the benefit of all parties. The General Aviation Act of 1994, which President Clinton signed, clearly demonstrated that manufacturers would be better able to expand operations, create jobs and offer more affordable products when relieved of some of the burdens created by the current product liability system. With adoption of the current, more general package of reforms, businesses should be able to demonstrate that result even more clearly.

But lawmakers and the president are not going to overcome their past inertia on these proposals without a solid push from businesses. Also, not many legislative days are left in this Congress. The time for business to move is now, or it will face having to start from scratch in 1999.

Letters

Lloyd's must allow entrepreneurial spirit

To the editor: If the temptation of Ian Agnew (*BI*, June 1) to reply to Patrick Agnew's letter to you (*BI*, May 18) was overwhelming, then by definition, the temptation for me to join the debate must be doubly so. The Christmas dinner table does not always lend itself to such debate, so I hope you will excuse me for using your publication as a more suitable forum for me to have my two pennies' worth.

Above all else, Lloyd's is a marketplace responding to the same dynamics that any other marketplace does. She was almost certainly not the author, but I think it was Margaret Thatcher who popularized the expression, "You can't buck the market." Notwithstanding the growing mountain of much ill-conceived and unhelpful regulation, Lloyd's will secure its future only if it can allow those working within it to be entrepreneurial.

Patrick Agnew seems to imply that the Council of Lloyd's should play some formal role in preventing the march of corporate capital. That wouldn't be a healthy position to take. What the market wants is what the market gets.

Speaking as a broker placing the majority of my business in Lloyd's, I have observed that while Lloyd's might technically have been able to continue to trade in the early-to mid-1990s solely on the back of traditional unlimited names, albeit with significantly reduced premium income limits, the names had demonstrated a sufficient level of reluctance to pay losses that they seriously undermined the confidence that policyholders had of their product being copper-bottomed.

My view is that, in the absence of corporate capital, policyholders would have voted with their feet. Much as it may pain traditional names to admit it, the very healthy profits of the last few years—presumably why they wish to protect their status—would not have been available without the support of corporate capital standing alongside them. The business just wouldn't have been there. Anyway, given that all rates are plunging lemming-like over the cliff, what steely-eyed analysis suggests that unlimited liability is a good idea if alternatives exist?

Nevertheless, Patrick Agnew is right to be somewhat skeptical of what corporate capital will make of not only underutilized capital but, more relevantly, the significant losses that will surely follow at some point.

Ian Agnew and those with similar interests would say corporate capital has made long-term commitments and is not as subject to the annual venture as traditional names are. The truth is that we don't know what would happen if corporate capital were faced with £8 billion ($13.1 billion) of losses over five years. The best of intentions are inevitably put under the severest strain when your wallet has been emptied. Whatever corporate capital may tell us now, it has yet to stand the test of time.

The energy and inventiveness that was put into the successful implementation of reconstruction and renewal was ample illustration of the Lloyd's market's ability to reinvent itself. Recent evolution has been rapid and extreme, and if it is to continue to survive, the environment must exist for regeneration. Current evidence suggests otherwise. Speaking as someone who has taken a contrarian view in setting up a small, specialist, independently managed brokerage, the best contribution the council can make to a healthy market is to encourage credible entrepreneurialism. Again, what the market wants is what it should get.

Andrew Agnew
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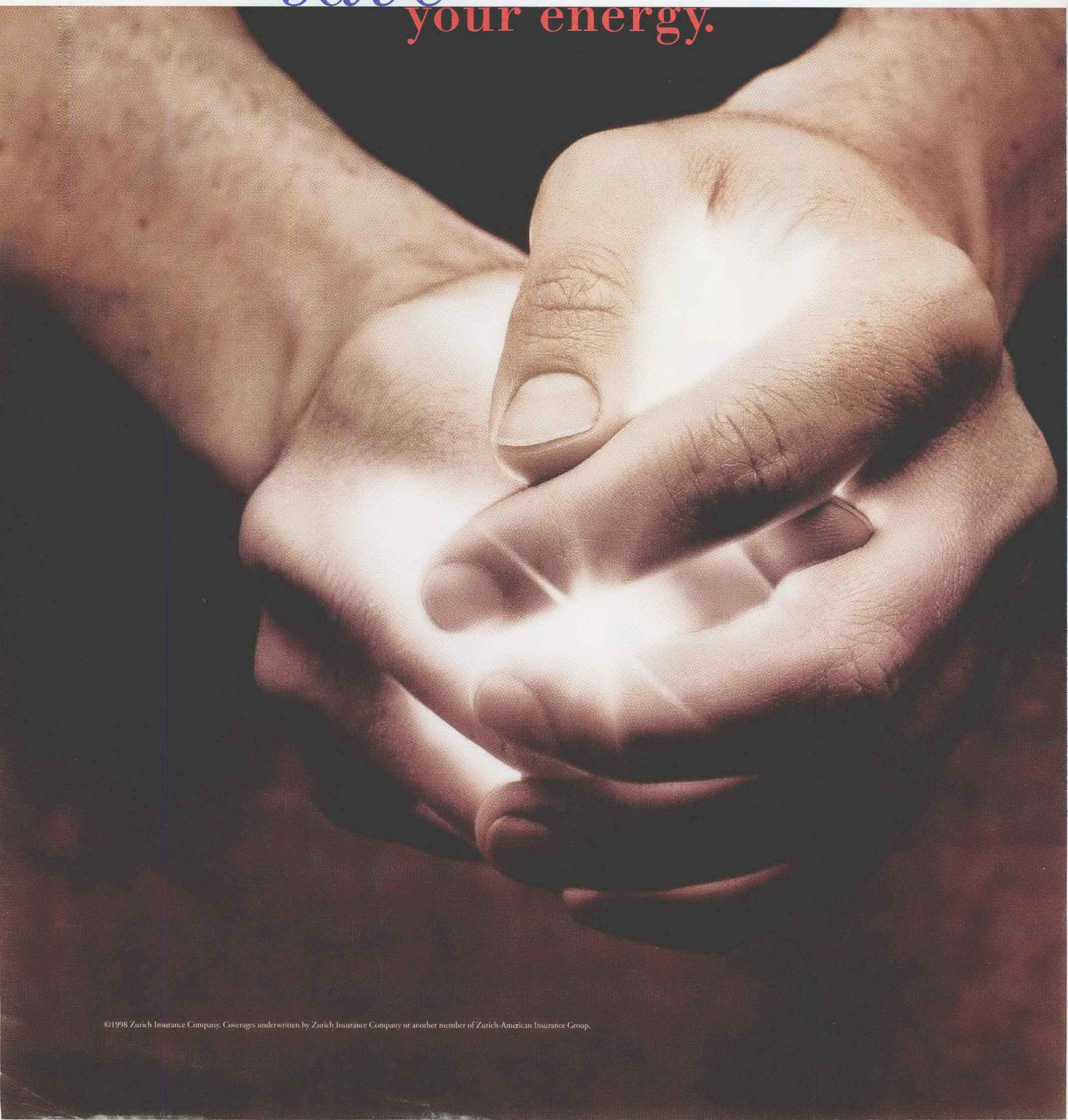
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Work/life

Continued from page 3

about it, because we don't talk about our personal lives at work," Mr. Federico said.

James Levine, author of "Working Fathers: New Strategies for Balancing Work and Family" and director of The Fatherhood Project, a research and education program at the Families and Work Institute in New York, said it's assumed that working mothers will speak out about personal and professional demands and that working fathers won't.

"Guys don't talk about what's bothering them. I think guys tend to assume this is part of the territory," he said. "When men don't talk about them, we assume (these pressures) aren't issues."

A program that explicitly points out that work/life programs aren't for women only is the key to drawing more men into speaking out about their work/life imbalances and increasing their use of available programs, Mr. Levine said. One successful technique Mr. Levine advocates is for corporations to spotlight examples of men using the corporate work/life programs in promotional materials such as brochures and posters touting the services.

"The more the workplace can be responsive and supportive of a worker's family needs, the more the employees can bring back to the workplace," he said.

Ben & Jerry's, the South Burlington, Vt.-based ice cream producer, doesn't break out its 15% work/life program utilization figure by gender, said Carol Hickman, senior manager-benefits and human resource management systems. "My gut feeling is that it's probably equal," she said. "I don't think we cater to any gender, and that's the way I'd like it to be."

There is disagreement about whether geography and demographics affect the use of work/life programs.

David Winch, a team leader at Boston-based WFD, a resource and referral service, addresses the needs of some of the service's callers directly. He said that when a family has a problem with a younger child, typically it has been the mother who calls to ask for WFD's advice, such as where to find reliable child care. When the child is older, the father is more likely to call asking about college information or what to do with a misbehaving child. This trend, he said, can be attributed to the idea that the mother nurtures the young child and the father is involved in the financial or disciplinary decisions that occur as the child matures

But Ann Cowen, vp-human resources for Phoenix Home Life Mutual Insurance Co. in Enfield, Conn., sees this mentality changing. 'I think there's a different focus on families than there was 10 to 15 years ago," she said.

While traditional roles appear to be unraveling within society and the workplace, observers argue whether geography and demographics affect the use of some work/life programs.

Michael Harless, director of human resources for Scottsdale, Ariz.-based wire product manufacturer Laidlaw Corp., said he sees cultural differences in the use of work/life programs among his company's six locations.

At one manufacturing plant, located in Kingman, Ariz., the child care facility and other work/life benefits have a high rate of use. Laidlaw's facility in southern Illinois, however, is just the opposite, he said. At the Illinois plant, employees are "very close-knit and prefer not to go to these (day care) facilities." He said the Illinois employees would rather "take care of their own than be perceived as taking a helping hand."

But Chris Kjeldsen, vp-community and workplace programs for New Brunswick, N.J.-based health care products manufacturer Johnson & Johnson, disagrees.

"I don't think there are that many differences throughout the U.S. I think dual-income families have the same needs in Missouri as they do in New Jersey or Texas," he said. "If you live in this country. . .it really comes down to the need to survive."

"There are some cultural realities," said Dana Friedman, senior vp for work/life consulting firm CorporateFamily Solutions in Port Washington, N.Y., noting that within some ethnic groups and more conservative regions, employees may not embrace work/life programs as readily.

She also notes that in areas where state and federal governments have contributed to the dependent and child care infrastructure, businesses have been able to offer more services to employees.

Excerpts from an upcoming Towers Perrin survey of international benefit effectiveness also support the role of government involvement. Martha Sherwood, a principal in the New York office of Towers Perrin, said that in countries with socialized systems of child care, these services are seen as safety nets by employers and employees, and global competitiveness has led to the creation of more work/life programs abroad.

Towers Perrin's Ms. Olson, also familiar with the survey results, said the most surprising result was that employees' needs and the concerns of employers were largely similar across international borders. Some concerns cited were workplace health and improving wellness.

Donna Altenpohl, director-marketing for Intracorp, a Philadelphia-based health care and work/life management company, said there has been a cry for more sophisticated reporting of the effectiveness of work/life programs. Her company recently introduced a service that measures both employer responses and employee stress levels derived from various work/life issues.

"For the first time, it makes the resource and referral services more accountable," Ms. Altenpohl said. "I think these programs need to be more accountable, and this has maybe been stymieing the industry."

Workplace Connections' Ms. Nelson recommends that an employer should do both a needs assessment and a feasibility survey. "The whole balance of work and family is not going to go away," she said, warning that not all programs are right for every company. "You just can't turn them out like cookie cutters."

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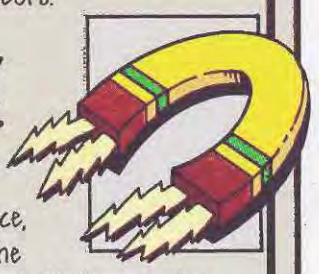
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Spotlight report

EAPs becoming part of larger programs

By MICHAEL PRINCE

Where once there were many, now there are few.

Consolidation has swept the world of employee assistance program providers, transforming numerous separate companies into a handful of large, nationwide firms. At the same time, EAPs—traditionally worksite-based counseling programs that assist employees in resolving personal and emotional problems that affect job performance—have been merged into larger behavioral health care companies.

More and more, EAPs are presented not as a separate benefit offering to employers but are integrated as part of behavioral health care companies, offering one-stop shopping to satisfy employers' needs for behavioral health services.

"It's a very dynamic time in terms of consolidation," said Vince O'Connell, associate benefit consultant with Buck Consultants Inc. in Secaucus, N.J.

The mergers have split the EAP world into large players for employers with nationwide operations and smaller EAPs for small and midsize companies with employees primarily in one location.

In recent years, the integration of EAPs and behavioral health care companies has accelerated, said Mary Case, a principal with The Kwasha Lipton Group of Coopers & Lybrand in Fort Lee, N.J. "Over the last five years, the integrated products have really come into their own," she said. "Today, a corporate buyer who wants an integrated program has lots of choices."

But not everyone agrees that larger is better when it comes to EAPs. Some experts contend that when a company becomes too large it loses any small, personal feeling it once had. Also, they contend that when EAPs are integrated into larger behavioral health care companies, the EAP component is not used as often.

Magellan Behavioral Health of Columbia, Md., part of Magellan Health Services Inc. of Atlanta, has been especially active with consolidations, growing into the largest EAP in the United States.

Magellan Health Services purchased Green Spring Health Services in 1995, itself a conglomerate of smaller EAPs and behavioral health companies. In 1997, Magellan bought Human Affairs International from Aetna/U.S. Healthcare. And this year Magellan bought Merit Behavioral Health, also an aggregate of other smaller companies. In addition, Magellan owns Vista Behavioral Health Plans. In total, Magellan now serves more than 62 million lives nationwide.

"Magellan includes a whole litany of separate companies," said Michael Jeffrey, a consultant in the Baltimore office of William M. Mercer Inc.

Another large company is FHC Health Systems of Norfolk, Va. FHC currently owns Options Health Care Inc., which it plans to merge with Value Behavioral Health after completing the purchase of Value Behavioral from Columbia/HCA Healthcare Corp. (*BI*, Feb. 2).

Other large integrated companies include MCC Behavioral Care Inc., a unit of CIGNA Corp.; United Behavioral Health Care, part of United HealthCare Corp., which is merging with Humana Inc.; and Managed Health Network, part of Foundation Health Systems, which is merging with Occupational Health Services.

The consolidation comes at a time of increased purchasing of EAPs' services. According to a study conducted by Hewitt Associates L.L.C., 88% of employers now use some sort of EAP service, an increase since 1992, when 79% of employers offered EAP benefits.

Much of the consolidation comes in response to employers' questioning the need for two companies—and two administrative processes—for their behavioral health care programs.

Another reason for increased mergers among behavioral health programs has been consolidation among the customers of EAPs, Mr. O'Connell said. When two employers with different EAPs merge, one eventually will be dropped, he said. "This often leaves the small guy out in the cold" as larger companies want EAPs with national reach, he said.

But perhaps the largest cause of consolidation has been the shift toward integrated behavioral health care companies. An integrated behavioral health company provides an EAP teamed with a behavioral health network of providers.

In the integrated model, the EAP can act as the entry point for employees into the network of behavioral health care providers. This, the integrated companies have reasoned, is the best way for the networks to control costs, Mr. O'Connell said.

The large integrated companies have several advantages over their smaller competitors. First, their size allows them to negotiate better rates with mental health care providers. They can then pass along these savings to employers in the form of lower rates. Also, they have efficiencies of scale creating lower administrative costs, again allowing employers to pay less for their services.

"It's cost-effective to centralize," said Clarissa Marques, executive vp-clinical and quality management for Magellan Behavioral Health.

Another advantage the integrated program offers is a single telephone number for employees to call for all their behavioral health needs. Also, EAP staff members know an employee's behavioral health program and can make treatment recommendations that are covered, said John Vlajkovic, senior health care consultant with Hewitt Associates in Lincolnshire, Ill.

It's "a win-win situation," as employees get better treatment and the employers get lower prices, Mr. Vlajkovic said.

But perhaps most importantly, a national EAP can offer a large employer its services to all U.S. employees, something that smaller, regional EAPs cannot do. "The small guy has no chance to run a national program," Mr. O'Connell said.

But the large EAPs may not be what's best for employers, many consultants contend. The national EAP providers can lose the personal feel the small ones offer and many employers want. As the EAP becomes larger and more institutionalized, it "can affect the touch of the program," Ms. Case said.

Continued on next page



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Continued from previous page

Ms. Marques agrees but said that Magellan Behavioral Health has countered this problem by establishing local service centers for employers that request it—at an additional cost. "This allows us to move these services closer to the members," she said.

One way around this problem, Mr. Vlajkovic said, is for a large network of providers to link with local EAPs. "It can be done, but it has to be done with the right players," he said.

This is also something that Magellan has done. When appropriate, Magellan will create a partnership with a local EAP to "provide the direct services, while we handle the management infrastructure," Ms. Marques said. "That way, we take advantage of their local knowledge and expertise."

Another drawback is that the skills needed for an EAP differ from those needed for a managed behavioral health company, Mercer's Mr. Jeffrey said. For example, a therapist may not have the proper training to address a work-related behavioral issue that could be better handled by an EAP-trained counselor, he said.

With an integrated plan, the telephone lines are often staffed by people trained as behavioral clinicians rather than EAP counselors. Unfamiliar with the EAP's function, they consequently are more likely to refer patients for clinical counseling rather than to the EAP. So the EAP "may not be used to the extent it could be," Mr. Jeffrey said.

Tamara Cagney, president of TC Consulting in Pleasanton, Calif., agrees that one of the problems with the performance of integrated companies has been their lack of understanding of the EAP's role.

The managed care companies thought they could simply buy EAPs and perform those services, she said, without realizing there are great differences in how they operate. "They had no idea what they were getting themselves into."

Ms. Cagney and others contend the behavioral health companies did not understand that, for employers, the most important use of an EAP is for employees referred to them by supervisors. Consisting of about 20% of all EAP patients, these people are the ones deemed by managers as having problems but failing to take action on their own. Supervisors refer these workers to EAPs, where they can receive counseling. Employees who refuse may face dismissal.

The treatment for these reluctant patients differs from traditional treatment such as clinical counseling, Ms. Cagney said. Rather than treating the person's problem, whether it be stress, substance abuse or workplace conflicts, an EAP first deals with the impact of any problems on work performance. Once work performance is addressed, the person can then pursue traditional treatment.

But managed behavioral health companies don't fully understand how to treat employees who don't voluntarily seek treatment. Rather than understanding these differences, many behavioral companies simply treat the EAP as a way for employees to gain access to the network, Ms. Cagney explained. "It's not just an 800 number to get into the network," she said.

Ms. Marques disagrees, however. She said Magellan is in the process of certifying its providers as specialists in employee assistance, though she said Magellan's in-house certification process will not be complete for another 18 months. BI

Personal contact in EAPs called key

By MICHAEL BRADFORD

Technology is making it easier for employee assistance programs to provide access to information and resources, but it's not likely to replace the human interaction that employees need.

Because the nature of EAPs is to provide a personal service, it wouldn't be wise to completely replace in-person consultations with computerized counseling, said Vincent O'Connell, associate benefits consultant with Buck Consultants Inc. in Secaucus, N.J.

"EAPs may run the risk of seeming too impersonal" if they provide access to computerized counseling rather than in person, Mr. O'Connell suggested. "Really, when it comes down to it, people who take the time to call an 800 number want to talk to a human being. They want that personal interaction."

Confidentiality is a big issue with regard to Internet-based counseling, said Chuck Taylor, director-EAP relations at The Dependent Care Connection Inc., a Westport, Conn.-based provider of work/life information and resources.

"It's an area that's brand new and we're defining it as we go," he said of the confidentiality and counseling issue. "But the technology is there," Mr. Taylor pointed out, and discussions have begun on ways to provide counseling services over computer networks.

"I don't think it's well suited" to counseling, said Patti Mouvery, employee relations specialist at the federal Centers for Disease Control in Atlanta. "You can imagine that folks who are a little paranoid are not going to want to go online and divulge anything of a confidential nature."

An Internet connection "may be good for resource information, but for the nitty-gritty, you've got to have a live person," Ms. Mouvery added.

While counseling hasn't caught on over the Internet or through company intranets, technology is helping provide EAP services.

Ms. Mouvery used Dependent Care Connection's Internet service to request a child care videotape from her home computer. "It was very user-friendly," she said of the service, and the tape arrived quickly.

Dependent Care Connection's newest offering is called EAP Net and it can be accessed through a company intranet or over the Internet, Mr. Taylor pointed out. The service, which can be given a "private label" name by employers that use it, allows users to reach vendors of EAP products and services.

EAP Net has a call-back feature and that helps lick one privacy problem, Mr. Taylor said.

"If someone is sitting in a cubicle," he said, "and is concerned about calling" because he or she is afraid a co-worker might overhear, the call-back can be scheduled for later that evening, when the employee is at home. BI



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BI directory of employee assistance programs

A

ACORN Behavioral HealthCare Management Corp.

The ACORN Building,
134 N. Narberth Ave.,
Narberth, Pa. 19072-2299;
800-223-7050; fax: 610-664-8373

Staff

Salaried employees....53
Includes: 2 psychiatrists, 2 psychologists, 5 social workers
Designations held: 5 MSWs, 2 M.D.s, 4 R.N.s, 2 Ph.D.s
Contracted professionals....19,000
Includes: 2,505 psychiatrists, 6,193 psychologists, 4,836 social workers, 5,457 marriage/family/child counselors, professional/mental health counselors and physicians
Designations held: 4,836 MSWs, 2,505 M.D.s, 107 R.N.s, 5,209 Ph.D.s

EAP clients

Total....111
Lives covered at year-end 1997....700,000
Employees....280,000
Dependents....420,000

Revenues

Total 1997....$7,895,392
Total 1996....$5,961,039
EAP services....58%

Services began: 1975.
Parent: Horizon Health Corp.
For profit.

Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, grief and loss counseling, behavioral problems such as smoking and overeating, personal adjustment issues such as depression, anxiety and pain management.

Health promotion: Smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.

Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Counseling sites: All worksites, practitioners' offices, phone counseling.

Service area: Nationwide; Canada, Puerto Rico, Virgin Islands.

Reporting: Quarterly, annually, by request.

Billing: Capitated fee; fee for service.

Officers: Linda Laitner, president; Dorothy Harrison, executive vp-operations; Mel Wondolowski, senior vp-corporate relations/marketing/sales.

Contact: Kimberly Lever, manager-corporate relations, 800-223-7050 ext. 8311.

Affiliated Healthcare Systems

39 Darline Ave., Suite 104,
South Portland, Maine 04106;
207-773-6536; fax: 207-773-5337

Staff

Salaried employees....11
Includes: 1 psychologist, 4 social workers, 5 marriage/family/child counselors
Designations held: 4 CEAPs, 3 MSWs, 5 CACs
Contracted professionals....120
Includes: 1 psychiatrist, 5 psychologists, 45 social workers, 55 marriage/family/child counselors, 14 professional/mental health counselors

EAP clients

Total....115
Lives covered at year-end 1997....270,000
Employees....90,000
Dependents....180,000

Revenues

Total 1997....$1,100,000
Total 1996....$880,000
EAP services....100%

Services began: 1982.
Parent: Eastern Maine Healthcare.
For profit.

Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, elderly treatment.

Health promotion: Stress management, alcohol awareness, drug/chemical awareness.

Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.

Counseling sites: Selected worksites, EAP facilities, practitioners' offices.

Specialties: Multisite.

Service area: New England and the Mid-Atlantic states.

Reporting: Monthly, quarterly, annually, by request.

Billing: Capitated fee; fee for service.

Officers: Miles Theeman, executive vp/COO; Steve Stevens, COO; Daniel Coffey, treasurer.

Contact: Steve Stevens, 800-769-9819.

American Behavioral Benefits Managers

2 Metroplex Drive, Suite 300,
Birmingham, Ala. 35209;
205-871-7814; fax: 205-868-9600

Staff

Salaried employees....20
Includes: 2 marriage/family/child counselors, 3 professional/mental health counselors
Designations held: 2 CEAPs, 4 MSWs, 2 CACs, 2 R.N.s, 1 Ph.D.
Contracted professionals....240
Includes: 85 psychiatrists, 90 psychologists, 66 social workers, 18 marriage/family/child counselors
Designations held: 47 CEAPs, 53 MSWs, 3 CACs, 77 MDs, 5 R.N.s, 75 Ph.D.s

EAP clients

Total....25
Lives covered at year-end 1997....81,034
Employees....33,764
Dependents....47,770

Revenues

Total 1997....$2,300,000
Total 1996....$2,100,000
EAP services....25%

Services began: 1990.
For profit.

Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, pre-employment assessment, alcohol/drug screening.

Health promotion: Smoking cessation, physical fitness/exercise, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness.

Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Counseling sites: All worksites, selected worksites, phone counseling.

Service area: Nationwide, excluding Alaska and Hawaii.

Reporting: Monthly, by request.

Billing: Flat fee; capitated fee; fee for service.

Officers: Allen S. Blackwell, president/CEO; Lita A. Clark, vp-EAP; G. Eric Brown, vp-finance; Henry A. Paine, director-managed behavioral healthcare.

Contact: Lita A. Clark.

B

Behavioral Health Systems

2 Metroplace Drive, Suite 500,
Birmingham, Ala. 35209;
800-245-1150 or 205-879-1150;
fax: 205-879-1178
http://www.bhs-inc.com

Staff

Salaried employees....30
Includes: 1 psychiatrist, 1 psychologist, 1 social worker, 2 marriage/family/child counselors, 5 professional/mental health counselors, 2 physicians
Designations held: 2 MSWs, 1 CAC, 1 M.D., 1 R.N., 1 Ph.D.
Contracted professionals....5,521
Includes: 912 psychiatrists/physicians, 1,866 psychologists, 2,743 social workers, marriage/family/child counselors and professional/mental health counselors

EAP clients

Total....51
Lives covered at year-end 1997....153,000
Employees....61,000
Dependents....92,000

Revenues

Total 1997....$4,000,000
Total 1996....$3,000,000
EAP services....10%

Continued on next page



Continued from previous page

Services began: 1989.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, grief, eating disorders, attention deficit disorder, attention deficit/hyperactivity disorder, all DSM V codes.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, physical safety issues, alcohol and drug prevention, relaxation/meditation.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, critical incident stress debriefing.
Counseling sites: All worksites, selected worksites, EAP facilities, practitioners' offices, phone counseling/consultation.
Service area: Nationwide, with international services available.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee; fee for service.
Officers: Deborah Stephens, president/CEO; Pat Friedley, vp-operations; William Patterson, medical director; Kaye Huff, controller; Gina Medley, director-clinical services; Sandy Capps, EAP director.
Contact: Sandy Capps or Bobbie Fowler, director-marketing.

Bensinger, DuPont & Associates

20 N. Wacker Drive, Suite 920,
Chicago, Ill. 60606;
800-227-8620; fax: 312-726-1061

Staff

Salaried employees 16
Includes: 1 psychiatrist, 4 psychologists, 7 social workers, 2 marriage/family/child counselors, 2 professional/mental health counselors
Designations held: 2 CEAPs, 7 MSWs, 1 CAC, 1 M.D., 1 R.N., 4 Ph.D.s
Contracted professionals 150
Includes: 42 psychologists, 78 social workers, 6 marriage/family/child counselors, 24 professional/mental health counselors
Designations held: 6 CEAPs, 78 MSWs, 19 CACs, 1 R.N., 34 Ph.D.s

EAP clients

Total 295
Lives covered at year-end 1997 297,500
Employees 85,000
Dependents 212,500

Revenues

Total 1997 ..... $2,200,000
Total 1996 ..... $1,900,000
EAP services 60%

Services began: 1986.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, compulsive gambling.
Health promotion: Smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, workplace brownbags.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric workers comp review.
Counseling sites: All worksites.
Specialties: Regulated industries.
Service area: Nationwide; Canada, Mexico, Netherlands, United Kingdom.
Reporting: Quarterly.
Billing: Flat fee; capitated fee; fee for service.
Officers: Peter B. Bensinger, Robert L. DuPont, Richard Bucher, Marie Apke.
Contact: Marie Apke, vp-clinical services.

Carilion Employee Assistance Program

213 McClanahan St., Suite 201A,
Roanoke, Va. 24014;
540-981-8950; fax: 540-981-8957

Staff

Salaried employees 28
Includes: 2 psychologists, 8 social workers, 3 marriage/family/child counselors, 15 professional/mental health counselors
Designations held: 3 CEAPs, 14 MSWs, 2 CACs, 4 R.N.s, 8 Ph.D.s
Contracted professionals 2
Includes: 1 marriage/family/child counselor, 1 professional/mental health counselor
Designations held: 2 MSWs

EAP clients

Total 54
Lives covered at year-end 1997 119,000
Employees 34,000
Dependents 85,000

Revenues

Total 1997 ..... $400,000
Total 1996 ..... $350,000
EAP services 100%

Services began: 1986.
Parent: Carilion Health System.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: EAP facilities.
Service area: Kentucky, Missouri, Ohio, Oklahoma, North Carolina, Tennessee, Virginia (southwest), West Virginia.
Reporting: Annually.
Billing: Capitated fee, $16 per employee per year; fee for service.
Officers: Mark Derbyshire, director-outpatient services; Janet McKinney, vp-psychiatric service line.
Contact: Ken Redick.

Ceridian Performance Partners

8100 34th Ave. S.,
Minneapolis, Minn. 55425;
800-788-1949; fax: 612-853-5270
http://www.ceridian.com

Staff

Salaried employees 365
Includes: 21 psychologists, 56 social workers, 51 professional/mental health counselors
Designations held: 8 CEAPs, 64 MSWs, 10 CACs, 1 R.N., 4 Ph.D.s
Contracted professionals 5,925
Includes: 434 psychiatrists, 1,303 psychologists, 2,254 social workers, 525 marriage/family/child counselors, 1,409 professional/mental health counselors

Revenues*

Total 1997 ..... $1,600,000,000
Total 1996 ..... $1,500,000,000

Services began: 1974.
Parent: Ceridian Corp.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child care/elder care consultation and referral.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide; Canada, Puerto Rico, United Kingdom.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee; fee for service, usage-based pricing.
Officers: Linda Hall Whitman, president/CEO; Bill English, vp-business development; Nila Betof, vp-operations; Sharon Stein, vp-sales/account management; Victor Rutstein, vp-marketing.
Contact: Lisa Brerwagen.
** Figures represent revenue of parent company.*

Ann Clark Associates

8910 University Center Lane, Suite 850, San Diego, Calif. 92122-1029;
619-452-1254; fax: 619-452-7819
http://www.annclarkassociates.com

Staff

Salaried employees 28
Includes: 1 psychiatrist, 5 psychologists, 4 social workers, 18 marriage/family/child counselors
Designations held: 14 CEAPs, 4 MSWs, 1 M.D., 14 Ph.D.s
Contracted professionals 10,000

EAP clients

Total 36
Lives covered at year-end 1997 119,000
Employees 34,000
Dependents 85,000

Revenues

Total 1997 ..... $1,000,000
EAP services 80%

Services began: 1983.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child care, elder care, mediation, alternative health referral, emotional problems such as depression and anxiety.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, parenting, anger management.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, sexual harassment, ergonomics.
Counseling sites: All worksites, EAP facilities, practitioners' offices, phone counseling, online services.
Service area: Nationwide; international services available.
Reporting: Quarterly, annually.
Billing: Flat fee; negotiated.
Officers: Ann D. Clark, president/CEO; Deanna Smith, chair-board of directors; Tandice Tinney, director-operations; Michelle Roth, national sales director; Mark A. Kaupp, vp.

Comprehensive EAP Inc.

76 Bedford St., Suite 26,
Lexington, Mass. 02173;
781-863-8283; fax: 781-860-9839

Staff

Salaried employees 2
Includes: 1 psychologist, 1 professional/mental health counselor
Designations held: 2 CEAPs, 1 Ph.D.
Contracted professionals 15
Includes: 3 psychologists, 12 social workers
Designations held: 12 MSWs, 3 Ph.D.s

EAP clients

Total 16
Lives covered at year-end 1997 11,700
Employees 4,500
Dependents 7,200

Revenues

Total 1997 ..... $200,000
Total 1996 ..... $200,000
EAP services 90%

Services began: 1980.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities.
Specialties: Plastics industry, financial institutions, high tech.
Service area: United States, primarily New England states, Alabama, California, Ohio, Pennsylvania and Texas.
Reporting: Quarterly, by request.
Billing: Capitated fee, plus fee for onsite services.
Officers: Mark Sagor, president; Dr. Bob Kagey, clinical director.
Contact: Dr. Bob Kagey.

ComPsych Behavioral Health

NBC Tower, 24th Floor,
Chicago, Ill. 60611;
312-595-4000; fax: 312-595-4029
http://www.compsych.com

Staff

Salaried employees 122
Includes: 2 psychiatrists, 11 psychologists, 57 social workers, 5 marriage/family/child counselors, 6 professional/mental health counselors
Designations held: 7 CEAPs, 57 MSWs, 8 CACs, 2 M.D.s., 5 R.N.s, 11 Ph.D.s
Contracted professionals 11,000
Includes: 1,700 psychiatrists, 2,920 psychologists, 5,600 social workers, 470 marriage/family/child counselors, 410 professional/mental health counselors
Designations held: 1,780 CEAPs, 5,600 MSWs, 2,603 CACs, 1,700 M.D.s, 210 R.N.s, 2,920 Ph.D.s

EAP clients

Total 240
Lives covered at year-end 1997 2,900,000
Employees 1,160,000
Dependents 1,740,000

Revenues

Total 1997 ..... $50,000,000
Total 1996 ..... $29,000,000
EAP services 56%

Services began: 1984.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, crisis and trauma.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Specialties: Financial services, retail, multi-employer trusts.
Service area: Nationwide; 65 international locations, including Canada and Puerto Rico.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee, $2 per employee per month.
Officers: Dr. Richard Chaifetz, CEO; Bob Jacobson, CFO; David Levine, senior vp; Anita Madison, vp-training; Ewa Antonowicz, clinical director.
Contact: Ed Foss, 312-595-4021.

CONCERN: Employee Assistance Program

8280 Montgomery Road,
Suite 101, Cincinnati, Ohio 45236;
888-729-3133 or 513-891-1627;
fax: 513-891-0838

Staff

Salaried employees 52
Includes: 2 psychiatrists, 2 psychologists, 35 social workers, 10 marriage/family/child counselors, 18 professional/mental health counselors
Designations held: 12 CEAPs, 18 MSWs, 4 CACs, 2 M.D.s, 2 R.N.s, 1 Ph.D.
Contracted professionals 2,312
Includes: 95 psychiatrists, 410 psychologists, 807 social workers, 168 marriage/family/child counselors, 358 professional/mental health counselors, 4 physicians
Designations held: 115 CEAPs, 478 MSWs, 78 CACs, 95 M.D.s, 15 R.N.s, 350 Ph.D.s

EAP clients

Total 152
Lives covered at year-end 1997 308,029
Employees 118,473
Dependents 189,556

Revenues

Total 1997 ..... $7,248,000
Total 1996 ..... $7,892,848
EAP services 100%

Services began: 1984.
Parent: TriHealth.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, eating disorders.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, critical incident debriefing.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices.
Service area: Nationwide; Canada, Puerto Rico.
Reporting: Quarterly, by request.
Billing: Flat fee; capitated fee; fee for service.
Officers: John Prout, president/CEO; William Groneman, vp-external customers; Peter Holden, vp-service delivery; Julie Morin, vp-support service; James Connelly, vp/CFO.
Contact: James Mueller.

CONTACT Behavioral Health Services

1400 E. Southern, Suite 800,
Tempe, Ariz. 85282;
602-730-3023; fax: 602-730-5528

Staff

Salaried employees 2
Includes: 5 psychiatrists, 5 psychologists, 8 social workers, 8 professional/mental health counselors
Designations held: 8 MSWs/CISWs, 5 M.D.s, 2 R.N.s, 5 Ph.D.s
Contracted professionals 7
Includes: 5 psychologists, 22 social workers, 33 marriage/family/child counselors
Designations held: 22 MSWs, 6 CACs, 5 Ph.D.s

EAP clients

Lives covered at year-end 1997 220,00
Employees 88,00
Dependents 132,00

Revenues

Total 1997 ..... $11,546,00
Total 1996 ..... $10,000,00
EAP services 25%

Services began: 1979.
Parent: Samaritan Health System.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Specialties: Schools, municipalities, Fortune 500 companies.
Service area: Nationwide.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee, $1 to $3 per employee per month; fee for service.
Officers: Larry Frazier, CEO; Glenn Tanita, COO; Dr. Lee Cohn, medical director; Michael Silver, director-business development; Angel Williams, director-administrative services.
Contact: Michael Silver.

CorpCare Associates Inc.

2000 Peachtree Dunwoody
Road, Building 4, Suite 300,
Atlanta, Ga. 30328;
770-396-5253; fax: 770-396-9522

Staff

Salaried employees 3
Designations held: 1 CEAP, 1 MSW
Contracted professionals 30
Includes: 3 psychiatrists, 75 psychologists, 150 social workers, 75 marriage/family/child counselors
Designations held: 40 CEAPs, 150 MSWs, 40 CACs, 3 M.D.s, 10 R.N.s, 75 Ph.D.s

EAP clients

Total 2
Lives covered at year-end 1997 23,00
Employees 10,00
Dependents 13,00

Revenues

Total 1997 ..... $225,00
Total 1996 ..... $180,00
EAP services 100%

Services began: 1991.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness,

Continued on next page

EAP directory terms explained

The eighth annual *Business Insurance* Directory of Employee Assistance Program Providers lists organizations that provide a variety of EAP services directly to employers on a stand-alone basis.

BI defines an employee assistance program as one that provides counseling and training to assist employees in the identification and resolution of personal problems. In addition, EAP services may include referrals to specialists for treatment. To be listed in the directory, a company must generate at least $100,000 in gross revenues from EAP services or provide EAP services in at least three states.

Listings begin with company name and address. Information on **staff** (given in full-time equivalents for year-end 1997) appears in two sections—salaried employees and contracted professionals. Each section includes the total number of members providing EAP services, a breakdown of clinical staff/providers by profession and the number of staff members holding the following designations: CEAP (Certified Employee Assistance Program Counselor), CAC (Certified Alcohol Counselor), R.N. (registered nurse), MSW (Masters of Social Work), M.D. (medical doctor), Ph.D. (doctor of philosophy).

Clients includes the total number of employer clients served, total lives covered at year-end 1997 and a breakdown of lives into employee lives and dependent lives. 1997 and 1996 **gross revenues** are given next, followed by the percentage derived from EAP services. The year **services began**, **parent** company and whether the organization is **for profit** are also listed.

Services available are listed under three categories: **assessments and treatments**, **health promotion** and **educational/general services**. **Counseling sites** and treatment are listed next. The **specialties** section details particular industries for which the organization provides services.

The **service area** is provided next, as well as methods of reporting and billing. **Officers** and a **contact** person for those seeking more information complete the listings.

Listings are generated through responses to a *BI* questionnaire. The directory is published as an editorial service; there is no charge to be included. Although every effort is made to publish complete and accurate listings, *BI* is unable to verify all information provided.

Continued from previous page

AIDS awareness, elder care.

Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.

Counseling sites: Practitioners' offices.

Service area: Nationwide; Canada.

Reporting: Quarterly.

Billing: Capitated fee, $2.50 per employee per month; fee for service.

Contact: George W. Martin Jr.

CORPHEALTH Inc.

1300 Summit Ave., Suite 600,
Fort Worth, Texas 76102;
817-332-2519; fax: 817-335-9100

Staff

Salaried employees 15
Includes: 2 social workers, 10 professional/mental health counselors
Designations held: 12 CEAPs, 2 MSWs, 4 CACs, 1 R.N.
Contracted professionals 362
Includes: 362 professional/mental health counselors
Designations held: 175 CEAPs, 84 MSWs, 137 CACs

EAP clients

Total 12
Lives covered at year-end 1997 250,000
Employees 100,000
Dependents 150,000

Revenues

Total 1997 ..... $10,000,000
Total 1996 ..... $9,000,000
EAP services 15%

Services began: 1987.

For profit.

Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.

Health promotion: Stress management, alcohol awareness, drug/chemical awareness.

Educational/general services: Supervisor training, drug-free workplace regulatory adherence.

Counseling sites: Selected worksites, EAP facilities.

Specialties: Railroads, private corporations, municipalities, grocers.

Service area: Nationwide.

Reporting: Monthly, quarterly, annually.

Billing: Flat fee; capitated fee, $1.50 to $2 per employee per month; fee for service.

Officers: Patrick D. Gotcher, president/CEO; David L. Redfield, COO; Michael G. Baker, CFO; Alan J. Adkins, chief medical officer; Robert C. Cull, senior vp-operations.

Contact: Patrick D. Gotcher.

Corporate Counseling Associates

475 Park Ave. S.,
New York, N.Y. 10016;
212-686-6827; fax: 212-686-6811

Staff

Salaried employees 28
Includes: 22 social workers
Designations held: 4 CEAPs, 22 MSWs, 4 CACs
Contracted professionals 400
Includes: 30 psychiatrists, 7 psychologists, 250 social workers, 25 marriage/family/child counselors, 25 professional/mental health counselors
Designations held: 60 CEAPs, 250 MSWs, 25 CACs, 30 M.D.s, 10 R.N.s, 70 Ph.Ds

EAP clients

Total 95
Lives covered at year-end 1997 315,000
Employees 90,000
Dependents 225,000

Revenues

Total 1997 ..... $3,000,000
Total 1996 ..... $2,800,000
EAP services 85%

Services began: 1983.

For profit.

Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.

Health promotion: Stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, work/family issues.

Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Counseling sites: All worksites, EAP facilities, practitioners' offices, phone counseling.

Specialties: Advertising, publishing, entertainment.

Service area: Nationwide; international services available.

Reporting: Monthly, quarterly, annually, by request.

Billing: Capitated fee.

Contact: Georgia Critsimilios.

The directory begins on page 16.

E

Employee Assistance Program, Family Service Inc.

430 N. Canal St.,
Lawrence, Mass. 01840;
978-683-9505; fax: 978-683-1026

Staff

Includes: 1 psychiatrist, 1 psychologist, 8 social workers
Designations held: 2 CEAPs, 8 MSWs, 1 M.D., 1 R.N., 1 Ph.D.

EAP clients

Total 25

Revenues

Total 1997 ..... $350,000
Total 1996 ..... $300,000
EAP services 90%

Services began: 1985.

Not for profit.

Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, elder care/caregiver issues.

Health promotion: Nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.

Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, sexual harassment prevention, trauma response services, Department of Transportation drug/alcohol training, substance abuse, professional evaluations.

Counseling sites: Selected worksites, EAP facilities.

Service area: Principally Massachusetts and New Hampshire; national network for service in 25 states.

Reporting: Quarterly, semiannually.

Billing: Capitated fee.

Officers: Kay Frishman, executive director; John Zielin, assistant director; Leonard DeBenedictis, EAP director; Lisa Goss, clinical director.

Contact: Leonard DeBenedictis.

Employee Assistance Services-The Workplace Solution

7918 Jones Branch Drive,
Suite 230, McLean, Va. 22102;
703-448-8101; fax: 703-448-8674
http://www.easeap.com

Staff

Salaried employees 30
Includes: 1 psychiatrist, 2 psychologists, 18 social workers, 3 marriage/family/child counselors, 6 professional/mental health counselors
Designations held: 15 CEAPs, 18 MSWs, 5 CACs, 1 M.D., 5 R.N.s, 2 Ph.D.s
Contracted professionals 5,000
Includes: 480 psychiatrists, 1,200 psychologists, 2,500 social workers, 400 marriage/family/child counselors, 420 professional/mental health counselors
Designations held: 2,000 CEAPs, 2,500 MSWs, 510 CACs, 480 M.D.s, 600 R.N.s, 1,200 Ph.D.s

EAP clients

Total 350
Lives covered at year-end 1997 405,000
Employees 130,000
Dependents 275,000

Revenues

Total 1997 ..... $2,900,000
Total 1996 ..... $2,400,000
EAP services 75%

Services began: 1984.

Parent: Menninger Corporate Services.

For profit.

Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.

Health promotion: Smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.

Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Counseling sites: Selected worksites, EAP facilities, phone counseling.

Specialties: Small business, multinationals, municipalities/counties, unions.

Service area: United States, Australia, China, Denmark, France, Germany, Hong Kong, Malaysia, New Zealand, Saudi Arabia, Spain, United Kingdom, Vietnam.

Reporting: Monthly, quarterly, annually, by request.

Billing: Flat fee; capitated fee; fee for service.

Officers: Dr. Efrain Bleiberg, CEO; Dr. Sheila Baler, COO; Mark Wittenber, CFO; Beth Gilley, vp-Eastern U.S.; Gail Gibson, vp-Western U.S.

Contact: Gail Gibson, 949-951-8414.

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Employee Counseling Service

2650 Olive St., St. Louis, Mo. 63103;
800-633-9672; fax: 314-371-6508

Staff

Salaried employees....20
Includes: 1 psychiatrist, 3 psychologists, 12 social workers, 2 marriage/family/child counselors, 2 professional/mental health counselors
Designations held: 3 CEAPs, 12 MSWs, 3 CACs, 1 M.D., 3 Ph.D.s
Contracted professionals....10
Includes: 10 social workers
Designations held: 10 MSWs

EAP clients

Total....50
Lives covered at year-end 1997....195,000
Employees....60,000
Dependents....135,000

Revenues

Total 1997....$700,000
Total 1996....$800,000
EAP services....100%

Services began: 1979.
Parent: Provident Counseling Inc.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, post-trauma, workers compensation.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, information and referral programs.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide.
Reporting: By request.
Billing: Capitated fee, $15 to $30 per employee per year.
Officers: Kathleen Buescher, CEO/president; Joe Bryant, CFO; Philip B. Crouse, executive vp.
Contact: Philip B. Crouse.

Employee Resource Systems

1 E. Wacker Drive, Suite 2122,
Chicago, Ill. 60601; 312-494-2780;
fax: 312-494-1424

Staff

Salaried employees....13
Includes: 1 psychologist, 8 social workers, 3 professional/mental health counselors
Designations held: 7 CEAPs, 6 MSWs, 2 CACs, 1 Ph.D.
Contracted professionals....2,275
Includes: 300 psychiatrists, 500 psychologists, 1,000 social workers, 175 marriage/family/child counselors, 300 professional/mental health counselors
Designations held: 500 MSWs

EAP clients

Lives covered at year-end 1997....175,000
Employees....70,000
Dependents....105,000

Revenues

Total 1997....$990,000
Total 1996....$850,000
EAP services....90%

Services began: 1993.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities, phone counseling.
Service area: Nationwide; Canada.
Reporting: Quarterly.
Billing: Flat fee; capitated fee; fee for service.
Contact: Gary S. Cohen, CEO; William R. Heffernan, COO.

F

Families First - Corporate Services

1105 W. Peachtree St., N.E.,
P.O. Box 7948, Station C,
Atlanta, Ga. 30357-0948;
404-853-2800; fax: 404-685-0203
http://www.familiesfirst.org

Staff

Salaried employees....110
Includes: 60 social workers, 2 professional/mental health counselors
Designations held: 60 MSWs, 1 CAC
Contracted professionals....1
Includes: 1 psychiatrist
Designations held: 1 M.D.

EAP clients

Total....120
Lives covered at year-end 1997....45,000

Revenues

Total 1997....$200,000
Total 1996....$160,000
EAP services....100%

Services began: 1965.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: All worksites.
Service area: Georgia, with access to a national network.
Reporting: Quarterly, by request.
Billing: Flat fee; capitated fee, $27.50 per employee; ASO fee.
Officers: Robert Weaver, executive director.
Contact: Patricia Showell, 404-853-2800.

H

HBA/Human Behavior Associates

191 Military E., Benicia, Calif. 94510;
707-747-0117; fax: 707-746-6646

Staff

Salaried employees....18
Includes: 1 psychiatrist, 2 psychologists, 2 social workers, 2 marriage/family/child counselors, 1 professional/mental health counselor
Designations held: 4 CEAPs, 2 MSWs, 1 M.D., 2 Ph.D.s
Contracted professionals....6,623
Includes: 590 psychiatrists, 2,021 psychologists, 1,852 social workers, 2,162 marriage/family/child counselors
Designations held: 3,140 CEAPs, 2,425 MSWs, 590 M.D.s, 2,350 Ph.D.s

EAP clients

Total....54
Lives covered at year-end 1997....146,000
Employees....51,000
Dependents....95,000

Revenues

Total 1997....$680,000
Total 1996....$520,000
EAP services....65%

Services began: 1987.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Counseling sites: Selected worksites, practitioners' offices, phone counseling.
Specialties: High-technology industries, federal and state agencies, school districts and IPAs, trusts.
Service area: Nationwide.
Reporting: Quarterly, annually, by request.
Billing: Capitated fee, $1 to $4.50 per employee per month; fee for service, cost plus (ASO).
Officers: J.B. Wallace, president; P.J. Weymouth, marketing.
Contact: Jim Weymouth.

HHRC

9370 Sky Park Court,
San Diego, Calif. 92123;
619-571-1698; fax: 619-278-3648
http://www.hhrc.com

Staff

Salaried employees....37
Includes: 2 psychiatrists, 2 psychologists, 10 social workers, 6 marriage/family/child counselors
Designations held: 7 CEAPs, 10 MSWs, 1 CAC, 3 M.D.s, 1 R.N., 2 Ph.D.s
Contracted professionals....3,000

EAP clients

Total....250
Lives covered at year-end 1997....275,000
Employees....120,000
Dependents....155,000

Revenues

Total 1997....$4,500,000
Total 1996....$4,200,000
EAP services....75%

Services began: 1979.
For profit.
Parent: Integrated Insights.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, work/life.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness, elder care, critical incident stress debriefing, threat assessment, conflict resolution, executive coaching.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide; Australia, Europe, New Zealand, North America.
Reporting: Monthly, quarterly, annually, by request.
Billing: Flat fee; capitated fee; fee for service.
Officers: Stephen Heidel, president/CEO; Peggy Wagner, vp-EAP services; Pam Murphy, director-quality improvement.
Contact: Babbi Anderson.

Health Management Systems of America

20811 Kelly Road, Suite 100,
Eastpointe, Mich. 48021;
810-773-3000; fax: 810-773-3492
http://www.hmsa.com

Staff

Salaried employees....50

EAP clients

Total....1,040
Lives covered at year-end 1997....862,400
Employees....308,000
Dependents....554,400

Revenues

Total 1997....$13,000,000
Total 1996....$12,826,188
EAP services....70%

Services began: 1980.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incident stress debriefing, workplace violence.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review.
Counseling sites: EAP facilities, practitioners' offices, phone counseling.
Specialties: Health care, manufacturing, professional services industries.
Service area: Nationwide.
Reporting: Quarterly.
Billing: Capitated fee, monthly.
Officers: J. William Sumner, president/chairman; Dennis G. Rice, vp/secretary.

Health Resources (Omni Health EAP)

190 N. Main St.,
Natick, Mass. 01760;
508-655-9766; fax: 508-655-9922

Staff

Salaried employees....10
Includes: 2 psychologists, 9 social workers
Designations held: 3 CEAPs, 9 MSWs, 11 CACs, 2 Ph.D.s
Contracted professionals....409
Includes: 1 psychiatrist, 59 psychologists, 246 social workers, 43 marriage/family/child counselors, 60 professional/mental health counselors
Designations held: 11 CEAPs, 68 MSWs, 1 M.D., 5 R.N.s, 52 Ph.D.s

EAP clients

Total....200
Lives covered at year-end 1997....200,000

Revenues

Total 1997....$9,500,000
Total 1996....$7,500,508
EAP services....23%

Services began: 1981.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, workplace connections, organizational development.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers compensation review.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide; Canada, England, Europe.
Reporting: Monthly, quarterly, annually, by request.
Billing: Flat fee; capitated fee; fee for service.

HealthTrust Alliance Inc.

501 Crownpointe Way, Suite 120,
Lawrenceville, Ga. 30045;
770-338-9859; fax: 770-682-4899
http://www.healthtrust.com

Staff

Salaried employees....25
Designations held: 1 R.N., 2 Ph.D.s
Contracted professionals....250

EAP clients

Total....200
Lives covered at year-end 1997....700
Employees....400
Dependents....300

Revenues

Total 1997....$1,100,000
Total 1996....$200,000
EAP services....50%

Services began: 1993.
For profit.
Assessments & treatments: Stress, occupational problems, clinical condition.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, wellness.
Counseling sites: Practitioners' offices, phone counseling.
Service area: Nationwide.
Reporting: Monthly, quarterly, annually.
Billing: Flat fee; capitated fee; fee for service.
Officers: Mike Przybysz, Terri Schoerner, Dane Woodruff.
Contact: Judy McClure.

Helpnet Inc.

P.O. Box 3217,
Long Beach, Calif. 90803-0217;
562-594-1171; fax: 562-594-7440
http://www.hnweb.com

Staff

Salaried employees....7
Contracted professionals....2,550
Includes: 233 psychiatrists, 560 psychologists, 725 social workers, 886 marriage/family/child counselors, 146 professional/mental health counselors
Designations held: 156 CEAPs, 820 MSWs, 80 CACs, 233 M.D.s, 46 R.N.s, 1,012 Ph.D.s

EAP clients

Total....38
Lives covered at year-end 1997....84,000
Employees....35,000
Dependents....49,000

Revenues

Total 1997....$333,000
Total 1996....$336,000
EAP services....100%

Services began: 1981.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child care, workplace diversity, critical incident debriefing.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Practitioners' offices, phone counseling.
Specialties: Financial institutions, transportation.
Service area: Nationwide.
Reporting: Monthly, quarterly, annually.
Billing: Capitated fee, $1.50 to $5.00 per employee per month; fee for service.
Officers: Helen Burch, president; Robert Smith, CFO.
Contact: Helen Burch.

I

INTERACT EAPs and Healthy Lifestyle Consultants EAP

1808 E. Broad St., Columbus, Ohio
43203; 614-251-8242

Staff

Salaried employees....60
Includes: 3 psychiatrists, 11 psychologists, 18 social workers, 28 professional/mental health counselors
Designations held: 1 CEAP, 20 MSWs, 7 CACs, 3 M.D.s, 4 R.N.s, 16 Ph.D.s
Contracted professionals....6
Includes: 3 psychiatrists, 3 psychologists
Designations held: 1 CAC, 3 M.D.s, 3 Ph.D.s

EAP clients

Total....63
Lives covered at year-end 1997....125,000
Employees....55,000
Dependents....70,000

Revenues

Total 1997....$6,000,000
Total 1996....$5,000,000
EAP services....15%

Services began: 1985.
Parent: Mount Carmel Behavioral Healthcare.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incident stress debriefing, workplace violence.
Health promotion: Smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Specialties: Schools, government, insurance industry.
Service area: North America, primarily midwestern United States.
Reporting: Monthly, quarterly, annually, by request.
Billing: Flat fee; capitated fee, $1.25 to $2.00 per employee per month.
Officers: James M. Shulman, CEO; Margaret Richards, director-EAP services; Dr. Marc Clementer, medical director; Jim Fidelibus, clinical director; Drew Marteusen, national EAP manager.

Interface EAP Inc.

7670 Woodway, Suite 350,
Houston, Texas 77063;
713-781-3364; fax: 713-781-4954

Staff

Salaried employees....25
Includes: 2 psychiatrists, 8 social workers, 5 marriage/family/child counselors, 8 professional/mental health counselors, 2 physicians
Designations held: 2 CEAPs, 6 MSWs, 2 CACs, 2 M.D.s
Contracted professionals....4,092
Includes: 574 psychiatrists, 1,046 psychologists, 1,354 social workers, 778 marriage/family/child counselors, 797 professional/mental health counselors, 574 physicians

EAP clients

Total....230

Revenues*

Total 1997....$2,000,000
Total 1996....$2,000,000

Services began: 1988.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incident/post-traumatic stress debriefing, attention deficit disorder, workplace violence.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, dealing with difficult people, time management, team building.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, Americans with Disabilities Act, Family and Medical Leave Act, Department of Transportation substance abuse programs.
Counseling sites: Practitioners' offices.
Specialties: Public entities.
Service area: Nationwide.
Reporting: Monthly, quarterly, annually, by request.
Billing: Flat fee; capitated fee; complete carve out.
Officers: Fred Newman, president; Lizz Scott, vp.
Contact: Lizz Scott, 972-934-9810 or Luis Taborda, 713-781-3364.
** Estimate.*

L

Lincoln EAP Inc.

201 N. Eighth St., Suite 101,
Lincoln, Neb. 68508; 402-476-0186;
fax: 402-476-2757

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Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers

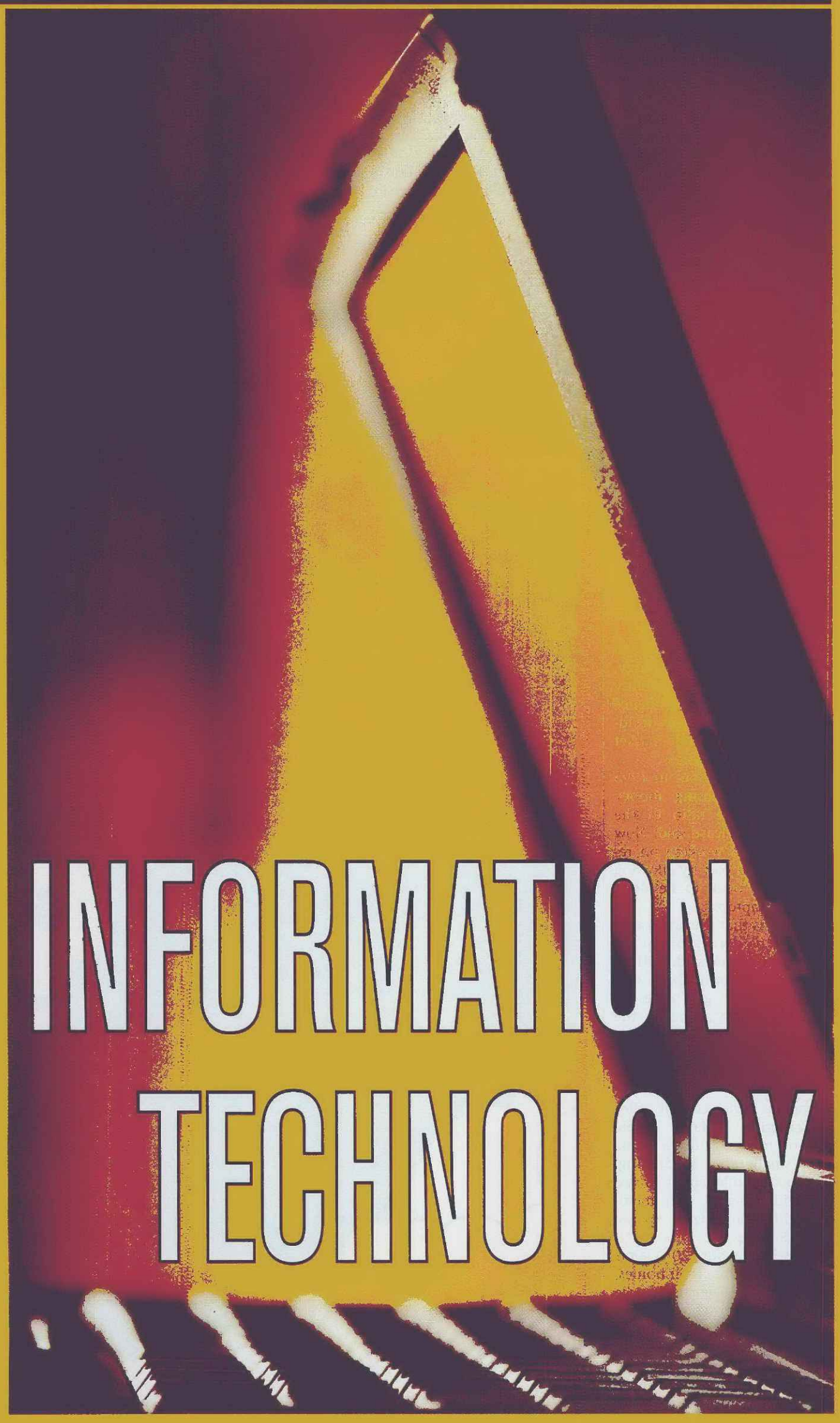
INSIDE:

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EXPERTS SAY SITES SHOULD REFLECT IMAGE
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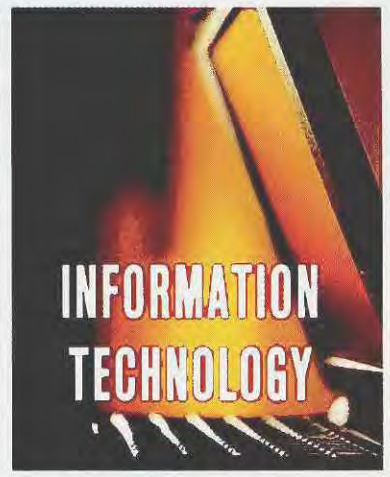
ISO OFFERING PRODUCTS OVER THE INTERNET
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MAINFRAMES STILL USEFUL FOR INSURERS
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Trading bricks and mortar for bytes and laptops

Technology today lets companies decentralize and lower their expenses



By ROBERTO CENICEROS

The founders of Covenant Insurance Group knew their start-up company's success would require limiting overhead by placing many traditional insurer operations right in the offices of independent agents.

Covenant's strategy is working, with the personal lines insurer becoming an example of how technology has helped some companies opt for virtual office operations instead of occupying space in an office building.

From smaller companies, such as Covenant, to larger operations, such as TIG Insurance Co.'s retail commercial insurance unit, many insurers are lowering their overhead and writing business by decentralizing and going virtual.

Managing general agents for TIG's retail commercial unit are also quoting, underwriting, rating and issuing small and medium-size commercial policies. The agents even can settle first-party claims up to $5,000, according to a press release from TIG software provider Allenbrook Inc.

Because the company is able to use client/server technology, give more insurer responsibility to agents and cut its dependence on office buildings, it has decided to stay in the middle-market commercial lines business.

TIG nearly pulled out in 1995 because it was losing money with an expense ratio in the high 40s, the release said. Now the company is working on reducing that, in part by allowing much of its work to be done from agent laptops.

"The key is that the underwriting has to be done at the point of sale," the release said. "Otherwise, paper is going back and forth. We don't get pieces of paper from any agent. If the agent using TIG's template is going to underwrite the policy, why should we re-underwrite it?"

Covenant has a central office in Cambridge, Mass., where three or four executives work, and a small office in Sterling, Mass., occupied by about 15 systems and actuarial staff members, said John Hogan, vp-systems in Sterling.

Otherwise, about 20 claims handlers work from their homes, while producer agencies handle underwriting, rating, policy issuance, billing and claims settlement from their personal computers.

The insurer specializes in automobile and homeowners coverage and wrote its first policy in September 1996. At year-end 1997, Covenant had written $36 million in premium and expects to exceed $50 million by the end of 1998, Mr. Hogan said. The group is comprised of two units, Covenant Insurance Co. in Connecticut and Commonwealth Mutual in Massachusetts.

As part of its strategy to be a low-cost provider, Covenant has basically turned agencies into insurance companies, allowing them to handle the processing, service and sales, Mr. Hogan said. In that way, Covenant leverages the strengths of the independent agency system, such as agents' knowledge of customers.

Yet Covenant cut the costs typically incurred when agents perform functions the insurer later repeats, such as rating and submitting policies.

To do that, Covenant turned to a client/server computer system, rather than a mainframe computer. It also purchased Phoenix software created by Portland, Maine-based Allenbrook for client/server technology.

The software can handle the sales, service and processing capabilities of agencies and insurance companies, Mr. Hogan said. The insurer chose the software because it is Windows-based and easy to operate, so user training would be minimal, Mr. Hogan said.

Continued on next page



Continued from previous page

Many insurers are now using client/server technology and accompanying software created by Phoenix and several competitors, said Pat Borowski, division vp for the National Assn. of Professional Insurance Agents in Alexandria, Va.

Ms. Borowski studies insurer technology and its impact on agents and notes that insurers have installed the client/server systems as an alternative to mainframe computers (see story, page 20G). Many have done so while investing in new technology to address the Year 2000 problem. In the process of becoming Year 2000-compliant, they opt for more flexible systems that allow insurance functions to be executed in multiple locations, such as in agents' offices or from laptop computers.

In that way, virtual office conditions are also being spurred. The shift allows companies to give agents and field personnel more responsibility over policy issuance and even claims-handling while freeing insurers from the expense of centralized offices, experts said.

Insurers can decentralize their traditional functions while centralizing quality control. The newer systems allow insurers to easily install and continually modify software "edits" that allow agents to have varying degrees of authority, Ms. Borowski explained.

Insurers can give agents and field personnel more responsibility in policy issuance and save money on overhead.

"The edits can be very tight so the market floor producer can have very little discretionary decision-making," she said. The policy applications entered into the insurer's system by the agents "has to either fit the grid or it doesn't." But insurers can also allow that "grid to breathe and grow with the growing expertise and demonstrated skill of the agency," she added.

While the new systems give agents more discretion, the technology, if structured properly, also gives the insurer more control without having to duplicate the work already performed by the agent, Ms. Borowski said. In other words, the insurer does not need to review every single piece of business issued by the producer to ensure quality.

While the agent can underwrite policies, the insurer can limit its review of the work to only a certain number of submittals. For example, it can review every third or 10th piece of business to see that it fits the established grid. Over that, the insurer then can take a statistical sample of an agents' results to assure they conform to the grid. That can be done periodically, such as on a quarterly basis.

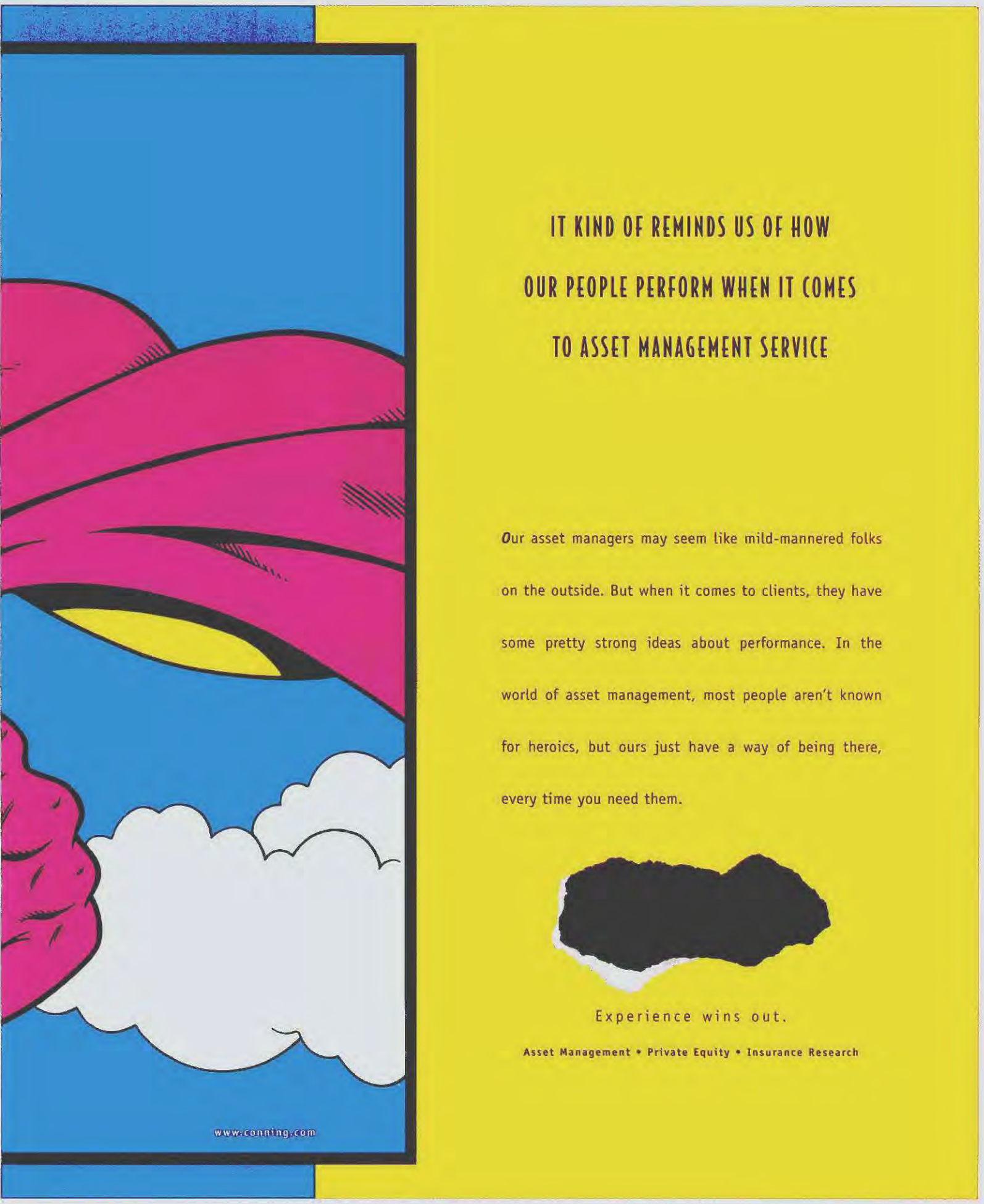
"So what the company is doing is a front-end quality control, and then you are doing an overall tracking of results on a quarterly basis," Ms. Borowski said. The tracking can be accomplished by statistically examining several factors, such as agents' overall books of business or the lines of business they are writing.

To date, quality control under Covenant's system has not been a problem, Mr. Hogan said. Because the system is relatively new, the company has not implemented all the audit and review systems possible, so he could not say whether the system is superior to a mainframe in that respect.

But part of Covenant's business strategy has been to provide agents economic incentives for delivering only quality business. "So the agencies are also concerned about losses and loss ratios and not just commissions," he said.

For further assurance, the company provides new agents with two days of training in underwriting so they understand the loss-ratio concept as well as sales. Additionally, computer screens used by Covenant's producers issue reminders for the agents to classify their business properly and to enter it under rating cues that match the company's underwriting rules filed with a state, Mr. Hogan said.

There is no question the system has paid off, he added. In its second full year of operation, the company generated an underwriting profit with a combined ratio of 95 and an expense ratio of 25. BI



RAA elects new officers

WASHINGTON—James E. Gustafson, chairman and chief executive officer of General Reinsurance Corp. and president and chief operating officer of General Re. Corp., has been elected chairman of the Reinsurance Assn. of America.

RAA members also elected John W. Smithson, chairman and chief executive officer of PMA Reinsurance Corp. and the PMA Group and president and chief executive officer of the Pennsylvania Manufacturers Corp., as vice chair.

Heidi Hutter, chairman, president and chief executive officer of Swiss Re America Corp., was elected secretary-treasurer.

Insurers must keep image intact online

Web sites should build on existing communication and marketing strategies: Experts

By AMANDA MILLIGAN

While the Internet has changed the way the business world communicates, at least one traditional tenet remains the same: There's never a second chance to make a first impression.

Insurers, agents and brokers, and other technology-savvy entrepreneurs know the World Wide Web gives them the ability to do business around the clock and around the world. But to fully maximize this boundless medium, experts say companies still should maintain their sites within the parameters of their business and communication strategies.

In a medium where competitors' sites are only a click away, it's important for an insurer to present its cyberspace image in a fresh and informative style that is easily navigated.

"A company's Internet Web site should reflect and be an extension of a company's corporate name," said Denis O'Shea, director of corporate communication for Hartford, Conn.-based specialty insurer Hartford Steam Boiler Inspection & Insurance Co. "You have to manage the process so that your message as a company comes across as a cohesive whole."

Part of the management process involves making sure the site doesn't try to do too much too quickly, said Tim Higham, vp-insurance operations and services in the Tampa, Fla., office of HomeCom Communications. Because a company's image is not created overnight, he urges corporations to exercise care in the creation of a site that will not damage the established image.

Mr. Higham recommends setting up a timeline that outlines the dates and costs for completing each major section of a Web site. "Try to look at this as more than a home page," he said. "This is serious business."

Secondly, Mr. Higham cautions against outsourcing design and maintenance work to Web site developers who quote prices that are drastically below the competition. "It does the company, in our opinion, more damage, because people look at the Web site and feel cheapness. . . .When they look at the Web site, you need to give them the feeling that you're an A+ carrier."

On the Web, Mr. Higham said, insurers have three potential audiences: agents, current policyholders and prospects. Each audience will have different needs, and to get each segment to return to the insurer's Web site, it is important to cater to each in an individual approach.

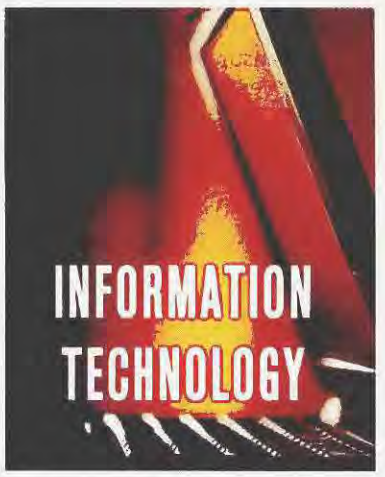
"You need to make sure if you're going to use (the Web site) as more than a billboard, that it is part of everyday business solutions for your agents and customers," he said. He recommends providing: a password-protected area for agents to sell and service business; electronically accessible account information for current policyholders; and thorough information about the company for potential customers.

"It's gone beyond window dressing," said Florine Edwards, vp-advertising and corporate relations for Johnston, R.I.-based Allendale Insurance Co. Allendale's site, which has been on the Internet for more than two years, has expanded beyond just another marketing tool by giving special attention to customer feedback about the site. "The people you're communicating to start to drive what you're adding to the Web site, through feedback," she said.

Keeping in touch with the wants and needs of the cyberspace consumer sometimes requires a complete redesign and relaunch of the Web site.

For Standard Insurance Co., the relaunching of its site in the late summer of 1998 means an even approach to information presentation.

"It's a turning point for us," said Bill Chin, webmaster for Portland, Ore.-based Standard. "Historically, our site has come up haphazardly. Up until now, our Web site has been uneven."

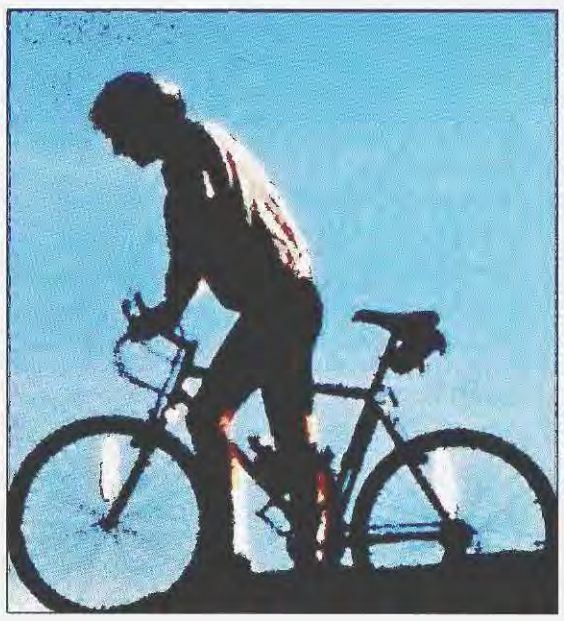


To make sure all areas of the insurance company were thoroughly presented on the site, Mr. Chin said the departments had to work together. "It really changes the way people do business. But in order to be successful, you have to collaborate. Not one department can do it."

While the input of many makes the site content more robust, Rosemary Cahill, director-electronic communication for Kemper Insurance Cos. of Long Grove, Ill., warned against the tendency to organize the Web site in the likeness of the corporation's structure. Sometimes, she said, departmental crossover within areas of the site make more sense to the consumer.

Continued on next page

GET THE BROADER VIEW.



Continued from previous page

Ms. Cahill said it is critical for the consumer not to feel as if he or she has "been there, done that, seen that. . . .My theory is (Web sites) probably need to be redesigned every year."

Kemper has not decided on a redesign for its Web site, which has been up since late 1994, she noted.

Nancy Finn, corporate communication manager for Arkwright Mutual Insurance Co. of Waltham, Mass., said that while the insurer worked on a Web site redesign, which will be accessible in mid-July, it took care not to lose the content that has made Arkwright's original site an award-winner. Real-time chat rooms will be added to the new version, because "we don't want to just be a sales mention to the world," Ms. Finn said. "People are so inundated with market information. The value-added comes when you offer substantive information."

Lloyd's of London not only is revamping its Web site but also plans to launch a separate site that will target U.S. buyers.

Lloyd's America Ltd., a subsidiary of Lloyd's of London responsible for coordinating regulatory functions for all U.S. business, worked closely with the London-based insurance market when redesigning its Web site. The relaunch is planned for next month.

In addition, the U.S. site, which has been created to address the gap between U.S. buyers and the London market, also will debut for the first time in mid-July.

"Lloyd's is engaged on a simplification drive to make sure it's easily understood. Historically, Lloyd's has been difficult to understand," said William Pitt, head of communication for Lloyd's America, based in New York. "Our stress has been to ensure that our site is simple, straightforward. . .and doesn't test the technology of the users."

'Insurance is an extremely specific business. You need a (Web site) developer that understands the regulatory environment, says Tim Higham.

Despite recognizing that the Internet is going to become more and more significant in defining the future of the insurance industry, many insurers are reluctant to sell insurance online.

Security issues and the complexity of policies are commonly cited reasons for the reticence, experts said.

The hype around the Internet has established a "fear factor," said Brian J. Boltz, vp of technology for Fort Lauderdale, Fla.-based propertyandcasualty.com, a Web site offering online insurance information. He said that while security can be a major problem, it is solvable.

Carefully selecting a Web developer can dissipate the fear factor because that developer's expertise can be tapped when introducing new features that could call for encrypted security technology. Mr. Boltz advises those shopping for a developer to check references to ensure stability and quality of service provided.

HomeCom's Mr. Higham agrees. "Insurance is an extremely specific business," he said. "You need a developer that understands the regulatory environment."

Because commercial lines policies are more complex than personal lines policies, some observers say commercial consumers prefer to have the agent's face-to-face guidance.

"The more complex the coverage is, the more people want to sit down and have a chat with a live person," said Bob Stewart Sr., president of New York-based RLDA Communications.

Some of the experts said they think online selling of commercial insurance will be beneficial for small business owners and those purchasing personal lines policies. Others contend it will spread to all levels of the industry.

"I think this is going to be a geometric progression," said Mr. Stewart. "I see e-commerce growing exponentially in the next five years."

Gil Irwin, a partner within the financial and health services information technology practice of New York-based Booz-Allen & Hamilton Inc., said many insurers are worried about cannibalizing their agents by selling insurance online. "Most insurance companies have not yet made the leap that said it is a critical distribution channel. . .One thing that always drives change is a burning platform. Insurance companies lately have not felt a need for change."

Mr. Irwin said the truly progressive companies should look for opportunities to market a product that consumers can purchase only over the Web. This would not replace the need for the agent but would create a new product that would be "uniquely deliverable on the Web."

Hartford Steam Boiler's Mr. O'Shea said his company found the Internet useful in cost-cutting when the insurer's 131-year old technical and loss prevention publication "The Locomotive" grew too expensive to publish as a quarterly print journal. The electronic version of the publication now enables HSB to update the information continually as well as reducing it's cost from $250,000 to produce the print version to around $50,000 to produce electronically, he said.

"The publication has much greater utility," Mr. O'Shea said. "We went into this expecting the expense would be significant. The amount I'm spending now is but a fraction of that cost." BI

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ISO sets up shop on Internet

By JENELL TALLEY

Insurance Services Offices Inc. has launched an Internet product delivery system called ISOnet.

Insurers now can access ISO circulars, policy forms and prospective loss costs through the service organization's World Wide Web site at http://www.isonet.com.

"ISOnet makes all its core products available (over the Internet), and no other (insurance advisory information provider) does that," an ISO spokesman said.

ISOnet is unique because not only does it enable customer companies to buy ISO products over the Web, "they can interact with us (daily), and that's without precedent," the spokesman said.

He added that what's most important about ISOnet is that it is an interactive system, allowing users to communicate with the organization through the site.

ISOnet aims to make customers aware of ISO's services and sell its products via the Internet. The system will cut business costs for insurers, which could increase savings for insurers' customers, and will deliver ISO's products more efficiently, which will increase ISO's revenue, according to the spokesman.

ISOnet is available to any property or casualty insurance company that employs ISO in one or more lines of business. User rates are based on the insurance company's premium, the volume of business the company does with ISO and the number of people in the company using the service. Annual fees can be as low as several thousand dollars or as high as several million dollars.

Companies can have unlimited numbers of ISOnet users, but each person must have an identification number to access the system's information.

Flexible search options make information easy to locate, and hypertext link functions enable customers to navigate among rule manuals, circulars, the online reference library and other information, according to an ISO release.

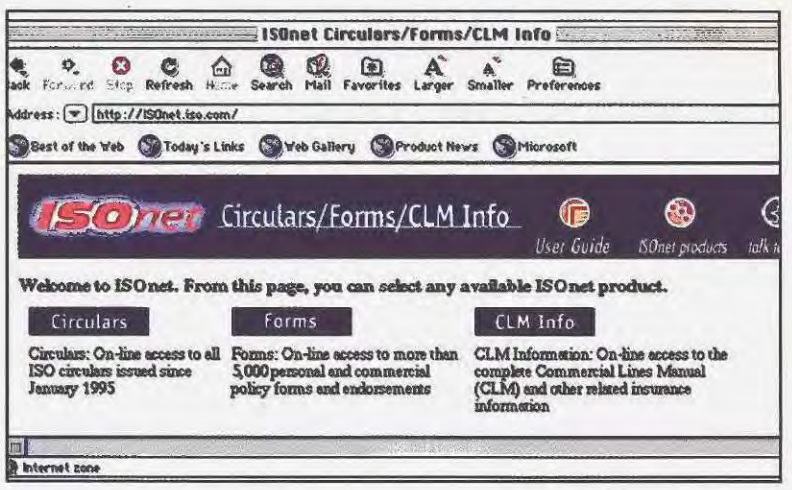
"This looks like it would be tremendous for insurance companies that utilize ISO products on a regular basis," said a spokesman for the Alliance of American Insurers in Schaumburg, Ill. "Anything that transmits information more quickly has got to be a help to insurance companies."

ISO, which spent 18 months developing ISOnet, tested a prototype with 22 insurers and reinsurers, including Baltimore-based Zurich Commercial, Boston-based Liberty Mutual Group, The Ohio Casualty Insurance Co. in Hamilton, Ohio; and Nationwide Insurance Enterprise, based in Columbus, Ohio, to get customer feedback on its design. Each tester company has since purchased the service.

ISO already has reached $1 million in ISOnet memberships and product sales from the tester companies. All those sales were made before its June 4 launch date.

"The elimination of paper is the most useful service. Circulars, forms and the Commercial Lines Manual can be viewed online and electronically transmitted to anyone else that needs it," said Henry Jones, director of the commercial business unit at Zurich Commercial. He also cited significant money savings for Zurich.

"We're expecting a 15% to 20% reduction in hard costs because ISO no longer has to handle and send papers to us. They can give it electronically," said Mr. Jones. BI

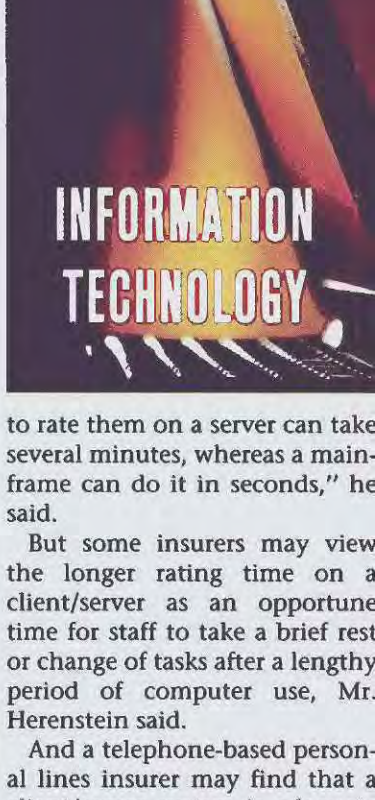


Core products from the Insurance Services Office Inc. are available through ISOnet, launched earlier this month.



For financial security, count on MIC Re.

Mainframes still serve plenty of clients



By GAVIN SOUTER

Reports of the demise of the mainframe computer system, like that of Mark Twain, have been greatly exaggerated.

While many insurers have embraced the more recent technology of client/server systems, there is still a need for high-powered though less flexible mainframe-based computing.

Consequently, many insurance companies elect to maintain a mainframe system as well as a client/server system, computer experts say.

"If you go back to the early 1980s, there were pundits going around saying that the mainframe is history, but although the personal computer has changed its role, the mainframe is still powerful," said Chip Lawson, senior product manager at IVANS Inc. in Greenwich, Conn. IVANS provides information technology and networking services to the insurance industry.

While plenty of monochrome mainframe terminals still are in use in the insurance industry, some insurers and agents are installing PCs that can be used to access the mainframe, he said.

The trend is likely to accelerate as new computer systems are installed to replace old systems that are not Year-2000 compliant, Mr. Lawson said.

But insurers should not automatically replace their mainframe systems with client/server systems, agreed Arnold Herenstein, vp-application development at Reliance Group Holdings Inc. in Philadelphia.

"You have to decide what is the critical objective of your system," he said. For example, underwriters at a workers compensation insurer may need the extra processing power of a mainframe when they rate a book of business, Mr. Herenstein said.

"Some of the workers comp policies are very, very large, and to rate them on a server can take several minutes, whereas a mainframe can do it in seconds," he said.

But some insurers may view the longer rating time on a client/server as an opportune time for staff to take a brief rest or change of tasks after a lengthy period of computer use, Mr. Herenstein said.

And a telephone-based personal lines insurer may find that a client/server system is adequate to handle its information technology tasks, he said.

"You call them up and they can close the transaction from top to bottom. . . .The business is relatively simple, and servers can handle it," Mr. Herenstein said.

There are other advantages to using a client/server system, he said.

For example, the graphical user-interface systems are user-friendly, distributing some of the processing tasks locally allows for more flexible processing, and they can be accessed easily while employees are traveling, Mr. Herenstein said.

Portability can be an important consideration in choosing a client/server system for insurance claims operations, said Joel Wiener, a consultant at Coopers & Lybrand L.L.P. in New York.

"Claims adjusters can use them from their car or their home, but it does take an awful lot of data modeling," he said.

Insurers with only one location may well opt to stay with a centralized mainframe system, Mr. Wiener said. "You can have a very sophisticated system, but as everyone is in the same place you don't need a client/server," he said.

Insurers looking for significant cost savings from a client/server system will be disappointed, as extra training and servicing costs can significantly diminish other savings gained by moving to a client/server system, said Mr. Herenstein.

Reliance, a multiline insurer, has both a centralized mainframe and a client/server system, he said.

Employees enjoy the flexibility of the client/server system, but they also need the mainframe system for data storage and some policy administration and distribution, Mr. Herenstein said.

Fireman's Fund Insurance Cos. in Novato, Calif., also has both a

See **Systems** *on next page*



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Systems

Continued from previous page

mainframe and a client/server system, said Deems Davis, senior vp and chief information officer.

The mainframe system is based in Phoenix and is used for centralized data management, including financial reporting and accounting, he said.

"We use it when we need to aggregate large amounts of data," Mr. Davis said.

By having the data center in one place, the system also can be managed and serviced more efficiently, he said.

However, Fireman's Fund also has a sophisticated client/server system, which it installed in 1989, he said.

'PHICO has a 1-to-1 ratio of employees to PCs, so we are well-positioned to move over from a mainframe if we wanted to,' says Chuck Ferraro, vp of information systems.

Although the insurer had to go through the significant training process to implement the system, the server system enables Fireman's Fund to take advantage of opportunities to do business on intranets or the Internet, Mr. Davis said. "The whole world of electronic commerce is built around the client/server," he said.

And the client/server can be used to enter the mainframe system to access the vast amount of data there, Mr. Davis said.

PHICO Group has elected to stick with a centralized system rather than change to a client/server system, said Chuck Ferraro, vp of information systems at the Mechanicsburg, Pa.-based medical malpractice insurer.

"I'm not a proponent of one over the other, but in our particular application we wouldn't get much of a performance enhancement by going to a client/server," he said.

PHICO staff generally do not need the added processing flexibility of a client/server system, which some other insurers may find necessary if they work with a large amount of data at the desktop, Mr. Ferraro said.

However, he acknowledged that client/servers generally allow easier integration of other software. If, in the future, PHICO's system provider were to provide more software choices through its client/server-based system, then the insurer could easily move over to that system as it uses PCs rather than old-fashioned terminals, he added.

"PHICO has a 1-to-1 ratio of employees to PCs, so we are well-positioned to move over if we wanted to," Mr. Ferraro said. BI

ISO - NOW ON THE NET FOR

Shift in use of counsel may be profitable

By Dan L. Goldwasser

IT Perspective

In an era in which increased productivity seems to be the guiding principle, it isn't surprising to find that insurers, like other businesses, are exploring ways in which they can become more efficient and thereby increase shareholder value. This usually means the installation of new information systems and staff cuts mounting as high as 20%. While a staff cut may give a boost to the company's stock price, it poses serious headaches for department heads given the unpleasant task of selecting and terminating the designated number of employees senior management has ordered be dismissed. Even more daunting is the task of carrying out their department's mission with a depleted and demoralized staff.

From many perspectives, those who are terminated will seem like the lucky ones. They will not have a 25% increase in their daily workload; nor will they be required to increase their output while having to learn how to operate and enter data into the new information system that the company's consultants have installed to enable senior management to quantify and analyze each aspect of the company's operations. Even worse, the beleaguered department head and his or her staff may have to spend additional countless hours assisting in the defense of employment discrimination claims brought by former employees who contend they were selected for termination because of their age, sex, race, etc. Thus, what may be a rewarding experience for senior management and the company's outside consultants is the worst nightmare of middle management.

When staff cuts are ordered, neither senior management nor the consultants who have recommended those cuts have any idea how the work can be done with a diminished work force; they invariably leave those "details" to department heads out of a "preference not to micromanage their operations." Instead, they "empower" their department heads to deal with such "subsidiary" issues.

Of course, they eliminate the option of longer hours, because this creates more overtime, which could turn a good idea into a bad idea.

This seemingly leaves department heads with two alternatives: make the staff work faster or eliminate functions. The

See **Counsel** *on next page*

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Counsel

Continued from previous page
problem with the former is that neither the most nor the least conscientious of workers is likely to be able to increase his or her daily output by 25% without causing a serious decline in the quality of their efforts. In an industry in which one bad claims-handling decision can offset scores (if not hundreds) of properly made decisions, stepping up the pace of work would not seem to be a promising avenue for approaching the problem. Moreover, while an upgraded information system can be helpful in making critical data more available, it does so at the cost of slowing down workers who must now not only review information but also must enter it into the system.

Eliminating functions can be equally dangerous. When functions are initiated, they invariably fulfill a vital role in an overall system. Over time, that role may be forgotten, particularly if the function is in the nature of a "fail safe," designed to prevent someone from taking advantage of a weakness in the overall system. For example, before insuring a casualty risk, the underwriting department may be required to check with the claims department to ascertain whether the policyholder has any pending claims that might indicate systemic problems with the policyholder. Because such checks rarely result in declining a renewal, such a procedure might seem like a good candidate for elimination. The problem is that other components of the company's underwriting system may have been designed with this check in mind. Thus, a decision may have been made to use an abbreviated (or no) renewal application in an effort to increase the company's renewal rate based on the assumption that this check would identify any unacceptable risks. Its elimination may therefore create a major loophole in the company's overall underwriting plan. It is for this reason that well-intentioned plans to cut seemingly unnecessary functions also can be a dangerous way of trying to achieve additional efficiencies.

Thus, the best way of proceeding in the face of corporate downsizing is to completely rethink the manner in which a department or group carries out its mission. This, too, is not a pleasant prospect, as every large organization is likely to be resistant to fundamental changes in operating procedures. In addition, department heads will undoubtedly wonder how much power they are being given in carrying out an internal restructuring. More importantly, what if the new operating format itself is flawed? Would not the career of its designer be cut short if that format gave rise to a major loss?

Claims departments are particularly afflicted by downsizing decisions. Claims representatives cannot simply handle a substantially greater number of files unless they are provided with technology improvements that will enable them to more quickly assemble the necessary information and to record and disseminate their decisions. While technology enhancements have enabled claims representatives to cope with some increases in their workloads, they have not facilitated the types of efficiencies being required by current downsizing programs. Moreover, the data entry demands of these new systems tend to detract from their timesaving advantages.

There is, however, a way that claim staffs of casualty insurers can cope with higher workloads without major investments in technology. This can be done by changing the way that outside defense counsel are employed and used. This change will not only reduce the workload of beleaguered claims managers but will have added benefits of actually reducing claims expenses and loss payments. While this may sound too good to be true, it is far from wishful thinking. In fact, there is a mother lode of untapped efficiencies that can be unearthed by simply changing the manner in which liability claims are being defended. Moreover, many claims can be avoided or minimized by effective loss prevention efforts, efforts many insurers have been reluctant to undertake for a variety of reasons.

The key to this strategy is to alter the basis for compensating outside defense counsel. The time-billing system employed by most insurers simply encourages counsel to expand their defense efforts, a tendency that can be effectively checked only by closely monitoring counsels' efforts and carefully scrutinizing their invoices. In fact, most casualty insurer claims representatives today spend as much as one-third of their time simply reviewing and negotiating the invoices of their outside defense counsel. Even worse, time-billing removes any incentive for outside counsel to explore ways to become more efficient, much less invest in information systems and other technology that will enable them to achieve great efficiencies. Moreover, it places the claims representative in the unenviable position of having to

See **Counsel** *on page 20L*

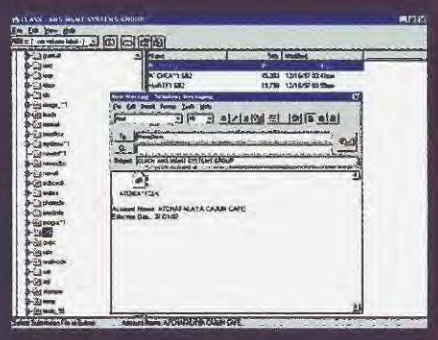
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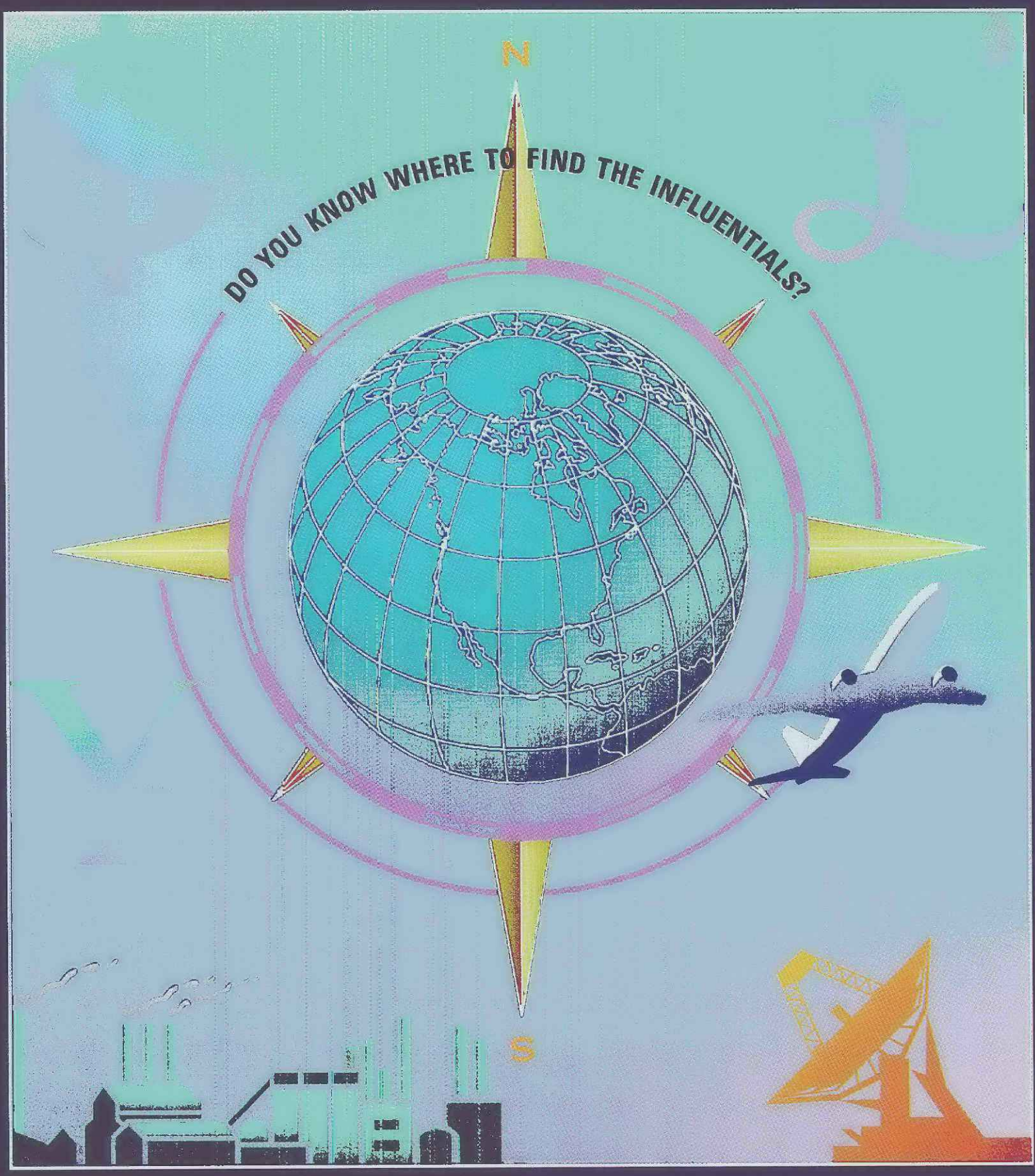
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Counsel

Continued from page 20J

oppose actions defense counsel has recommended to the policyholder, raising the possibility of a bad-faith claim should the action be unfavorably resolved.

By using a fixed-fee arrangement, claims representatives need not concern themselves with defense counsel's activities other than to make sure the case is being properly defended, which should normally be their primary focus. The problem with a fixed-fee arrangement is that it requires the claims representative and the defense counsel to negotiate a fee appropriate for the case, a process that could easily consume more efforts than those now expended to review outside counsel's activities and invoices. Fixed-fee arrangements also have been criticized in some states as unlawfully impairing the insurer's duty of providing a defense. These problems, however, can be avoided by using aggregate amounts for a portfolio of cases, such as a fixed amount for each type (or class) of claim. Such amounts could be set on the basis of the insurer's historical costs for handling each class of claim. Unfortunately, most insurers have not collected enough data to establish these rates. Equally important, these arrangements do not assure defense counsel of a specific volume of work that will encourage their investments in systems that are vital to their achieving the cost reductions necessary to operate comfortably under a fixed-fee arrangement.

Many of these problems can be overcome by fixing defense counsel's fees on the basis of all claims within counsel's jurisdiction. Most insurers are likely to maintain that data already. Such an arrangement will not be particularly appealing to defense counsel, who will have no control over the selection of cases being assigned to them. Nor would they be particularly happy about the thought of the insurer's later ratcheting down the per-case amount when and if economies are subsequently achieved. Indeed, defense counsel are understandably likely to feel that if they are being asked to take the risk of litigating a case within a fixed budget, they should be permitted to share in any resulting savings. Accordingly, outside defense firms would wish to have long-term arrangements to assure they are rewarded for their cost-cutting efforts.

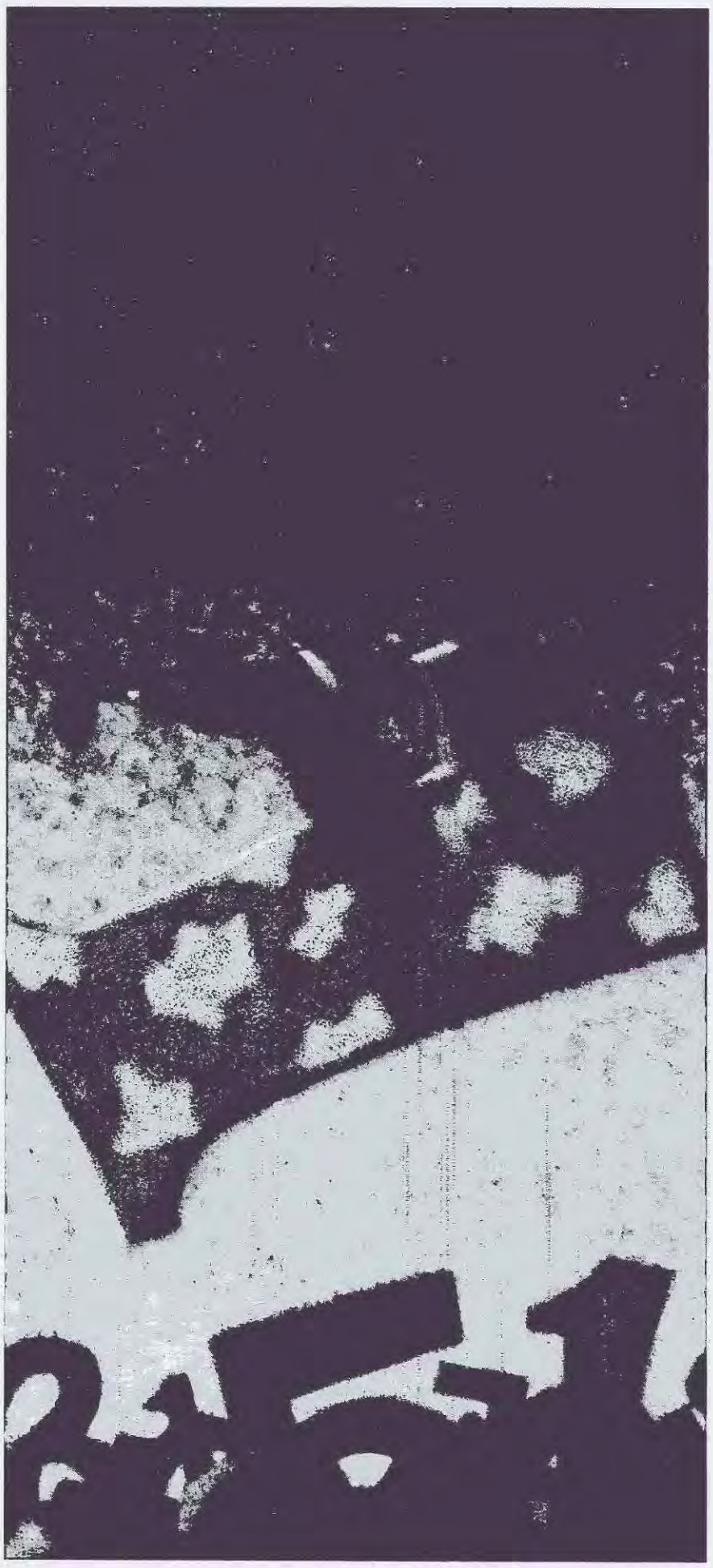
One way to make the arrangement both more palatable to outside counsel and likely to secure further benefits for the insurer is to give each defense counsel an exclusive territory and to entrust counsel with loss prevention, as well as defense, responsibilities. Under such an arrangement, counsel can be paid on the basis of a percentage of premiums collected from policyholders within counsel's territory. In this way, the risk of defense cost overruns are fully transferred to the persons with the greatest control over defense costs, who will also stand to benefit if cost reductions are achieved. In addition, loss prevention responsibilities will be placed in the hands of someone who is not only an expert in the factors that give rise to claims but who is also in a position to benefit from an effective loss-prevention program. This is because every claim prevented is a claim the defense counsel will not have to defend.

While such an arrangement eliminates the need for claims representatives to monitor and control defense costs, it does not eliminate the necessity of closely supervising defense counsel's efforts, as there is a danger in this system that defense counsel will exercise insufficient defense efforts. This problem can be effectively alleviated by establishing performance incentives (both positive and negative) within defense counsel's compensation arrangement. Thus, if loss payments exceed 120% of their historical average as a percentage of premiums in any one year, or 110% in any three-year period or 100% in any five-year period, defense counsel would be penalized or the arrangement terminated. Conversely, if loss payments decline from their historical levels as a percentage of premiums, defense counsel would receive an appropriate bonus. In this way, defense counsel's interests would be made consonant with those of the insurer, thereby minimizing the amount of effort required by the insurer's claims staff to manage its claims. In addition, loss prevention efforts, as well as overall operating results, are also likely to be greatly improved.

To be sure, there will be problems associated with occasional conflicts of interests and requests for Cumis, or independent, counsel for the policyholder, but these problems are hardly insurmountable, particularly if the designated defense counsel is highly competent and enjoys a widespread reputation within the assigned territory. Thus, by modifying the way a liability insurer works with its outside defense counsel, the nightmare of downsizing a claims operation can be greatly mitigated. BI



Dan L. Goldwasser is a partner in the New York office of Vedder, Price, Kaufman, Kammholz & Day.



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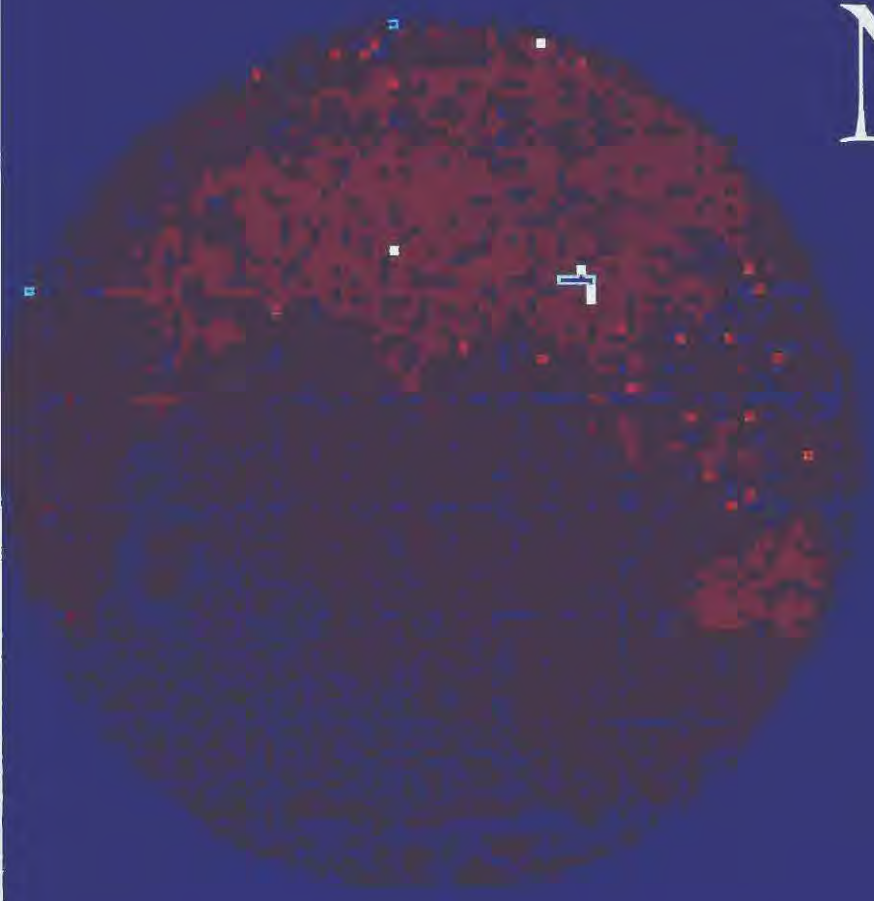
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Learn IT lessons from past failures: Speaker

Unrealistic deadlines, inexperienced personnel and competing demands can cause problems

By MICHAEL BRADFORD

Information technology projects have a far better chance of succeeding if those who implement them are aware of factors that caused earlier projects to fail, an expert points out.

Projects such as systems or software development designed to improve a company's productivity are subject to a variety of obstacles that can derail them anywhere from start to finish, according to Eli Dabich Jr., president of Synergy 2000 Inc. in Chester, Md.

Mr. Dabich, whose firm provides management consulting and Year 2000 solutions for clients, spoke during a session at the Technology Conference '98 in Lake Buena Vista, Fla., sponsored last month by the Agency Company Organization for Research & Development.

"You learn more from your failures than you do from your successes," he told the session's participants. While it's easy to "replicate your successes, it's the real professional who can take a failure, turn that into a victory and learn from that."

To help those charged with implementing projects learn from the mishaps of others, Mr. Dabich pointed out to an audience of agents, insurers and others some reasons why information technology projects often fail.

A lot of projects fail because they were half-baked ideas to begin with, he said. At times, an off-the-cuff "boy, I wish I had X" remark by someone in senior management will spur workers to create a project just to impress the boss, Mr. Dabich noted. "And that little project turns into a big project" that eventually goes nowhere because it was grounded simply in an offhand comment, Mr. Dabich said.

Failures can often result from unrealistic deadlines as well, he added. Senior management has been known to demand: "I gotta have a new project in six weeks. I don't care what you do," Mr. Dabich said.

Unskilled project managers assigned to complex projects can also lead to trouble, he pointed out. Management sometimes thinks inexperienced employees need the challenges of highly complex projects, Mr. Dabich said, but such attitudes merely set up project managers for failure.

"And we wonder why the project didn't work," he said. "We never gave them a chance." A better way to treat the up-and-comers is to "train them, give them the tools, work with them and stick with them," he urged. "If you don't, you're going to have some problems."

Project failures often result from taking on too much at once, Mr. Dabich said.

He suggested breaking projects into small, "measurable pieces," with deadlines for certain tasks set for days and weeks ahead instead of months into the future.

Mr. Dabich also pointed out that the competing demands of different interests within the company can slow things down and lead to failure. "Oh boy," he moaned, "underwriting wants an underwriting system, claims wants a claims system, the boss wants whatever, and no one thinks about how these projects interact."

When a project is completed, it's time to consider the mistakes that were made so they aren't repeated, Mr. Dabich said.

"One of the techniques that I use is brutal. It's a post-installation review of a major project." The review is a process of discussing with those who worked on the project what went right and what didn't, he explained.

"It really gets people to have to admit that they made a mistake, and that's always tough to do," Mr. Dabich noted.

He emphasized, however, that the review should not be handled as an indictment but as a way to "learn from our mistakes."

Companies that do post-installation reviews find that the same mistakes are not duplicated in future projects, Mr. Dabich said.

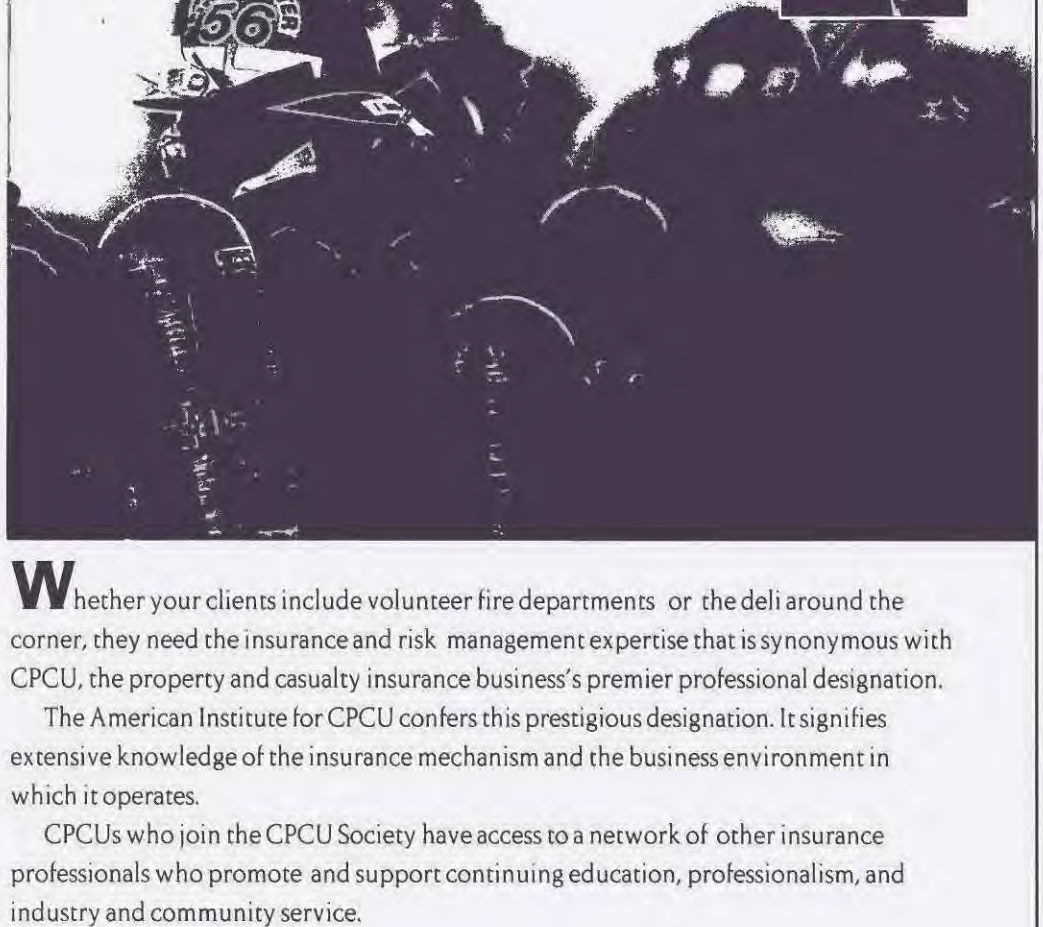
"Rarely have I seen projects fail because of technology," Mr. Dabich emphasized. "I've seen them fail because of bad project management or people or politics." BI

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ACORD launches new Internet site

By MICHAEL BRADFORD

The Agency-Company Organization for Research & Development is launching a new site on the World Wide Web to compliment its existing online presence.

ACORD, an industry-sponsored organization focused on improving agency-insurer computer transactions, announced the launch of its new insurance industry Web site—www.acordfyi.com—at a press conference during the recent annual ACORD Technology Conference in Lake Buena Vista, Fla.

The new site, designed by Cabrillo East Media Corp. of Santa Barbara, Calif., features a daily electronic newspaper, a digest of resources regarding the Year 2000 computer issue, discussion forums, surveys on technology issues and other information for agents and insurers.

ACORD also announced the opening of the ACORDstore at its original Web site, www.acord.org.

"We're putting all our publications there," said Jo Conway Roberts, vp marketing and membership at Pearl River, N.Y.-based ACORD. "And our agents can come in and buy" the publications online using credit cards, she said.

InfoMation Publishing Corp. of Burlington, Mass., announced at the conference that its Echo product will be used to manage the flow of information that users will access at the new ACORDfyi Web site.

InfoMation Publishing touted a 50% discount off the price of its Echo software licenses for use on intranets and other systems for ACORD members until Sept. 1.

Several other technology companies also introduced their newest products and services for agents and insurers at the press conference.

Cabrillo East Media also announced the development of a new software program that allows agents to quickly design a Web page by answering a handful of questions.

The resulting page can then be added to a search engine that allows insurers and others to quickly find it and the agent on the Internet.

Among other announcements

See **Web site** *on page 20P*

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at the press conference were:

• Microsoft Corp. of Redmond, Wash., is extending its Windows Distributed interNet Applications architecture to the insurance industry. The technology allows financial services industry personal computer software applications to exchange information with each other and mainframe systems.

New products were announced as part of a news conference at the recent ACORD meeting in Lake Buena Vista, Fla.

• Software Technologies Corp. of Monrovia, Calif., is promoting a new edition of its DataGate products. DataGate Enterprise Edition allows a variety of operating systems, software applications, database products and legacy systems to communicate with each other.

• E.H. Boeckh of New Berlin, Wis., announced the latest version of its Boeckh Claims System, described as the first property damage estimating program for property adjusters to operate with a single screen.

• Connective Technologies Inc. of Houston announced its Plug 'n Play Interface Objects, a product that allow agencies to quickly upload personal lines and commercial lines information to insurers.

• The Sant Corp. of Cincinnati released news on ProposalMaster 4.0, the latest version of its sales proposal software. The redesigned program allows users to create formal proposals, letter proposals and sales letters, among other documents.

• Allenbrook Inc. of Lowell, Mass., promoted QuoteManager v1.01, a new module that allows insurers to produce quotes using tables and algorithms already created in Allenbrook's Phoenix Enterprise Insurance System.

Conference draws 900

Technology and fantasy were the highlights of the May 17-19 ACORD Technology Conference '98.

More than 900 attendees gathered in Lake Buena Vista, Fla., at Disney's Contemporary Resort for three days of meetings.

Sessions included those that showed agents and insurers how to implement technology that will make their businesses more productive and profitable, address problems like the Year 2000 computer issue, market using the Internet and successfully complete acquisitions.

Next year's conference is scheduled for May 23-25 at the same location. Information on the 1999 conference is available from ACORD at 1 Blue Hill Plaza, 15th Floor, Pearl River, N.Y. 10965; 800-444-3341, ext. 506.

Registration is available at the organization's World Wide Web site, www.acord.org. BI

Ruling on reserves limited to 1986 acts

By MARK A. HOFMANN

The immediate impact of a Supreme Court decision settling a decade-long dispute over the definition of reserve strengthening probably will be small for most property/casualty insurance companies, say experts.

That's because the dispute in *Atlantic Mutual Insurance Co. vs. Commissioner of Internal Revenue* affected only certain reserving activities carried out in one year, 1986.

Before passage of the Tax Reform Act of 1986, the Internal Revenue Service gave property/casualty insurers a full deduction for loss reserves. Insurers could treat the full amount of loss reserves, less the amount claimed for a prior tax year, as a business expense each tax year.

The Tax Reform Act required insurers to discount unpaid losses to their present value. However, because making insurers subtract undiscounted end-of-year 1986 reserves from discounted 1987 reserves as they determined 1987 losses would have driven the deduction to an artificially low level, the law changed the method of accounting used by insurers to determine their taxable income for that one year.

To discourage insurance companies from inflating their reserves to take advantage of the situation, though, the act also said "reserve strengthening" wasn't covered.

The IRS said reserve strengthening included any net additions to reserves. When the IRS determined that Atlantic Mutual had, under its definition, made net additions to its reserves during the one year affected by the transitional rule, it said the insurer owed it additional taxes. Atlantic Mutual appealed, claiming a more restrictive definition of reserve strengthening.

The U.S. Supreme Court recently ruled unanimously that the broad IRS definition was a "reasonable" one.

Writing for the court, Justice Antonin Scalia noted that the tax reform act doesn't define reserve strengthening and that the term itself is "ambiguous." Therefore, the IRS definition would stand.

"It should be borne in mind that the provision at issue here is a limitation upon an extraordinary deduction afforded (property/casualty) insurers. There is certainly no need for that deduction to be microscopically fair, and the interpretation adopted by the Treasury Regulation seems to us a reasonable accommodation—and one that the statute very likely intended—of the competing interests of fairness, administrability and avoidance of abuse," wrote Justice Scalia.

Insurers, while disappointed with the ruling, downplay its practical impact.

"It will have an impact on some of our companies, but I'd say for the vast majority, 'No,' because of the size of the companies. Also, this issue has been hanging around for 10-plus years, and I think a number of our companies have already settled with the IRS," said Pam Allen, vp-federal affairs for the Indianapolis-based National Assn. of Mutual Insurance Cos.

NAMIC's members run the gamut from some of the industry's giants to small farm mutuals.

"It's not something of ongoing significance" for most companies, said Stephen W. Broadie, vp-tax and finance for the Alliance of American Insurers in Schaumburg, Ill. "Most companies that I know of at least put it in their tax provision," he said.

However, the federal government has estimated that as much as $1 billion industry-wide could be at stake, so "there were significant numbers for the companies that had the issue," Mr. Broadie noted.

He added that the Alliance "simply thought the regulation was wrong."

A tax expert outside the insurance industry said the decision settled the "basic question," but a few exceptions remain to be resolved.

"The IRS regulations on reserve strengthening will not apply to reserve increases attributable to mandatory pools. For example, a lot of workers comp writers are required to meet these various pools in different states," said Joe Jordan, national director-insurance tax services for KMPG Peat Marwick L.L.P. in New York.

"The question is now, what does it mean to be in a mandatory pool?" he asked.

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Atlantic Mutual Insurance Co. vs. Commissioner of Internal Revenue, U.S. Supreme Court; No. 97-147, April 21, 1998.

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C ❑ Risk Mgt F ❑ Other_____

4. My purchasing involvement for the requested products is to:
1 ❑ recommend only 2 ❑ specify 3 ❑ approve

5. Do you now receive a personally addressed copy of *Business Insurance*?
A ❑ Yes B ❑ No, so please send subscription info

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **June 15, 1998** issue. Cards with more than 20 items circled will not be processed. This card expires **August 10, 1998.**

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Please print clearly

Name_____

Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Phone ( )_____ Fax ( )_____

Continued from previous page

Staff

Salaried employees 10
Includes: 1 social worker, 9 professional/mental health counselors
Designations held: 7 CEAPs, 1 MSW

EAP clients

Lives covered at year-end 1997 62,500
Employees 25,000
Dependents 37,500

Revenues

Total 1997 ..... $661,523
Total 1996 ..... $595,812
EAP services 100%

Services began: 1974.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities.
Service area: Nebraska.
Reporting: Monthly.
Billing: Flat fee; fee for service.
Contact: Kristine Brennan.

Longview Associates Inc.

222 Mamaroneck Ave., Suite 301,
White Plains, N.Y. 10605;
914-946-0525; fax: 914-683-0037

Staff

Salaried employees 9
Includes: 3 social workers, 3 professional/mental health counselors
Designations held: 4 CEAPs, 3 MSWs, 4 CACs

EAP clients

Total 95

Revenues

Total 1997 ..... $625,000
Total 1996 ..... $650,000
EAP services 100%

Services began: 1972.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric workers comp review.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices.
Service area: Nationwide.
Reporting: Annually, by request.
Billing: Flat fee; capitated fee; fee for service.
Contact: Marcia E. Nagle, president; Robert J. Lindsey, vp.

M

Magellan Health Services-Behavioral Health Division

5565 Sterrett Place, Suite 500,
Columbia, Md. 21044-2644;
800-458-2740; fax: 410-740-8573
http://www.magellanhealth.com

Staff

Salaried employees 6,248
Includes: 62 psychiatrists, 38 psychologists, 222 social workers, 2 marriage/family/child counselors, 498 professional/mental health counselors, 38 physicians
Contracted professionals 58,535
Includes: 10,188 psychiatrists, 18,588 psychologists, 21,158 social workers

EAP clients

Total 2,765
Lives covered at year-end 1997 13,233,191
Employees 5,527,745
Dependents 7,705,446

Revenues

Total 1997 ..... $1,169,400,000
Total 1996 ..... $842,000,000
EAP services 10.6%

Services began: 1989.
Parent: Magellan Health Services Inc.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, elder care.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, coping with change, violence in the workplace.
Counseling sites: Practitioners' offices.
Service area: Nationwide, Canada.
Reporting: Monthly, quarterly, annually.
Billing: Capitated fee; ASO fee.
Officers: Dr. Henry T. Harbin, president/CEO-Magellan Health Services; John J. Wider Jr., president/COO. Ken Hawes, executive vp/chief information officer; Charles S. Kanach, executive vp-corporate resources; Steven J. Scheidt, executive vp/chief marketing officer; Clarissa C. Marques, executive vp/chief marketing officer-Magellan's Behavioral Health Division & Managed Medical Specialty Divisions; David B. Stone, executive vp-marketing/sales, Magellan's Behavioral Health & Managed Medical Specialty Divisions.
Contact: Erin S. Somers.

Managed Health Network

1600 Los Gamos Drive, Suite 300,
San Rafael, Calif. 94903;
415-491-7200; fax: 415-472-8187

Staff

Salaried employees 909
Includes: 5 psychiatrists, 23 psychologists, 34 social workers, 13 marriage/family/child counselors, 17 professional/mental health counselors
Contracted professionals 22,081
Includes: 3,127 psychiatrists, 6,938 psychologists, 6,791 social workers, 2,281 marriage/family/child counselors, 2,613 professional/mental health counselors

EAP clients

Total 622
Lives covered at year-end 1997 3,064,094
Employees 1,332,214
Dependents 1,731,880

Revenues

Total 1997 ..... $209,000,000
Total 1996 ..... $212,000,000

Services began: 1972.
Parent: Foundation Health Systems.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child and elder care.
Educational/general services: Employee education, supervisor training, workplace problem identification.
Counseling sites: Practitioners' offices, phone counseling.
Service area: Nationwide; Puerto Rico.
Reporting: Quarterly.
Billing: Capitated fee.
Officers: Jonathan Wormhoudt, executive vp-operations; Dr. Robert Fusco, corporate medical director; David Buhler.
Contact: Stu Weinstein, senior vp-marketing/sales, 800-327-7526.

N

North, Clawson & Bolt Ltd.

66 E. Main St., P.O. Box 593,
Moorestown, N.J. 08057;
609-273-8118; fax: 609-273-6656

Staff

Salaried employees 12
Includes: 1 psychiatrist, 3 psychologists, 1 social worker, 1 physician
Designations held: 2 CEAPs, 1 MSW, 2 CACs, 1 M.D., 3 Ph.D.s
Contracted professionals 720
Includes: 5 psychiatrists, 325 psychologists, 338 social workers, 30 marriage/family/child counselors, 15 professional/mental health counselors, 7 physicians
Designations held: 31 CEAPs, 338 MSWs, 30 CACs, 12 M.D.s, four R.N.s, 325 Ph.D.s

EAP clients

Total 10
Lives covered at year-end 1997 90,000
Employees 36,000
Dependents 54,000

Revenues

Total 1997 ..... $1,000,000
Total 1996 ..... $1,000,000
EAP services 80%

Services began: 1984.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, psychiatric workers comp review, workplace violence prevention.

Continued on next page

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Continued from previous page

Counseling sites: EAP facilities.
Specialties: Self-insured, multisite companies.
Service area: Continental United States.
Reporting: By request.
Billing: Capitated fee; fee for service; negotiated fees per project basis or site basis.
Officers: Ronald North, president; Russell Bolt, COO; Terry Jackson, vp; Lloyd Brotman, clinical director; Dr. Steven Zavodnick, medical director.
Contact: Carol Lambersky, Terry Jackson, Ronald North.

Northwestern Behavioral Health

448 E. Ontario St., Eighth Floor,
Chicago, Ill. 60611;
312-908-1745; fax: 312-908-3025

Staff

Salaried employees 9
Includes: 1 psychiatrist, 2 psychologists, 2 social workers, 1 marriage/family/child counselor, 6 professional/mental health counselors
Designations held: 2 CEAPs, 2 MSWs, 3 CACs, 1 M.D., 2 Ph.D.s
Contracted professionals 650
Includes: 160 psychiatrists, 210 psychologists, 280 social workers

EAP clients

Total 15
Lives covered at year-end 1997 18,000
Employees 7,200
Dependents 10,800

Revenues

Total 1997 ..... $2,975,000
EAP services 10%

Services began: 1997.
Parent: Northwestern Memorial Hospital Corp.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child and elder care issues/services.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, elder care, violence in the workplace workshops, employee EAP surveys.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Specialties: Service industries, health care, legal, manufacturing companies.
Service area: Nationwide.
Reporting: Monthly, quarterly, annually, by request.
Billing: Flat fee; capitated fee, $1.35 to $3.50 per employee per month; fee for service; integrated product with behavioral health carve-out.
Officers: Gwenn Rausch, director/CEO; Dr. Nehama Dresner, medical director.
Contact: Joan Pipal.

PacifiCare Behavioral Health Employee Assistance Program

23046 Avenida de la Carlota,
Suite 700, Laguna Hills,
Calif. 92653-9761;
800-234-5465; fax: 949-348-5699
http://www.pacificare.com/pbh/

Staff

Salaried employees 10
Includes: 2 psychologists, 2 social workers, 4 marriage/family/child counselors
Designations held: 7 CEAPs, 2 R.N.s, 2 Ph.D.s
Contracted professionals 1,800
Includes: 5 psychiatrists, 200 psychologists, 800 social workers, 800 marriage/family/child counselors
Designations held: 800 CEAPs, 600 MSWs

EAP clients

Lives covered at year-end 1997 316,000

Revenues

Total 1997 ..... $10,000,000
Total 1996 ..... $8,000,000
EAP services 100%

Services began: 1978.
Parent: PacifiCare Behavioral Health.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide; Canada, Germany, Japan.
Reporting: Quarterly.
Billing: Flat fee; capitated fee.
Officers: Alan Savitz, president/CEO; Len Whyte, COO; Claire Hannan, director-finance; Bob Quellmalz, vp-sales/marketing.

Pape & Associates

618 S. West St.,
Wheaton, Ill. 60187;
630-668-8710; fax: 630-668-8779

Staff

Contracted professionals 17
Includes: 1 psychiatrist, 8 social workers, 7 professional/mental health counselors, 1 physician
Designations held: 3 CEAPs, 8 MSWs, 14 CACs, 2 M.D.s, 1 R.N.

EAP clients

Total 12
Lives covered at year-end 1997 100,000
Employees 20,000
Dependents 80,000

Revenues

Total 1997 ..... $377,152
Total 1996 ..... $458,786
EAP services 50%

Services began: 1981.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, mental health.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, critical incident stress debriefing.
Counseling sites: All worksites, EAP facilities, practitioners' offices, phone counseling.
Specialties: Small manufacturing companies, school districts.
Service area: Illinois: Cook DuPage, Kane and Will counties.
Reporting: Quarterly, by request.
Billing: Capitated fee, $2 per employee per month.
Contact: Patricia A. Pape, president.

Parent Care Solutions*

111 W. Jackson Blvd., Suite 950,
Chicago, Ill. 60604;
312-922-5890; fax: 312-922-4365

Staff

Salaried employees 4
Includes: 1 psychologist, 2 social workers, 1 professional/mental health counselor
Contracted professionals 2
Includes: 1 psychologist, 1 social worker
Designations held: 2 MSWs

EAP clients

Lives covered at year-end 1997 500,000

Revenues

Total 1997 ..... $514,716
Total 1996 ..... $572,232
EAP services 48%

Services began: 1985.
Parent: Illinois Alliance for Aging.
Not for profit.
Assessments & treatments: Stress, family/marital problems, elder care issues.
Health promotion: Elder care.
Educational/general services: Employee education, supervisor training.
Counseling sites: Selected worksites, practitioners' offices, phone counseling.
Service area: Illinois, Indiana, Michigan, Wisconsin.
Reporting: Quarterly, by request.
Billing: Flat fee; fee for service.
Officers: Dr. William Gingold, president; Molly Miceli, Carole Kopis, vps; Jim Simmons, treasurer; Loretta Kristan, executive director.
Contact: Loretta Kristan.
** Formerly Illinois Alliance for Aging.*

Perspectives Ltd.

111 N. Wabash, Suite 1620,
Chicago, Ill. 60602;
312-558-1563; fax: 312-558-1570

Staff

Salaried employees
Includes: 6 psychiatrists, 1 psychologist, 18 social workers, 2 marriage/family/child counselors, 9 professional/mental health counselors
Designations held: 14 CEAPs, 18 MSWs, 21 CACs, 6 M.D.s, 1 Ph.D.
Contracted providers
Includes: 180 psychiatrists, 500 psychologists, 1,700 social workers, 120 marriage/family/child counselors,

Continued on next page

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Continued from previous page

250 professional/mental health counselors
Designations held: 500 CEAPs, 1700 MSWs, 700 CACs, 180 M.D.s, 500 Ph.D.s

EAP clients

Lives covered at year-end 1997	350,000
Employees	120,000
Dependents	230,000

Revenues

Total 1997	$3,000,000
EAP services	70%

Services began: 1985.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, workplace violence prevention, sexual harassment, fitness for duty, organizational change.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee; fee for service.
Officers: Bernie Dyme, president; Jeff Blaine, executive vp; Terry Cahill, vp-development; Dave Betzig, CFO.
Contact: Terry Cahill.

Planned Behavioral Health Care Inc.

9535 Forest Lane, Suite 110,
Dallas, Texas, 75243;
972-680-0400; fax: 972-680-1750

Staff

Salaried employees	115
Includes: 2 psychiatrists, 3 psychologists, 12 social workers, 13 marriage/family/child counselors, 21 professional/mental health counselors	
Designations held: 12 MSWs, 2 M.D.s, 5 R.N.s, 3 Ph.D.s	
Contracted professionals	2,300
Includes: 488 psychiatrists, 698 psychologists, 1,114 professional/mental health counselors	

EAP clients

Total	42
Lives covered at year-end 1997	790,000
Employees	316,000

Revenues

Total 1997	$100,000
Total 1996	$100,000

Services began: 1984.
Parent: Menninger Care Systems.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Stress management, alcohol awareness, drug/chemical awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide; Australia, Canada, Puerto Rico.
Reporting: Quarterly, by request.
Billing: Flat fee; capitated fee; fee for service.
Officers: Sheila Baler, COO; Marty Daily, vp-operations; Joyce Ramay, senior vp; Donna McFaul, regional vp; Jim Schmidt, controller.
Contact: Joyce Ramay.

Process Dynamics

5786 Lincoln Drive,
Edina, Minn. 55436;
612-936-7730; fax: 612-936-9156

Staff

Salaried employees	3
Includes: 1 psychologist, 2 social workers	
Designations held: 2 CEAPs, 1 MSW	
Contracted professionals	139
Includes: 20 psychiatrists, 50 psychologists, 50 social workers, 20 marriage/family/child counselors	
Designations held: 20 CEAPs, 50 MSWs, 20 M.D.s, 30 Ph.D.s	

EAP clients

Total	30
Lives covered at year-end 1997	25,000

Revenues*

Total 1997	$500,000
Total 1996	$585,000
EAP services	100%

Services began: 1976.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: EAP facilities, practitioners' offices.
Specialties: Medical, technology, manufacturing.
Reporting: Quarterly.
Billing: Flat fee; capitated fee; fee for service.
Contact: Pauline Donovan, president.
** Estimate.*

Professional Employee Assistance Consulting

6345 Balboa Blvd., Suite 205,
Encino, Calif. 91316;
818-345-7671; fax: 818-345-7672

Staff

Salaried employees	1
Includes: 1 professional/mental health counselor	
Designations held: 1 CEAP	
Contracted professionals	3
Includes: 1 psychiatrist, 2 psychologists, 1 social worker, 3 marriage/family/child counselors, 1 physician	
Designations held: 1 CEAP, 1 MSW, 1 M.D., 2 Ph.D.s	

EAP clients

Total	9
Lives covered at year-end 1997	7,000

Revenues

Total 1997	$128,700
Total 1996	$115,500
EAP services	97%

Services began: 1987.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, traumatic incident.
Health promotion: Smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, retirement planning, disability management.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability case management, sexual harassment education and program.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Specialties: Oil industry and other safety sensitive workplaces, cities, attorney groups, beverage industry.
Service area: Arizona, California.
Reporting: Monthly, quarterly, by request.
Billing: Capitated fee, $2 to $3 per employee per month; fee for service; per diem, $600.
Contact: Nancy A. Petenbrink, CEO.

Psych/Care EAP

2850 Douglas Road,
Coral Gables, Fla. 33134;
800-962-4404; fax: 800-370-1116
http://www.vincam.com

Staff

Salaried employees	25
Includes: 1 psychiatrist, 5 social workers	
Designations held: 2 CEAPs, 5 MSWs, 1 R.N., 1 Ph.D.	
Contracted professionals	5,003

EAP clients

Total	30
Lives covered at year-end 1997	319,060
Employees	91,160
Dependents	227,900

Revenues

Total 1997	$957,000,000
Total 1996	$484,000,000

Services began: 1988.
Parent: The Vincam Group Inc.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Practitioners' offices.
Specialties: Professional employer organization.
Service area: Nationwide.
Reporting: By request.
Billing: Flat fee.
Contact: Anne T. LeBlanc, 800-962-4404 ext. 368.

R

Reach Inc.

98 Floral Ave., P.O. Box 807,
Murray Hill, N.J. 07974;
908-665-8050; fax: 908-665-8282

Staff

Salaried employees	18
Includes: 10 social workers	
Designations held: 10 CEAPs, 10 MSWs	
Contracted professionals	750
Includes: 20 psychiatrists, 50 psychologists, 680 social workers	
Designations held: 325 CEAPs, 680 MSWs, 20 M.D.s, 50 Ph.D.s	

EAP clients

Lives covered at year-end 1997	262,000
Employees	75,000
Dependents	187,000

Revenues

Total 1997	$1,700,000
Total 1996	$1,500,000
EAP services	90%

Services began: 1986.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: 35 states.
Reporting: Quarterly, annually, by request.
Billing: Capitated fee; fee for service.
Officers: Scott Pontier; William Howe; Anthony Riccio; Anthony Kearney.

S

The StayWell Co.

1340 Mendota Heights Road, Suite 200, St. Paul, Minn. 55120-1128;
612-454-3577; fax: 612-454-4062
http://www.staywell.com

Staff

Salaried employees	365
Includes: 21 psychologists, 56 social workers, 51 professional/mental health counselors	
Designations held: 8 CEAPs, 64 MSWs, 10 CACs, 1 R.N., 4 Ph.D.s	
Contracted professionals	5,925
Includes: 434 psychiatrists, 1,303 psychologists, 2,254 social workers, 525 marriage/family/child counselors, 1,409 professional/mental health counselors	

Revenues

Total 1997	$1,600,000,000
Total 1996	$1,500,000,000

Services began: 1982.
Parent: The Times Mirror Co.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child/elder care consultation and referral.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling, contracted affiliates nationwide.
Service area: Nationwide; Canada, Puerto Rico, United Kingdom.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee; fee for service; usage-based pricing.
Officers: Nancy Walker, president/CEO; David Anderson, vp-programs and services; Hugh Byrne, vp-marketing and strategic development; Debbie Dunnam, vp-sales; Alison Brown, vp-finance.
Contact: Nancy McCann, director-EAP.

V

VMC Behavioral Healthcare Services

100 South Greenleaf,
Gurnee, Ill. 60031;
847-249-1900; fax: 847-249-2772

Staff

Salaried employees	200
Includes: 4 psychiatrists, 20 psychologists, 151 social workers, 18 marriage/family/child counselors, 6 professional/mental health counselors, 1 physician	
Contracted professionals	12,978
Includes: 3,543 psychiatrists, 4,554 psychologists, 3,997 social workers, 728 marriage/family/child counselors, 124 professional/mental health counselors, 32 physicians	

EAP clients

Total	200
Lives covered at year-end 1997	2,513,539
Employees	718,154
Dependents	1,795,385

Revenues

Total 1997	$16,000,000
Total 1996	$11,000,000
EAP services	95%

Services began: 1976.
Parent: The Vasquez Group Inc.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, management consultation.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, conflict resolution, dealing with difficult people.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification, psychiatric workers comp review, critical incident stress management.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices, phone counseling.
Service area: Nationwide; international, including Canada.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee.
Officers: Mary Vasquez, president; Joe Honor, vp-operations; Dan Kennedy, controller; Dick McCrary, vp-human resources.

Veterans Memorial Medical Center (East Campus)

883 Paddock Ave.,
Meriden, Conn. 06450;
203-630-5358; fax: 203-634-7088

Staff

Salaried employees	3
Includes: 1 social worker, 2 professional/mental health counselors	
Designations held: 2 CEAPs, 1 MSW, 1 CAC	
Contracted professionals	6
Includes: 1 psychologist, 3 social workers, 2 professional/mental health counselors	
Designations held: 2 CEAPs, 3 MSWs, 1 Ph.D.	

EAP clients

Total	25
Employees	14,500

Revenues

Total 1997	$210,000
Total 1996	$180,000
EAP services	100%

Services began: 1980.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incident stress.
Health promotion: Smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, health risk appraisal.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities, practitioners' offices.
Specialties: Health care organizations.
Service area: Connecticut.
Reporting: Quarterly.
Billing: Flat fee; fee for service.
Contact: George "Bud" Wassell Jr., manager-EAP.

W

Wheeler Clinic Employee Assistance Program

91 Northwest Drive,
Plainville, Conn. 06062;
800-522-3271 fax: 800-793-3554
http://www.wheelerclinic.org/eap.htm

Staff

Salaried employees	212
Includes: 1 psychiatrist, 4 psychologists, 28 social workers, 8 marriage/family/child counselors	
Designations held: 3 CEAPs, 28 MSWs, 12 CACs, 1 M.D., 8 R.N.s, 4 Ph.D.s	
Contracted professionals	13
Includes: 8 psychiatrists, 2 psychologists, 3 social workers	
Designations held: 3 MSWs, 8 M.D.s, 2 Ph.D.s	

EAP clients

Total	78
Lives covered at year-end 1997	100,000
Employees	25,000
Dependents	75,000

Revenues

Total 1997	$10,500,000
Total 1996	$10,500,000
EAP services	5%

Services began: 1975.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: All worksites, selected worksites, practitioners' offices.
Specialties: Midsize to large businesses.
Service area: Nationwide.
Reporting: Quarterly, annually, by request.
Billing: Capitated fee; per employee per year; fee for service.
Officers: Noreen Schumann, treasurer; Alfannie Kennedy, secretary; Dennis Keenan, executive director; Ronald Bucchi, chair; Janis Neri, vice-chair.
Contact: Marlene Dube, general manager.

Work Med Employee Assistance Program

363 Highland Ave.,
Fall River, Mass. 02720;
508-679-7171; fax: 508-679-7071

Staff

Includes: 2 social workers	
Designations held: 2 CEAPs, 2 MSWs	

EAP clients

Total	23
Employees	6,900

Revenues

Total 1997	$122,217
Total 1996	$108,000
EAP services	100%

Parent: Southcoast Hospitals Group.
Not for profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: EAP facilities.
Specialties: Health care facilities, schools, engineering response/public safety.
Service area: Massachusetts, Rhode Island; subcontracts in California, Colorado, Florida, Georgia, Illinois, New Jersey, New York, Texas and the United Kingdom.
Reporting: Monthly, quarterly, annually, by request.
Billing: Capitated fee, varies per employee per year.
Contact: Ronald G. Pelletier, EAP coordinator.

Y

Yost Inc.

205 S. Salina St., Suite 204,
Syracuse, N.Y. 13202;
315-425-1716; fax: 315-425-1808

Staff

Salaried employees	14
Includes: 0.5 psychiatrist, 5 psychologists, 9 social workers, 1 marriage/family/child counselor, 1 professional/mental health counselor, 0.5 physician	
Designations held: 3 CEAPs, 4 MSWs, 1 CAC, 1 M.D.	
Contracted professionals	274
Includes: 6 psychiatrists, 29 psychologists, 181 social workers, 18 marriage/family/child counselors, 80 professional/mental health counselors	
Designations held: 54 CEAPs, 181 MSWs, 42 CACs, 6 M.D.s, 2 R.N.s, 43 Ph.D.s	

EAP clients

Total	1,500
Lives covered at year-end 1997	250,000
Employees	80,000
Dependents	170,000

Continued on next page

Continued from previous page

Revenues

Total 1997.....$907,801
Total 1996.....$818,970
EAP services.....80%

Services began: 1983.
For profit.
Assessments & treatments: Stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion: Smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace regulatory adherence, workplace problem identification.
Counseling sites: All worksites, EAP facilities, phone counseling.
Service area: Nationwide; Canada, Puerto Rico.
Reporting: Quarterly, by request.
Billing: Capitated fee.
Officers: William H. Yost, CEO; Robert J. Brown, president.
Contact: Robert J. Brown. BI

Upcoming directories

Agents & Brokers

Companies must generate $500,000 in gross revenues from commercial retail insurance brokerage and must deal directly with corporate or institutional policyholders.

Published July 20

Prescription Benefit Managers

Companies must provide general prescription benefit management services such as pharmaceutical benefit design consulting, disease management and educational services; services must be available to corporate and institutional clients on a direct, unbundled basis. Revenues must be reported.

Published Aug. 3

Property Loss Control Consultants

Companies must provide unbundled property loss control or engineering services such as onsite plant loss prevention inspections, hazard identification and client training. Revenues must be reported.

Published Aug. 17

International Reinsurers

Reinsurance companies must report net reinsurance premiums written and capital and surplus figures; consolidated worldwide net reinsurance premiums written must exceed $100 million ($U.S.).

Published Aug. 31

Surplus Lines Insurers Wholesalers

Surplus Lines Insurers: Non-Admitted Surplus Lines Insurers must receive at least 50% or $10 million of gross premiums from non-admitted commercial risk policies. Excess Lines Specialty Insurers must receive at least 50% or $50 million of gross premiums from writing excess liability insurance policies on either an admitted or non-admitted basis. Companies must be U.S.-based or, if an alien non-admitted insurer, be currently listed by the NAIC's Non-Admitted Insurers Information Office as having met its criteria.

Wholesalers: Companies must act as a wholesale broker, a managing general agent or an underwriting manager for retail brokers.

Published Sept. 7

BI directory of dependent care resource and referral services

A

AdviNet Inc.

1115 S. Waldron Road, Suite 104,
Fort Smith, Arkansas 72903;
501-478-3201; fax: 501-478-3202
http://www.advinet.com

Services began: 1996.
Parent: Beverly Enterprises Inc.
Child care services: Adoption services, prenatal classes and support, dependent care center referrals, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.
Program services: Corporate needs assessment, employee interviews, employee questionnaires, task force formation, cost/benefit analysis, consulting on employer/employee financing options, community dependent care resource development.
Service area: Nationwide; Puerto Rico.* Subcontracts for resource and referral services with one vendor.
Clients: Seven clients in 1997; 1.1 million employee lives covered in 1997; 1% utilization rate.
Staff: 17 employees at year-end 1997, all resource and referral employees.
1998 revenues: $300,000; 100% from dependent care resource and referral services.
Compensation: Child care services: capitated fee, $0.25 to $0.35 per month; fee for service, $120 to $160 per case.
Elder care services: capitated fee, $0.15 to $0.25 per month; fee for service, $60 to $120 per case.
Communications/quality assurance: Provides management reporting quarterly, semiannually, annually; customized employee communications; management training; onsite visits; free test cases; employee satisfaction follow-up; management debriefing of problems; vendor references.
Officers: Kenneth C. Owens, president/CEO; Judith A. Redmond, vp.
Contact: Jenny Williams, sales/marketing manager, 501-478-3213.
** For elder care services only.*

Americare Systems Inc.

2701 University Drive, Suite 525;
Auburn Hills, Mich. 48326;
800-952-3586; fax: 248-988-9488

Services began: 1983.
Child care services: Pregnancy planning, adoption services, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, friendly visitor program, hospice care referrals, legal/financial assistance service referral.
Program services: Needs assessment, employee interviews, employee questionnaires, task force formation, cost/benefit analysis, consulting on employer/employee financing options, community dependent care resource development, regulatory advisement, focus groups, feasibility studies, start-up and operational budget preparation.
Service area: Nationwide. Subcontracts for resource and referral services.
Clients: 11 clients in 1997; 250,000 employee lives covered in 1997; 2% to 3% utilization rate.
Staff: 32 employees at year-end 1997, including 5 resource and referral employees.
1997 revenues: $2,121,000; 60% from dependent care resource and referral services.
Compensation: Child and elder care services: capitated fee, $6 to $12 per employee per year; fee for services $200 to $400 per case.
Communications/quality assurance: Provides management reporting quarterly, semiannually and annually; customized employee communications; management training; onsite visits; free test cases; employee satisfaction follow-up; management debriefing of problems.
Officers: Marilyn Williams, president/CFO; Debra Picard, CEO.
Contact: Joyce Beacome or Connie Srogi.

B

Brown Richards & Associates

1801 Peachtree St., Suite 202,
Atlanta, Ga. 30308; 800-537-2153
or 404-352-8137; fax: 404-351-4279

Services began: 1983.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral, case managers.
Program services: Corporate needs assessment, employee interviews, employee questionnaires, task force formation, cost/benefit analysis, regulatory advisement, focus groups, feasibility studies, start-up and operational budget preparation, community dependent care resource development, consulting on employer/employee financing options, community dependent care resource development, caregiver support groups, seminars.
Service area: Nationwide. Subcontracts for resource and referral services with four vendors.
Clients: 50 clients in 1997; 150,000 employee lives covered in 1997; 10% utilization rate.
Staff: 10 employees at year-end 1997, including five resource and referral employees.
1997 revenues: $600,000; 80% from dependent care resource and referral services.
Communications/quality assurance: Provides management reporting quarterly, semiannually, annually and monthly; customized employee communications; management training; vendor references; onsite visits; free test cases; employee satisfaction follow-ups; management debriefing of problems.
Officers: Betsy Richards, president; Mary Brown, vp.
Contact: Mary Brown.

C

The CPA Group*

1855 Mount Prospect Road,
Suite 225, Des Plaines, Ill. 60018;
800-423-3236 or 847-803-0712;
fax: 847-803-0697

Services began: 1993.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral, personal convenience services, pet care.
Program services: Corporate needs assessment, employee interviews, employee questionnaires, task force formation, cost/benefit analysis, regulatory advisement, focus groups, feasibility studies, start-up and operational budget preparation, community dependent care resource development, consulting on employer/employee financing options.
Service area: Midwest; nationwide service available through Linked Regional Partnership. Subcontracts for resource and referral services with three vendors.
Clients: 15 clients in 1997; 45,000 employee lives covered in 1997; 70% utilization rate.
Staff: Ten employees at year-end 1997, including seven resource and referral employees.
1997 revenues: $500,000; 70% from dependent care resource and referral services.
Compensation: Child care/elder care services: fee for service, $175 per case; other fees based on employee population.
Communications/quality assurance: Provides management reporting quarterly and annually, customized employee communications, management training, vendor references, onsite visits, free test cases, employee satisfaction follow-up, management debriefing of problems.
Officers: Mary Ellen Gornick, president; Lynn Miller, marketing director; Joan Clark, corporate development; Susan Koester, referral director.
Contact: Lynn Miller.
** Formerly Corporate Parenting Associates.*

Ceridian Performance Partners

8100 34th Ave. S.,
Minneapolis, Minn. 55425;
800-788-1949; fax: 612-853-5270
http://www.ceridian.com

Services began: 1982.
Parent: Ceridian Corp.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.
Program services: Corporate needs assessment, cost/benefit analysis, focus groups, employer/employee financing options consulting, community dependent care resource development.
Service area: Nationwide. Subcontracts for resource and referral services with vendors.
Clients: 175 clients in 1997; 839,500 employee lives covered in 1997; 12% utilization rate.
Staff: 365 employees at year-end 1997.
1997 revenues: $1.6 billion*.
Communications/quality assurance: Provides management reporting quarterly, semiannually, and annually; customized employee communications, management training, onsite visits, free test cases, employee satisfaction follow-up.
Officers: Linda Hall Whitman, president/CEO; Bill English, vp-business development; Ken Larsen, vp-business development; Nila Betof, vp-operations; Sharon Stein, vp-sales/account management.
Contact: Lisa Bierwagen.
** Figure reflects revenue of parent company.*

Child & Elder Care Insights Inc.

19111 Detroit Road, Suite 104,
Rocky River, Ohio 44116;
440-356-2900; fax: 440-356-2919
http://www.carereports.com

Services began: 1985.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral
Program services: Corporate needs assessment, employee interviews, employee questionnaires, task force formation, cost/benefit analysis, regulatory advisement, focus groups, feasibility studies, start-up and operational budget preparation, community dependent care resource development, consulting on employer/employee financing options
Service area: Nationwide; Canada, Puerto Rico.
Clients: 544 clients in 1997; 4.1 million* employee lives covered in 1997; 1% to 10% utilization rate.
Staff: 41 employees at year-end 1997, including 31 resource and referral employees.
1997 revenues*: $15 million; 65% from dependent care resource and referral services.
Compensation: Child care/elder care services: flat fee, $75 to $200; capitated fee, $1 to $15 per employee per year; fee for service, $75 to $200 per case; Internet/intranet, $1 per capita.
Communications/quality assurance: Provides management reporting quarterly, semiannually and annually; customized employee communications; management training; vendor references; onsite visits; free test cases; employee satisfaction follow-up; management debriefing of problems.
Officers: Elisabeth A. Bryenton, president.
Contact: Teri M. Venturini, vp-operations; Charles Meyers, Internet/intranet resource and referral services.
** Estimate.*

Corporate Counseling Associates Inc.

475 Park Ave. S.,
New York, N.Y. 10016;
212-686-6827; fax: 212-686-6511

Services began: 1985.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care, back-up emergency care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.
Program services: Corporate needs assessment, employee interviews, cost/benefit analysis, focus groups.
Service area: Nationwide. Subcontracts for resource and referral services with one vendor.
Clients: 50 clients in 1997; 50,000 employee lives covered in 1997; 4.2% utilization rate.
Staff: 28 employees at year-end 1997, including 12 resource and referral employees.
1997 revenues: $3 million; 57.5% from dependent care resource and referral services.
Communications/quality assurance: Provides management reporting quarterly; customized employee communications; management training; vendor references; onsite visits; free test cases; employee satisfaction follow-ups; management debriefing of problems.
Contact: Georgia Critsimilios, vp-sales.

D

DCC LifeCare Services.

P.O. Box 2783, 400 Nyala Farms
Road, Westport, Conn. 06880;
203-226-2680; fax: 203-226-2852
http://www.dcclifecare.com

Services began: 1985.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care, personal convenience services.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.
Program services: Task force formation, cost/benefit analysis, regulatory advisement, start-up and operational budget preparation, employer/employee financing options consulting, LifeCare Net electronic services.
Service area: Nationwide; Canada, Guam, Puerto Rico, Saipan, United Kingdom.
Clients: 247 clients in 1997; 1.5 million employee lives covered in 1997; 8% utilization rate.
Staff: 172 employees at year-end 1997, including 135 resource and referral employees.
1996 revenues: $12 million; 100% from dependent care resource and referral services.
Compensation: Child care/elder care services: capitated fee, $8 to $25 per employee per year; fee for service, $500 per case.
Communications/quality assurance: Provides management reporting quarterly, customized employee communications, management training, vendor references, onsite visits, free test cases, employee satisfaction follow-up, management debriefing of problems.
Officers: John B. Place, president; Peter G. Burki, Jeffrey A. Burki, managing partners; Peter Gladitsch, CFO; Robert B. Licata, director-information systems.
Contact: John B. Place.

Continued on next page

Explanation of terms used in directory

The fifth annual *Business Insurance* Directory of Dependent Care Resource and Referral agencies lists organizations that contract directly with employers to provide dependent care resource and referral services on a stand-alone basis. Companies that provide care services only or benefit consulting services only are not included.

BI defines dependent care resource and referral services as the determination of employee dependent care needs, research on available service providers, child care and elder care referrals, and establishment of community dependent care resources.

Listings begin with the company name, address, year resource and referral **services began** and **parent company**. Next, **child and elder care resource and referral services** are listed. **Program services** provided follow, including necessary preparation and research for corporate dependent care programs.

Service area details the area served either directly or through contracted services. If a company subcontracts with other dependent care resource and referral agencies, the number of contracted vendors is noted.

Clients denotes the total number of employer clients and the total number of employee lives covered at year-end 1997. The average utilization rate for resource and referral services also is provided. **Staff** information is specified in full-time equivalents for year-end 1997; both the total number of employees and the number of employees dedicated to resource and referral services are listed. **1997 gross revenues** are included, as well as the percentage of revenues derived from dependent care resource and referral services.

Compensation includes the billing methods used and price range for both child care and elder care services. Next, information on **communications/quality assurance** services is provided. Principal **officers** and a **contact** person for those seeking more information complete the listings.

Listings are responses to a *BI* questionnaire. The directory is published as an editorial service; there is no charge to be included. Although every effort is made to publish complete and accurate listings, *BI* is unable to verify all information provided.

Continued from previous page

Dependent Care Management Inc.

117 S. First St.,
Zionsville, Ind. 46077;
317-873-1420; fax: 317-873-6777

Services began: 1992.

Child care services: Dependent care centers, parenting seminars, afterschool services, child care placement, preschool placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care, summer programs, special needs services.

Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.

Program services: Corporate needs assessment, employee interviews, employee questionnaires, task force formation, regulatory advisement, focus groups, feasibility studies, employer/employee financing options consulting, community dependent care resource development.

Service area: Nationwide, primarily Indiana and Ohio.

Clients: 4 clients in 1997; 25,000 employee lives covered in 1997; 12% utilization rate.

Staff: 16 employees at year-end 1997, including 11 resource and referral employees.

1997 revenues: $1.4 million; 28.9% from dependent care resource and referral services.

Compensation: Child and elder care services: fee for services, $150 per case; yearly contracts.

Communications/quality assurance: Provides management reporting quarterly, annually and monthly; customized employee communications; vendor references; onsite visits; free test cases; employee satisfaction follow-up; management debriefing of problems.

Officers: Cal Olson, CEO; Colleen Richards, vp/office manager; Sally Lacey, executive director.

Contact: Sally Lacey.

F

Family Care Inc.

5820 Stoneridge Mall Road,
Suite 230, Pleasanton, Calif. 94588;
925-469-8060; fax: 925-469-8061
http://www.famcare.com

Services began: 1987.

Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.

Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.

Program services: Corporate needs assessment, cost/benefit analysis, regulatory advisement, focus groups, feasibility studies, employer/employee financing options consulting, community dependent care resource development.

Service area: Worldwide. Subcontracts for resource and referral services with three vendors.

Clients: 35 clients in 1997; 200,000 employee lives covered in 1997; 5% to 10% utilization rate.

Staff: 12 employees at year-end 1997, including 12 resource and referral employees.

1997 revenues: $600,000; 95% from dependent care resource and referral services.

Compensation: Child care services: capitated fee, $5 to $8 per employee per year; fee for service, $300 per case.

Elder care services: capitated fee, $3 to $5 per employee per year; fee for service, $300 per case.

Communications/quality assurance: Provides management reporting quarterly, semiannually and annually; customized employee communications; management training; vendor references; onsite visits; free test cases; employee satisfaction follow-ups; management debriefing of problems.

Officers: Cathy Leibow, president; Corey Leibow, vp.

Contact: Cathy Leibow, 800-777-3319.

I

Intracorp

2 Liberty Place, 1601 Chestnut St.,
Philadelphia, Pa. 19192;
215-761-7100; fax: 215-761-7575
http://www.intracorp.com

Services began: 1997.

Parent: CIGNA Corp.

Child care services: Pregnancy planning, adoption services, prenatal classes/support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.

Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral, onsite assessments, provider discount arrangements.

Program services: Corporate needs assessment, employee interviews, employee questionnaires, cost/benefit analysis, employer/employee financing options consulting, feasibility studies, onsite assessments, organizational development consulting, outcomes reporting, benefits integration, provider discount arrangements.

Service area: Nationwide. Subcontracts for resource and referral services with one vendor.

Clients*: 500 clients in 1997; 850,000 employee lives covered in 1997; 6% to 8% utilization rate.

Staff: 3,600 employees at year-end 1997, including 463 resource and referral employees.

1997 revenues: $332 million.

Communications/quality assurance: Provides management reporting quarterly, semiannually and annually; customized employee communications; vendor references; onsite visits; free test cases; employee satisfaction follow-ups; management debriefing of problems.

Officers: Dennis Mouras, president; Dan Moore, vp/CFO; Kenneth Ross, senior vp-life management services; Brian Jaffe, senior vp-marketing/group health; Eileen Auen, senior vp-operations.

Contact: Steve Wallfred, sales director-life management services, 800-803-0344 ext. 3056.

** As of April 1998.*

L

Linked Regional Partners L.L.C.

300 Bear Hill Road,
Waltham, Mass. 02154;
888-562-9759; fax: 781-890-6799
http://www.linkedpartners.com

Services began: 1997.

Child care services: Adoption services, prenatal classes/support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care, work/life services.

Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.

Program services: Corporate needs assessment, employee questionnaires, task force formation, cost/benefit analysis, employer/employee financing options consulting, community dependent care resource development, regulatory advisement, focus groups, feasibility studies, start-up and operational budget preparation.

Service area*: Nationwide.

Clients: Three clients in 1997; 200,000 employee lives covered in 1997.

Staff: 40 employees at year-end 1997, including 35 resource and referral employees.

Communications/quality assurance: Provides management reporting quarterly, semiannually and annually; customized employee communications; management training; vendor references; onsite visits; free test cases; employee satisfaction follow-ups; management debriefing of problems.

Officers: Mary Ellen Gornick (The CPA Group); Mary Brown, Betsy Richards (Brown Richards & Associates); Cathy Leibow (Family-Care Inc.); Grace Pantano, Eleanor Nelson (Workplace Connections).

Contact: Mary Brown, 404-352-8137; Grace Pantano, 781-890-5820.

** National partnership with regional member companies providing direct database access to providers/services.*

P

Professional Case Management Consultants Inc.

P.O. Box 940338,
Maitland, Fla. 32794-0338;
800-647-6347 or 407-647-6347;
fax: 407-647-1395

Services began: 1996.

Elder care services: Nursing home referrals, household chore services, home health care, adult day care, hospice care, Medicare/Medicaid assistance, retirement community placement, self-care potential assessment, placement assessment, vendor price negotiation.

Program services: Corporate needs assessment, community dependent care resource development.

Service area: Florida.

1997 revenues: $810,000.

Communications/quality assurance: Provides onsite visits; free test cases; employee satisfaction follow-up; management debriefing of problems.

Officers: Belinda E. Brice, president.

Contact: Harry Greene, director-customer relations.

If your company provides dependent care resource and referral services but was not listed in the directory, call Matt Scroggins at 312-649-5483 to request a questionnaire for next year's directory.

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READER REPLY SERVICE

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Continued from previous page

R

RightCare Family Network

1776 S. Jackson St., Suite 306,
Denver, Colo. 80210-3803;
303-504-0727; fax: 303-692-8399

Services began: 1996.
Parent: J.L. Management Corp.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral, care management.
Program services: Corporate needs assessment, cost/benefit analysis, regulatory advisement, focus groups, start-up and operational budget preparation, employer/employee financing options consulting, community dependent care resource development.
Service area: Nationwide. Subcontracts for resource and referral services with 200 vendors.
Staff: Seven employees at year-end 1997, including three resource and referral employees.
1997 revenues: $300,000; 10% from dependent care resource and referral services.
Compensation: Elder care services: flat fee, $350 to $2,000; capitated fee, $3 to $15 per employee per year; fee for service, $85 per case.
Communications/quality assurance: Provides management reporting quarterly; customized employee communications; management training; vendor references; onsite visits; employee satisfaction follow-up; management debriefing of problems.
Officers: Virginia Labre, president; Joseph Epstein, CEO; Mary Narum, secretary/treasurer; Susan Landerson Epstein, legal counsel.
Contact: Mary Narum.

W

WFD Inc. (Work/Family Directions)

930 Commonwealth Ave.,
Boston, Mass. 02215-1212;
617-278-4000; fax: 617-566-2806
http://www.wfd.com

Services began: 1983.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.
Program services: Corporate needs assessment, employee interviews, employee questionnaires, task force formation, cost/benefit analysis, regulatory advisement, focus groups, feasibility studies, start-up and operational budget preparation, community dependent care resource development, consulting on employer/employee financing options, consulting services.
Service area: Nationwide; Canada, Puerto Rico, United Kingdom.
Clients: 212 clients in 1997; 1.3 million employee lives covered in 1997; 3.4% utilization rate.
Staff: 111 employees at year-end 1997, including 50 resource and referral employees.
1997 revenues: $8.1 million; 40.1% from dependent care resource and referral services.
Communications/quality assurance: Provides management reporting quarterly, semiannually, annually; customized employee communications; free test cases; employee satisfaction follow-up; management debriefing of problems.
Officers: Nigel Ayres, CEO; Reggie Gitlin, senior vp-sales/marketing; Ann Vincola, senior vp-consultancy.
Contact: Reggie Gitlin.

Work/Life Benefits

11095 Knott Ave., Suite L,
Cypress, Calif. 90630;
714-899-4400; fax: 714-899-4448
http://www.voucher.com

Services began: 1988.
Parent: Accor S.A.
Child care services: Pregnancy planning, adoption services, prenatal classes and support, dependent care centers, parenting seminars, afterschool services, child care placement, summer programs, special needs services, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.
Program services: Corporate needs assessment, employee interviews, employee questionnaires, task force formation, cost/benefit analysis, regulatory advisement, focus groups, feasibility studies, start-up and operational budget preparation, community dependent care resource development, consulting on employer/employee financing options, consulting services.
Service area: Nationwide; Canada, Puerto Rico, United Kingdom.
Clients: 55 clients in 1997; 500,000 employee lives covered in 1997; 10% to 15% utilization rate.
Staff: 240 employees at year-end 1997, including 30 resource and referral employees.
1997 revenues: $3.5 million; 40% from dependent care resource and referral services.
Compensation: Child and elder care services: capitated fee $6 to $25 per employee.
Communications/quality assurance: Provides management reporting quarterly, semiannually and annually; customized employee communications; management training; vendor references; onsite visits; free test cases; employee satisfaction follow-up; management debriefing of problems.
Officers: Eleanor T. Nelson, CEO; Grace Pantano, president; Dr. Joan Bergstrom, treasurer.
Contact: Grace Pantano.

Workplace Connections Inc.

300 Bear Hill Road,
Waltham, Mass. 02154;
781-890-5820; fax: 781-466-8609

Services began: 1983.
Child care services: Adoption services, prenatal classes/support, dependent care centers, parenting seminars, afterschool services, child care placement, preschool placement, grade school placement, high school placement, college and university placement, nanny/babysitting referral, temporary illness/emergency child care, summer programs, special needs services, pet services, work/life services, concierge services.
Elder care services: Nursing home referrals, meal delivery, household chore services, home health care, Medicare/Medicaid assistance, retirement community placement, adult day care, hospice care, friendly visitor program, legal/financial assistance service referral.
Program services: Corporate needs assessment, employee questionnaires, cost/benefit analysis, focus groups, feasibility studies, start-up and operation budget preparation.
Service area: United States, Canada. Subcontracts for resource and referral services with three vendors.
Clients: 55 clients in 1997; 500,000 employee lives covered in 1997; 10% to 15% utilization rate.
Staff: 240 employees at year-end 1997, including 30 resource and referral employees.
1997 revenues: $3.5 million; 40% from dependent care resource and referral services.
Compensation: Child and elder care services: capitated fee $6 to $25 per employee.
Communications/quality assurance: Provides management reporting quarterly, semiannually and annually; customized employee communications; management training; vendor references; onsite visits; free test cases; employee satisfaction follow-up; management debriefing of problems.
Officers: Eleanor T. Nelson, CEO; Grace Pantano, president; Dr. Joan Bergstrom, treasurer.
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Exercise

Continued from page 1

over the first five months, an amount not included in the savings figure. The cost includes the trainer's salary, exercise equipment and the incentives offered to participants.

The pilot program was introduced after determining last February that 8% of the university's back injuries were causing 90% of its total workers comp costs, explained Janet Ford, the university's physical therapist and ergonomic specialist. Ms. Ford came up with the idea of the exercise program.

Further analysis found that of the 8% of employees producing the high-cost back injury claims, 36% came from the university's facilities group. And half of those facilities group employees came from the grounds department, which cares for the U.C. Davis campus' 5,000 acres.

"We have controlled workers comp costs very well by treating injuries quickly and getting injured employees back to work right away," Ms. Ford said. But in terms of exercise, "we can't send them home and expect them to do it on their own," she said.

Since July 1, 1997, however, the grounds workers have had the option of participating in a 15-minute exercise program, offered under the guidance of a paid exercise trainer. The exercise program takes place in shifts during the day, with workers choosing a session during either the first or last 15 minutes of the workday or 15 minutes before or after breaks, Ms. Ford explained. On alternating days, the exercises focus on abdominal and lower-back strengthening and then on upper-back strengthening.

Incorporated into the exercise program are point-based incentives that reward the grounds workers for attending work and for participating in the exercise program, Ms. Ford said. An employee, for example, can receive one point for attending work and another for exercising. Each employee also receives a point if the entire grounds division shows up for work. Based on the number of accumulated points, employees are rewarded with gift certificates redeemable at their choice of local retailers, she said.

Ms. Ford said the idea of the exercise and incentive program hit home one day last year when a grounds worker reviewing exercises to help in his physical therapy was unable to perform even one sit-up.

At the same time, the university's health awareness program was under pressure to quantify the benefits it was producing.

"We're under the same pressures as any other organization, corporation or company. . . .We've got to show our value," said Deborah M. Luthi, director-human resources and risk management for the office of administration at U.C. Davis. The employee health services department falls under Ms. Luthi's purview.

"While academic institutions are unique in terms that we're still operating in an ivory tower," they "are really beginning to understand the bottom line," Ms. Luthi said.

Not only was the exercise and incentive program successful in terms of participation and satisfaction among the grounds workers, Ms. Ford also was able to quantify the program's benefits.

Based on data collected after its first five months in operation, Ms. Ford found that 84%, or 51 of the 61 grounds workers, participated in the exercise program.

According to satisfaction surveys, the employees say they are seeing and feeling a difference. Asked to rank their perception of improved abdominal and back strength, energy levels, flexibility, use of good lifting techniques during the workout and when working, morale and attitude, employees scored on average 4.0 on a five-point scale for each category, with five representing the greatest change.

Analysis of the five months' worth of data also showed that the program was successful at getting the workers who account for the high-cost claims and who have the greatest sick leave costs to participate most frequently.

For example, it was estimated that the 32 workers who were exercising three or more days a week would have generated $15,239 in direct workers comp costs during the five months analyzed, compared with $261 in predicted costs from those employees exercising fewer than three days a week. Average workers comp cost estimates are based on the injury histories of those members of the group of 32 who worked for the university during the same five-month period over the previous four years, Ms. Ford said.

In addition, Ms. Ford said, those 32 workers would have generated an additional $19,970 in estimated sick leave costs over the same period, based on two-year estimates of hours lost due to sick leave multiplied by the average salary of those workers. The group of non-frequent exercisers was predicted to have cost the university an estimated $10,480 in sick leave.

"This was an indication that we were capturing the group we wanted to capture," Ms. Ford noted.

Not surprisingly, a majority of the savings were derived by the high-frequency exercise group.

During the five months that the 32 workers were participating in the exercise program, their direct workers comp costs were cut 55.8% to $6,736 from the estimated $15,239. Sick leave costs dropped 48.7% to $10,243 from the estimated $19,970.

For all 61 workers, expected direct workers comp and sick leave costs for the five-month period were $45,950. The actual costs were $27,815.

While the cost-benefit analysis for the 12-month period has yet to begin, Ms. Ford said, "I think we'll see a similar trend. I haven't seen these guys in my office for physical therapy."

In the meantime, the employee health services department is working on transferring the cost of the pilot exercise program from its health awareness program over to the grounds department.

"We were there to create the pilot, build the momentum and excitement and help them see results," Ms. Luthi said. The goal now is to have the grounds department take responsibility for the program.

Shifting the cost away from the health awareness program also frees up money for the department to begin a new pilot project with another group of U.C. Davis employees. Ms. Ford said the health awareness program is looking to fund another intervention program, but this one would focus on office employees and more on reducing sick leave use rates than on reducing workers comp costs.

The program, still in the conception phase, most likely will involve individual and small-group counseling sessions to help office workers set and obtain personal goals, such as weight and stress reduction, Ms. Ford said. The sessions would run for about 12 weeks and decrease in frequency after the first several weeks.

Ms. Ford said she would measure the effects the program had on sick leave use rates after six months. The program will likely be piloted by 2000.

"One of the things we try to do, because we're the only campus in the U.C. system to have one human resource and risk management department, is to take a more holistic approach to (employee) programs," Ms. Luthi said. This means using the resources of and collaborating with various departments, including risk management, human resources, physical therapy and employee health and safety. BI

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INTERNATIONAL

Global Briefs

David Ketley has been named chairman of **The Assn. of Insurance & Risk Managers** in the United Kingdom. Mr. Ketley, insurance manager for Europe and the Far East with Cargill Inc., has taken over the one-year post from Richard Reddaway and has made "knowledge" the theme of his year in office. Mark Butterworth, group insurance risk manager with U.K. insurer Prudential Corp., has been named deputy chairman. . . .Bermudian reinsurer **Stockton Reinsurance Ltd.** has appointed Michael Cash a vp of the company. At the same time, Dane Commissiong has been named treasurer of Stockton Re, a new position in the company, and Carl Draper has been appointed an analyst in the company's London office. . . .Membership of the U.K. **Assn. of Local Authority Risk Managers** has topped the 1,000 mark, the association reports. . . .Fathers are now entitled to **paid paternity leave** under a new law enacted in Israel. The new law means fathers may take up to half of the standard three-month paid maternity leave in place of the mother. . . .Dutch insurer **Aegon N.V.** is selling its investment banking unit Bank Labouchere to Amsterdam Options Trader, a Dutch investment brokerage house. Aegon will retain between 10% and 25% of the shares in the merged business, to be called Bank AOT Labouchere. . . .The Japanese parliament has passed a bill authorizing the **deregulation of the insurance sector** effective July 1. The new law will break the tariff-rating environment for insurance premiums. A new Finance Supervisory Agency to oversee the finance sector is expected to be started later this month. . . .Bankers Trust has bought a 50% stake in Peruvian insurer **Interseguro** and via the Peruvian company will enter into a joint venture with Chilean insurer Consorcio Nacional de Seguros. . . .Thai authorities are drafting a **new foreign business law** to allow greater investment by non-Thai organizations. A related insurance law will be amended at the same time the new law is authorized, opening the sector to more foreign investors. . . .Japanese non-life insurers are operating with **solvency margins** between 580% and 1,750%, according to information issued by the companies earlier this month. Of the 14 non-life insurers in the country, half had solvency margins above 1,000%, with Tokio Fire & Marine Insurance Co. topping the league. . . .Rating agency **Standard & Poor's Corp.** has raised its rating of Tempest Reinsurance Co. Ltd. to A+ from A and revised the outlook to stable from negative. . . .Shareholders of Zurich Insurance Co. **approved the merger** between Zurich Group and the financial services industries of B.A.T Industries P.L.C. at Zurich's 125th general meeting last week. . . .Kendra Felisky-Watson has been appointed assistant vp at **CNA International Reinsurance Co. Ltd.**'s London office. . . .Christopher Outram has been appointed a non-executive director of **Willis Corroon Group P.L.C.** . . .Rating agency **Moody's Investor Services Inc.** has acquired Syndicate Underwriting Research Ltd., set up in 1995 as the syndicate analysis arm of Lloyd's of London agency Anton Jardine Holding Ltd. Mark Hewlett, formerly the managing director of SURL, will become managing director of Moody's European property, casualty and reinsurance team. . . .Tom Corfield has been appointed underwriter for syndicate 190, managed by **Liberty Syndicate Management Ltd.** He succeeds John Wetherell, who has retired. . . .**GoshawK Insurance Holdings P.L.C.** has made an offer to Lloyd's members underwriting on syndicate 102 with a view to buying all the 1999 capacity on the syndicate. The syndicate is managed by Gammell Kershaw & Co. Ltd., an agency fully owned by GoshawK, and has £93.3 million ($156.7 million) capacity for the 1998 year of account. Currently, GoshawK provides 27% of the syndicate's capacity.

Willis buys half of Italian broker Gruppo Ital

By SARAH GODDARD

LONDON—Willis Corroon Group P.L.C. aims to expand its European operations with a new joint venture in Italy.

The London-based broker last week announced it will acquire 50% of Gruppo Ital Brokers, based in Rome. Under the agreement, Willis will merge its current Italian operation, UTA Willis Corroon S.p.A., with Gruppo Ital Brokers. Gruppo Ital will hold 25% of the new joint venture, and the Italian shareholders of UTA Willis Corroon will hold the other 25% of the venture, which will be based in Rome and called Willis Corroon Italia S.p.A.

The deal would make the venture one of the top three insurance and risk management groups in Italy, according to Willis.

Willis Corroon Italia expects to place about 600 billion lire ($339.2 million) in premiums through its offices around Italy, including Rome, Milan, Genoa and Turin.

Enrico Boglione, who heads UTA Willis Corroon, has been named chairman-elect of Willis Corroon Italia. Mr. Boglione will be supported by Ital Brokers head Franco Lazzarini as deputy chairman and Sebastiano Romeo as managing director.

Mr. Boglione said the new venture will give the broker a "much stronger position in Italy," adding local market knowledge to Willis' worldwide operations. Italian regulatory authorities are expected to have completed the required due diligence and approval process by the end of July.

As with other forays into the European market, Willis Corroon has ensured it can increase its shareholding over time. During the past year, Willis has acquired one-third stakes in French broker Gras Savoye S.A. and German broker Jaspers Wuppesahl Indus-

See **Expansion** *on next page*

Two finalists in GAN bidding

France eyes Groupama, Swiss Life

By MARIA KIELMAS

PARIS—Paris-based mutual insurer Groupama Assurances and Zurich-based Swiss Life Insurance Co. are the two finalists in the running to acquire troubled French insurer Groupe des Assurances Nationales.

Some analysts believe the French government may attempt to engineer a partnership between Swiss Life and Groupama to jointly purchase of GAN.

"I wouldn't be surprised if Groupama buys GAN with Swiss Life as a major shareholder," said Michael Lindsay, insurance analyst at the London-based investment bank Lehman Brothers.

The French Finance Ministry's privatization commission ultimately turned away offers from New York-based American International Group Inc. and Amsterdam-based Eureko B.V., an alliance of six European financial services companies (*BI*, April 13).

A fifth bid from Stamford, Conn.-based GE Capital Services Inc. was disqualified by the ministry because GE Capital submitted it after the official deadline.

The Finance Ministry said in a statement that the selection of the final two candidates was based on their financial strength and the terms of their offers for GAN. The statement did not explain how the two offers compare.

GAN announced that, as of last week, it had made available to the two bidders all necessary financial information. The two

See **GAN** *on next page*

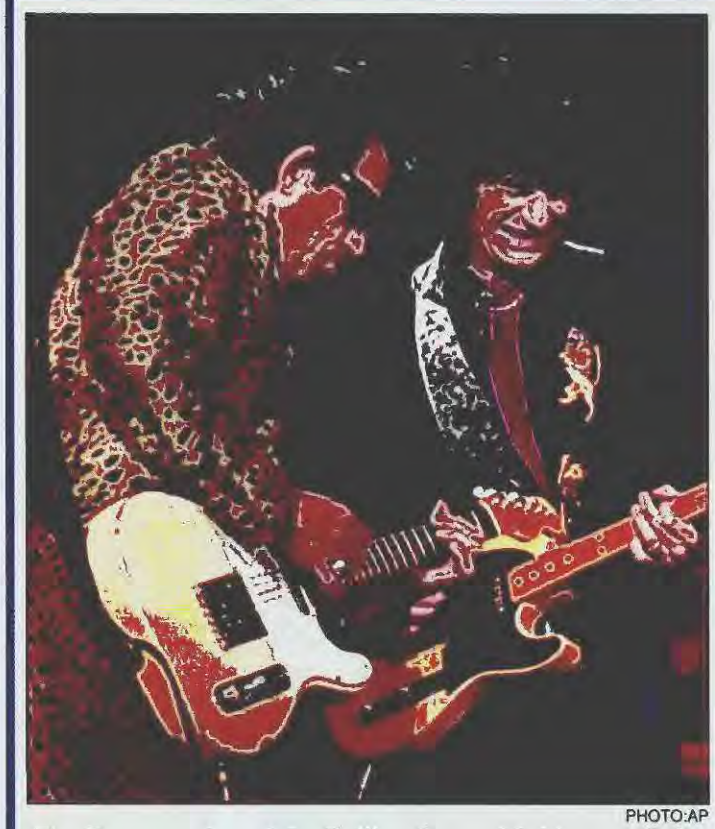


PHOTO:AP

The European leg of the Rolling Stones' Bridges to Babylon tour was delayed after lead guitarist Keith Richards, left, was injured in an accident in his Connecticut home.

No satisfaction for some fans of Rolling Stones

By SARAH GODDARD

LONDON—Cancellation insurance may kick in to cover lost revenues for the European leg of the Rolling Stones' Bridges to Babylon tour.

Due to start at the end of last month in Germany, the latest leg of the two-year tour was delayed because lead guitarist Keith Richards cracked two ribs and bruised his chest falling off a ladder in the library of his Westchester, Conn., home.

The Stones instead plan to kick off their European concert dates Saturday in Nurnberg, Germany. Although the tour is resuming, several concert dates around Europe have been canceled, some reportedly because of poor ticket sales as a result of the World Cup soccer tournament taking place in France.

London broker Robertson Taylor Insurance Brokers Ltd. placed the coverage for the worldwide tour but declined to comment on the situation. However, a spokesman for the broker did say non-appearance policies normally would provide coverage for loss of income and additional expenses should a band need to reschedule shows. Policyholders could include the artists and the tour promoters.

The Stones' last concert tour, Voodoo Lounge, is estimated to have grossed up to $400 million during its 1994-95 run.

The Bridges to Babylon tour has been beset by problems since it started last fall in the United States. The band was forced to postpone two dates in Toronto and Syracuse, N.Y., in January when lead singer Mick Jagger suffered from laryngitis, and a Montreal concert a few days later was called off because of structural damage to the venue caused by ice storms. Two months ago, guitarist Ron Wood was rescued from a yacht minutes

See **Stones** *on next page*

Relocating captives draw regulator scrutiny

By EDWIN UNSWORTH

LUXEMBOURG—Guernsey's top insurance regulator has acknowledged that he often is suspicious of captives that want to take advantage of the island's legislation allowing captive redomiciliation.

Speaking at this year's Sixth Luxembourg Rendez-Vous, Steve Butterworth, director of insurance for the Channel Island of Guernsey, said that as a regulator, he was concerned that captives wanting to change domicile may be doing so because they have something to hide. Guernsey has about 340 captives.

Redomiciliation can occur when two domiciles allow captives to transfer between them without shutting down in the original locations and starting up fresh in the new homes.

6th Bi-annual Luxembourg *Rendez-vous*

Additional conference coverage begins on page 31.

"We regulators, both the outgoing and the ingoing, need to determine the reasons" behind such a switch, Mr. Butterworth said during a session here this month dealing with the relocation of captives.

Another speaker maintained that despite redomiciliation agreements, switching locations is not as easy as captive supervisors make it sound.

Tim Edwards, an associate at Willis Corroon Ltd. in London responsible for captive development, said that even though redomiciliation between consenting domiciles is possible, the captive's owners and managers also have to weigh whether it will be cost-effective.

"You need to consider whether the (captive's) rules (will work in) the new domicile" and, if not, how easy it will be to meet those new regulations, he added.

Other captive-related issues debated at the Luxembourg meeting earlier this month included: protected cell captives, handling employee benefits through captives, and the captive's role in risk management.

See **Domiciles** *on page 31*

GAN

Continued from previous page

parties will subsequently present the ministry with more detailed bids, and the government expects to announce its final decision by late June or early July, GAN said in a statement. GAN said it did not yet know whether complete financial figures before any sale would be available in time for its June 30 shareholders meeting.

A spokeswoman for Swiss Life in Zurich expressed satisfaction with the ministry's decision. "GAN represents a major opportunity for us," she said. "We can only expand abroad, and France is the third-largest insurance market in the world after the United States and Japan."

The spokeswoman declined to comment on speculation that the French government might prefer a French buyer for GAN.

But Mr. Lindsay of Lehman Brothers noted that Groupama is a company with smaller assets than GAN and may be hard-pressed to fulfill GAN's future capital requirements.

Groupama executives had said in early May that 10 billion French francs ($1.66 billion) in new capitalization would be necessary to make GAN a viable insurer.

Mr. Lindsay said that if the French government accepted Groupama as a stand-alone buyer for GAN, the European Commission's competition directorate in Brussels may voice objections. The commission may maintain that the French government is showing favoritism by awarding GAN to a smaller French company.

Because the European Commission may say a sale to Groupama alone shows favoritism, a compromise joint offer may be the solution, Michael Lindsay suggests.

Therefore, a compromise joint offer for GAN by Groupama and Swiss Life could be the acceptable solution, he suggested.

"Financially, Swiss Life is the strongest candidate, and it has handled its relations with the French state very sympathetically," Mr. Lindsay added.

Swiss Life reported 1996 assets of $65.8 billion, while Groupama had assets of $25.4 billion, according to A.M. Best Co.

Groupama's total 1997 premium volume was 31.4 billion French francs ($5.22 billion). The insurer reported a profit of 1.51 billion francs ($251.1 million).

Swiss Life had 16.7 billion Swiss francs ($11.4 billion) in 1997 gross premiums and reported 152.5 million Swiss francs ($104.4 million) in profit for the year.

GAN had a 1997 premium volume of 50.8 billion francs ($8.45 billion).

Meanwhile, rating agency Standard & Poor's Corp. placed the AA- rating of Groupama's parent company, Caisse Centrale des Assurances Mutuelles Agricoles, on CreditWatch with negative implications. At the same time, S&P placed on CreditWatch with negative implications certain ratings of Banque Financiere Groupama. S&P said the CreditWatch reflects possible negative consequences in the short term but that an acquisition of GAN would be a "real opportunity from a business point of view, especially given the complementarity existing between the two groups."

AIG and Eureko expressed disappointment that their bids for GAN were not accepted.

Pierre Charles, general manager for AIG Europe S.A., the Paris-based European headquarters of AIG, quoted a company statement that said, "AIG believed its 50 years of experience in Europe and its products and services would have been of great service to GAN." AIG remains committed to Europe, a spokesman said.

Mr. Lindsay noted this was the second time AIG had been rejected as a bidder for a large French insurer. AIG also was a bidder for formerly state-controlled Union des Assurances de Paris before that company was taken over by French insurer AXA S.A. (*BI*, Nov. 18, 1996).

Eureko issued a statement saying the company was "naturally disappointed" that its bid for GAN was unsuccessful. "The company had submitted a very professional bid, including a price based on its financial projections and an ambitious business and organizational plan to restore GAN to long-term profitability," the statement said.

Eureko General Manager Jeff Medlock said the alliance is continuing to explore possible partnerships with French insurers, though he did not identify the companies.

Eureko comprises an alliance of six European insurance companies: Achmea Holding N.V. of Amsterdam; Friends Provident Life Office of Surrey, England; Gothaer Insurance Group of Cologne, Germany; Topdanmark Forsikring A/S of Copenhagen, Denmark; BCP/Ocidental of Lisbon, Portugal; and WASA International Insurance Co. Ltd. of Stockholm, Sweden. BI

Stones

Continued from previous page

before it burst into flames. He was sailing with friends in Brazil.

Cancellation insurance generally provides coverage in the event of an entertainer's death or illness, accidents, travel delays and unavailability of venues—as long as the events are beyond the policyholders' control. Exclusions to the coverage include cancellation due to poor ticket sales.

In the case of the Rolling Stones concerts, insurers most likely will pay out if the proximate cause of the cancellations and postponements can be shown to be Mr. Richards' accident.

Among rescheduled European dates are four U.K. concerts, originally due to take place over the summer but now delayed until summer 1999. The Rolling Stones have caused an uproar in the United Kingdom, citing part of the reason for the long postponement as changes in tax laws introduced in March for U.K. nationals.

The new rules mean U.K. nationals working overseas are taxed on all foreign earnings if they return to the United Kingdom, though merchant seamen are exempted.

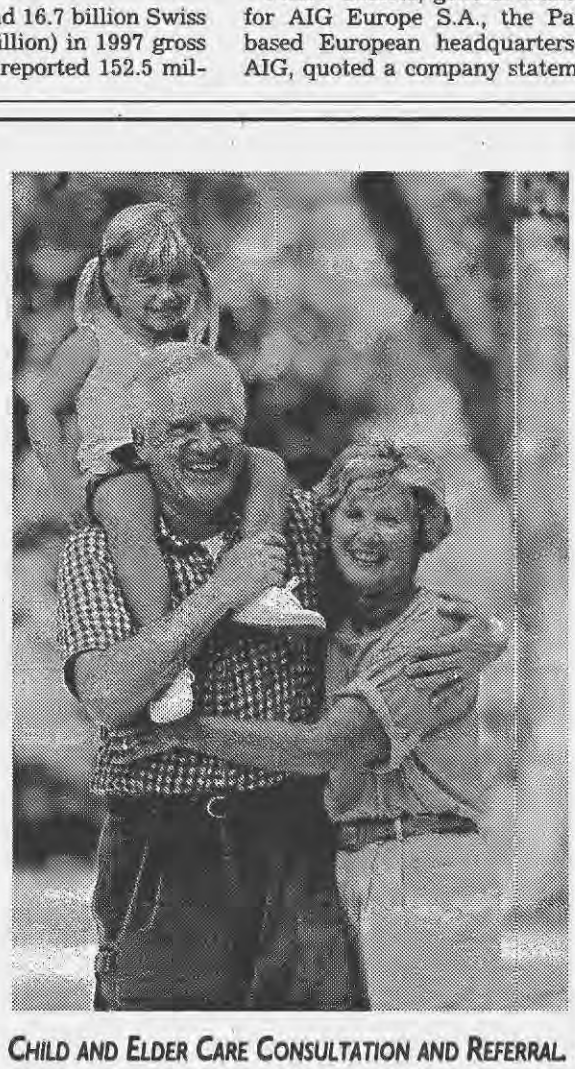
Mick Jagger, Charlie Watts and Ron Wood all still hold U.K. citizenship and could find themselves subject to huge tax demands as a result of the new legislation. Keith Richards is a U.S. citizen and so is not affected by the changes. BI

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Expansion

Continued from previous page

trie Assekuranz. Both deals include the provision that Willis Corroon can increase its holding.

The latest deal also fits into the broker's plan to extend its operations through joint ventures, which according to Group Finance Director Tom Colraine produces better results "if local management has an involvement."

In a statement, Willis Executive Chairman John Reeve said the deal "represents a further important step in the implementation of our strategy to secure a leading position in the key markets in which we operate."

The broker has said it aims to be in the top three position in all its target markets, and according to Mr. Reeve, Willis Corroon has reached this status in France, Germany, Spain and Scandinavia. Willis is looking to expand in Latin America.

Willis also is expanding on the alternative risk transfer side, with the establishment of a new consulting firm, Cordis Consulting in London. Coming under the aegis of Willis Faber Re, the unit combines research and development, financial analysis and special risks teams, with the aim of providing "improved risk management and business growth strategies" for insurers and reinsurers.

Grahame Millwater, chief operations officer of Willis Faber Re, has been appointed chairman of Cordis Consulting, which he said has been launched to create "innovative strategies to meet our clients' needs."

Oliver Peterken, Tim Thomas and Ian Morris have been appointed executive directors. BI

Guardian increases U.S. presence in deal

LONDON—U.K. multiline insurer Guardian Royal Exchange P.L.C. has strengthened its U.S. presence through the purchase of the U.S. property/casualty business of Dutch financial services company ING Groep N.V. for £706 million ($1.12 billion).

The purchase gives London-based GRE greater geographical spread in the United States, though the company plans to continue its focus on small commercial and personal property/casualty business, said John Robins, GRE chief executive officer.

In a related deal, GRE is selling its Canadian property/casualty operations to ING for £231 million ($378.7 million). Mr. Robins said the sales satisfy GRE's and ING's strategic interests. Both sales are conditional on regulatory approval.

ING's U.S. property/casualty business, called The Netherlands Insurance Cos., comprise Indiana Insurance Co. and Peerless Insurance Co., both based in Keene, N.H.

Mr. Robins said Indiana will strengthen GRE's presence in the Midwest, while Peerless will provide greater coverage in the Northeast.

Victor Yerrill, GRE group executive director for the Americas, said the purchase of TNIC will nearly quadruple GRE's existing U.S. property/casualty premium volume, which reached $260 million in 1997.

TNIC had net premium income of $728 million and achieved a pretax profit of $96 million for the year ended Dec. 31, 1997.

Mr. Robins said a review of GRE's Canadian property/casualty business concluded the company lacked sufficient scale to compete effectively in the market in the long term. GRE's Canadian property/casualty operations recorded net premium income of $525 million Canadian ($367.1 million) and a pretax profit of $47 million Canadian ($32.9 million) in 1997.

—By Matthew MacDermott

Domiciles

Continued from page 29

Mr. Butterworth defended Guernsey's introduction in 1997 of legislation to allow Protected Cell Companies, which operate similarly to rent-a-captives but with a core cell around which any number of other cells operate as independent captives.

Asked by a member of the audience about a recent decision by the Isle of Man not to introduce PCC legislation because of concerns about difficulties in isolating liabilities of one cell from the others, Mr. Butterworth acknowledged Guernsey also had similar misgivings about PCCs.

That is why, he said, Guernsey introduced two caveats in its PCC legislation stating that it has not been determined whether courts in other jurisdictions will accept the separation by cell of a PCC's assets and liabilities in a case of insolvency.

In response to another question, Mr. Butterworth also acknowledged that, with the advent of new technology and the "virtual office," it is becoming increasingly difficult to establish where a captive actually is based, as it is not necessary to have a physical office in the domicile.

"From a regulatory aspect, this is causing a great deal of problems," and the only answer is for supervisors to get together to allow one another freer access to information on captives in their jurisdiction in order to more easily establish relevant details about them, he said.

One area of the captive arena that needs further exploration is handling employee benefits business, said Paul Bawcutt, chairman of the London-based consultant Risk & Reinsurance Group Ltd. He maintained this has remained a relatively untapped area, probably because of the separation within companies of their human resources and insurance departments.

Another role for captives was described by Hugh O'Neill, Brussels, Belgium-based group risk manager for international courier DHL Worldwide Express B.V. Mr. O'Neill said he could not imagine his company operating a complicated risk management program in more than 200 countries without a captive.

DHL opened its captive in Bermuda in 1984 to reinsure workers comp and gradually expanded it to cover transport risks, worldwide automobile liability, worldwide property and worldwide employee benefits. This year it added to its captive the deductibles on the hull policies of its fleet of more than 200 aircraft.

Mr. O'Neill said he sees the captive as providing a "platform for risk assessment," in that it gives an early warning of risk profiles and a good indication of what's going on within the group. BI

Bigger role for catastrophe hedges seen

By EDWIN UNSWORTH

LUXEMBOURG—Using the capital markets to hedge against catastrophe exposures and using multiline/multiyear programs to transfer risks will grow in importance, two speakers predicted.

6th Bi-annual Luxembourg *Rendez-vous*

John Nicholas, London-based managing director of risk finance for AIG Europe (UK) Ltd., said he foresees that capital markets will be used regularly in a complementary role to traditional practices for managing catastrophic risks, rather than replacing them.

One reason that capital markets will play a role is that potential losses from catastrophe risks in the United States and globally far exceed the insurance industry coverage available, Mr. Nicholas said at the Sixth Luxembourg Rendez-Vous.

Investors are the driving force behind the capital market alternative to catastrophe coverage, effectively taking on the function of reinsurers, Mr. Nicholas added. As an indication of the potential level of demand, he cited Tokio Marine & Fire Insurance Co. Ltd.'s issuance last November of $100 million worth of 10-year earthquake notes. Demand was so high, the issue was four times oversubscribed (*BI*, Dec. 1, 1997).

Investors provide protection against catastrophe losses mainly through derivative products or securitization: the transferring of underwriting risk from insurers and reinsurers to investors by transforming underwriting cash flows into market securities, such as bonds.

However, other capital market alternatives include:

- Surplus note arrangements.
- Dual-trigger structures linked to insurance exposures.
- Catastrophic equity put options, which immediately provide a large amount of equity in the event of a major catastrophe.

Market factors favoring the capital market alternative to catastrophe coverage include the rapid consolidation and globalization of the financial services industry, enhanced technology and greater risk modeling capabilities, capacity that will continue to grow rapidly, and increased investor demand, Mr. Nicholas said.

There are impediments to the use of capital market alternatives, such as the separation of the insurance and finance functions of most companies, the sustained soft market in catastrophe reinsurance, legal and regulatory hurdles, and investor skepticism and lack of understanding of such complex deals. Despite that, Mr. Nicholas said, there was a flurry of transactions in 1997. He added that more such capital market deals are underway this year.

Meanwhile, Robert Cooney, president and chief operating officer of X.L. Insurance Co. Ltd. of Hamilton, Bermuda, said that whereas two years ago multiline/multiyear policies were bought to save money, today they are bought increasingly to broaden coverage and reduce administration of both insurable and other corporate risks.

More than $600 million of multiline capacity is available today. Among the new products are:

- Stop-loss basket aggregate coverage. This is an integrated risk, combined lines policy with self-insured retentions. It is included in more than 30% of X.L.'s programs, Mr. Cooney said.
- Retroactive deductible option. This option has appealed to larger, financially strong companies as a means of taking down their deductibles. For example, in the case of earthquake coverage, there could be a double trigger for coverage if an earthquake loss occurs and a company's earnings per share fall below a given level.

Mr. Cooney cited the example of a company reducing its annual premiums by taking out a multiline/multiyear policy with an increased deductible covering a number of lines of risk. However, by paying the insurer an additional fee, the client can secure an option to retroactively reduce the deductible if a number of losses occur in a single year.

- Political risk/export credit. About 10% of X.L.'s multinational clients buy this to cover risks such as contract frustration, investments, currency and collateral deprivation.

Mr. Cooney said he thinks integrated risk programs will become more popular no matter what else happens in the marketplace. Also, the prices of some programs will come down as efficiency improves, he added. He emphasized that it often is not a product that is on offer but a concept with almost limitless possibilities to achieve what the customer wants to achieve.

Mr. Cooney also anticipates increased demand for whole risk financing solutions, which combine integrated risk transfer with an embedded investment fund. A proportion of the premium is invested and a return is made to the insured if claims do not exceed a given level. Advantages include tax efficiency through premium deductibility and a better investment return.

Mr. Cooney said X.L. had not yet sold any whole risk financing programs, although it is preparing a number of quotes. He predicted they would prove attractive to many larger companies and "will be commonplace five years from now." BI

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Agents/Brokers Wanted

Service to buyers lacking: Risk manager

By EDWIN UNSWORTH

LUXEMBOURG—Failures by the global insurance industry and the European Union in creating a single market for insurance have deprived policyholders of the level of services they deserve, a risk manager claims.

6th Bi-annual Luxembourg Rendez-vous

Derek Brighton, head of the group insurance and risk department at publishing and information group Reed Elsevier P.L.C., slammed the service provided by the world insurance market. Mr. Brighton, based in Sutton, England, said that while there are individual insurers that meet their clients' needs, "the insurance market as a whole lacks imagination."

Speaking at the Sixth Luxembourg Rendez-Vous, Mr. Brighton said, "Instead of leadership, the insurance market has chosen fudge and confusion." Too many primary insurers do not know whether they are selling a product or a service or who their customers are, he added.

Mr. Brighton, a former chairman of the United Kingdom's Assn. of Insurance & Risk Managers, warned that the insurance market has to change if it is to survive, including bringing in fresh ideas from outside. Insurers have to get closer to their clients if they really want to understand their needs, to add value to their service and to learn more about risk management practices, he said.

This is not to say brokers should be cut out of the picture, as it is possible for insurers to get to know their customers without alienating brokers, he maintained. More disclosure of earnings both by insurers and brokers also is necessary if they want to earn clients' trust, maintained Mr. Brighton.

Instead, the insurance market is "in a state of suspended animation, waiting for someone else to make the first move." The market has delayed for too long bringing in new blood and new ideas and is so fragmented it cannot even agree on a format for electronic documentation, accused Mr. Brighton.

A further sad indictment of the inadequate level of service came out of a recent Risk & Insurance Management Society Inc. survey, which showed that 50% of U.S. risk managers would switch insurers for a 10% savings on premiums, he said.

Why pay more for your insurance if you are going to end up fighting to get your claim paid anyway? Mr. Brighton wondered.

What was intended to be a debate at this year's Luxembourg Rendez-Vous on whether European insurance liberalization has achieved significant benefits for buyers turned into a one-sided claim that it clearly had not.

Andrew Tunnicliffe, associate director of Sedgwick Risk Consulting in London, maintained that, despite the appropriate E.U. legislation being in place, the reality is that there still exist enough impediments that little has been done by insurers to expand their existing operations. As a result, "the benefits for the consumer have not yet been fully realized," he said.

While E.U. insurers can, in theory, now offer their products throughout the 15 member countries, the reality is that they seem content to stick to their home markets or to expand abroad through alliances or takeovers of other companies, Mr. Tunnicliffe maintained. This is partly because it is still not easy to move into a new territory.

Some E.U. countries still have not implemented the Third Life and Non-Life Directives, which entitle insurers to set up branch operations abroad under the supervision of their home office regulators. There also is still a need to obtain authorization for each class of business offered in a foreign territory, and impeding local legislation, such as Germany's requirement that a broker obtain a special license in order to provide advice, remains.

Taxation is another problem, he said. Insurance premiums are taxable either in the country of the risk or the country of the policyholder. This situation, and the wide variation in rates, can create all sorts of difficulties, stated Mr. Tunnicliffe.

Hilary Evenett, a partner in the insurance practice of the London law firm Clifford Chance, agreed with Mr. Tunnicliffe, but she suggested it is naive to have expected more from E.U. liberalization at this stage anyway.

"As yet, we have not seen significant benefits to insureds" arise directly out of E.U. efforts, though it should come eventually with increased consolidation and globalization of the marketplace, Ms. Evenett said.

Another of the debaters maintained that increased competition and liberalization of the global marketplace has done more to benefit policyholders than have E.U. directives. Guy Lallour, manager-international industrial risks of Paris-based insurer Assurances Generales de France, said these benefits have come about more for personal clients than for commercial policyholders. BI

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Audits key to managing risk

By EDWIN UNSWORTH

LUXEMBOURG—The audit function used to be aimed at providing an account of a company's past events, but today it is much more involved in providing information about current and potential future risks and how to manage them.

"Auditors no longer can be the pathologists,"

6th Bi-annual Luxembourg Rendez-vous

Michael Green, a partner specializing in business risk consulting with accountants Ernst & Young in London, said at the Sixth Luxembourg Rendez-Vous earlier this month. "Now they truly have to get into early diagnosis." They must move the company into the "real-time measurement of risks," rather than post-risk assessment, Mr. Green said.

The traditional model of risk management, with its emphasis on strict compliance and a reactive approach to threats, is coming under enormous pressure, said Mr. Green.

Today companies must devise integrated risk management capabilities in which the auditing function is used to determine if the company acts as it says it will. The new audit function will have succeeded when management views risk as an enabler of business success, knows what risks it is prepared to take, knows its exposure profile and the actions it will take to respond to risks, uses the best mix of risk management techniques, and knows the impact of its actions on the company's risk profile, he said.

Tim Windibank, a partner responsible for risk management services in the London consulting firm of Watson Wyatt Partners, said that while every company should have someone in-house responsible for risk management, there will always be a need for external expert advice.

"I suggest that there cannot be many risk managers who, in addition to all the other skills that today's

See **Audits** *on next page*

Audits

Continued from previous page

risk manager now needs, have the expertise to understand risk processes, building construction, safety, etc., in the same way as industry specialists," he maintained. Even where all the necessary skills exist in-house, it is unlikely they all will be in the organization's risk management department, he added.

Mr. Windibank said the growing use of alternative risk financing structures, including captives, also means there is and will remain a need for expert advice.

However, while agreeing it is inevitable some elements of risk management need to be outsourced, Christer Magnusson, chief executive officer of Posten Reinsurance S.A., the Luxembourg-based reinsurer for the Swedish postal service, Posten, expressed skepticism that outsourcing should be used extensively.

He accepted that it was unlikely that even larger companies could have in-house all the skills necessary for successfully managing risk, but he maintained that risk evaluation is an ongoing process, making it "very difficult for an outsider to be a partner in the business process."

Examples where outsourcing is particularly suitable include captive management, risks requiring specific expertise and insurance brokering, particularly for business placed with Lloyd's of London, said Mr. Magnusson.

Christian Dinesen, a director of the consultants Risk & Insurance Research Group Ltd., maintained it is a mistake to assume outsourcing always provides a good quality service.

He cited the extensive use of soliciting bids for outsourced services, such as brokering, as a reason for declining service standards. "All you need to do to knock 40% off a fee is arrange a tender," he maintained. This exercise is time-consuming and detracts from the providers' time for actually giving a service, he argued.

Other threats to the quality of service include reduced availability of experts due to global broker consolidation, and service providers having less time for training and too little time to read, partly because they spend too much time browsing the Internet. BI

Chubb unveils alternative risk unit

By EDWIN UNSWORTH

LUXEMBOURG—Chubb Insurance Co. of Europe S.A. unveiled at the Sixth Luxembourg Rendez-Vous conference a new unit to service alternative risk programs for European clients.

As part of the service, the insurer has formed an alliance with the accounting firm of Ernst & Young, whose consultants will help provide integrated risk assessment, and Chubb is setting up a specialist reinsurance company to assist in providing alternative risk programs.

The new unit, Alternative Risk Consulting, will be based in London but will use specialist consultants in 10 European countries. The unit will structure and manage alternative risk programs under the name of Architect.

The reinsurance company being established in Dublin, Ireland, will assist in providing Architect programs, mainly through offering the benefits of a captive without the cost of creating such a facility in-house. It will offer a range of investment management services and enable clients to assume portions of their own risk in traditional lines of business while also financing risks not easily transferable in the traditional markets.

The name of the reinsurance company has yet to be announced, but its startup is expected by the end of July, in time for the next renewal season.

Killian McDermott, a former alternative risk consultant in Dublin and Luxembourg for Johnson Higgins/UNISON, has been appointed European manager for Alternative Risk Consulting.

He said insurance has for too long been viewed purely as a commodity. "We aim to change this with our consultative approach. The focus of our Alternative Risk Consulting unit is on understanding our client's risk profile, developing long-term client and broker relationships, and providing quality services," Mr. McDermott said in a written statement.

Solutions can range from single line to multiline and from single country to multicountry programs. They will be worked out not just between Alternative Risk Consulting and its clients but will involve the client's brokers, reinsurers, financial institutions, advisers and other service providers.

Chubb currently operates 40 alternative risk programs for clients in Europe. Mr. McDermott said the types of clients targeted are those who want partnerships and long-term relationships with their insurer and are willing to retain a certain amount of their own risks. They will be those "interested in a solution and consultative approach and services, rather than a client who is interested in just buying a commodity," he added. BI

Two-day conference attracts 430

LUXEMBOURG—The meeting of the Sixth Luxembourg Rendez-Vous on risk financing and risk management attracted some 430 delegates from 23 countries.

It also attracted 30 exhibitors. Attendees and exhibitors included captive owners, risk managers, brokers, insurers, banks and captive regulators.

6th Bi-annual Luxembourg *Rendez-vous*

The two-day conference, held on June 3 and 4, centered on four sessions. Covered topics included auditing and outsourcing; whether a captive should stay where it is; whether the insurance market is keeping up to date with risk management developments; and whether European insurance liberalization has achieved significant benefits for buyers.

The conference was sponsored by London-based consultants Risk & Insurance Research Group Ltd. and SINSER Group, the Stockholm, Sweden-based captive management and consulting group. BI

Survey highlights need for more IT security

By YVETTE HIGGINS and KATE TILLEY

While Australian risk managers recognize the importance of information security, many have serious gaps in their own company's security, an international survey shows.

The Global Information Security Survey, taken by the New-York based accounting firm of Ernst & Young, shows management is struggling to implement appropriate risk management strategies for information technology security, said Stephen Breihl, Ernst & Young's Australian director-information systems assurance and advisory services.

Brian Crews, the national president of the Assn. of Risk & Insurance Managers of Australasia, said information technology security failures are a major threat to Australian businesses. But, he said, not enough managers are taking steps to avoid the worst-case scenario. "These results clearly demonstrate the need for implementation of sound risk management programs that encompass all potential threats to a business."

Mr. Crews said the Ernst & Young survey highlighted the need for sound management of IT risks. "While Australian senior managers are aware of the importance of information and data security, insufficient numbers are translating that concern into action," he said.

"A staggering 47% do not even monitor their systems for security incidents, and 48% do not monitor Internet activities," Mr. Crews said. "Not all companies have business continuity plans to counter a crippling breakdown in the flow of vital information."

Ernst & Young surveyed information technology managers in 29 countries in North and South America, Europe, Asia and Africa, in July and August of 1997. The results of the survey were released in April. The survey's compilers did not make comprehensive rankings of the countries.

Ernst & Young found that Australian companies' IT managers implement new technology faster than those overseas.

Stephen M. Paroby, Ernst & Young's U.S. director-information systems assurance and advisory services, said the findings reinforce the need for companies worldwide to keep assessing and improving their understanding of security controls.

Information security is becoming more important as managers recognize the perils of conducting business in a global environment, such as the lack of policies and organizational investment in security issues, Mr. Paroby said.

In the Australian survey summary, Ernst & Young found that Australian companies' IT managers implement new technology faster than those overseas. The survey also reported that while 77% of Australian managers said their risks had increased during the past two years, 33% said their risks had grown faster than their

See **Survey** *on next page*

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Survey

Continued from previous page
computing resources.

The starting point for a best practices approach to security lies with top management, according to Ernst & Young. If IT managers monitor and measure the costs of security breaches and pass that information on to top management, best practices will occur.

Mr. Crews said companies need top-level commitment, from the board and chief executive officer down, to risk management to ensure that programs are implemented and monitored.

In addition to management attitudes as a potential obstacle to improved security practices, Australian respondents identified several other obstacles. These were a lack of human resources, cited by 64%, a lack of adequate budget, cited by 53%, a lack of employee awareness, cited by 50%, and a lack of tools, cited by 42%.

Although only 23% of Australian organizations have no security policies, many of those that have security policies need to improve them, the survey said.

The results show that organizations do little to ensure that their systems are secure, and many organizations do not know if their systems are secure.

Forty-eight percent of Australian companies surveyed do not monitor online activities, and 47% do not monitor systems for network breaches.

Only four percent of companies said that their system had suffered an intrusion. But that figure could be a "major understatement of the true picture," as 53% did not know if an intrusion had occurred, the survey said.

The survey shows senior management has started to understand how security can help an organization conduct business on the Internet, but security-related problems still have a negative effect on management's willingness to use the technology.

Seventy-four percent of respondents said they would increase their business use of the Internet if they were more confident about its security.

Ernst & Young, in a commentary on the survey, said organizations will "continue to be plagued" by internal and external problems because information security is not just a technical issue but a management issue of large proportions.

Mr Crews said it is disappointing that the survey demonstrates that too few Australian corporations are implementing sound risk management. "The traditional Australian 'she'll be right, mate' attitude won't save the day," he warned. BI

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LEGAL NOTICE

LEGAL NOTICE

IN THE CIRCUIT COURT OF COLE COUNTY, MISSOURI
IN RE TRANSIT CASUALTY COMPANY IN RECEIVERSHIP
CASE NO. CV185-1206CC

NOTICE OF HEARING
PARTIAL DISTRIBUTION

To: All Creditors of Transit Casualty Company in Receivership ("Transit")
Where: Division II, Cole County Courthouse, Jefferson City, Missouri
When: June 29, 1998 at 3:00 p.m., C.S.T.

PLEASE TAKE NOTICE THAT A HEARING WILL BE HELD BEFORE THE HONORABLE BYRON L. KINDER, CIRCUIT COURT JUDGE, ON THE APPLICATION OF TRANSIT'S SPECIAL DEPUTY RECEIVER, BURLEIGH ARNOLD, TO APPROVE A "FIFTH" DISTRIBUTION OF TRANSIT'S ASSETS TO CLAIMANTS.

YOU MAY PARTICIPATE IN THIS HEARING IN PERSON OR BY TELEPHONE. IF YOU DESIRE TO PARTICIPATE BY TELEPHONE , PLEASE CONTACT RIC MUNOZ AT (310)772-8355 AT LEAST 48 HOURS BEFORE THE HEARING AND HE WILL ACCOMMODATE. HE WILL ALSO GIVE YOU DIRECTIONS TO THE COURTHOUSE IF YOU DESIRE TO APPEAR IN PERSON.

Pursuant to the Court-approved Plan of Distribution and the formula for distribution, the Special Deputy Receiver will seek the Court's approval to make an interim, fifth partial distribution of the net available assets of the Receivership in order that Transit may pay certain claimants a percentage of their allowed acknowledged claims in September 1998, or as soon thereafter as possible, in accordance with Section 375.700, Revised Statutes of Missouri.

The Special Deputy Receiver will present testimony to Judge Kinder from Transit's staff and consultants on the assets available for distribution, the present "allowed claims" against the estate and an actuarial estimate of the dollar amount of future claims still pending against the estate.

This evidence of Transit's assets and liabilities will be considered by the Court, along with any evidence a claimant may wish to present, in determining the exact percentage of the allowed claims which may be paid to third-class creditors in this fifth distribution. It is anticipated that the distribution will be an additional 5% of allowed claims, bringing all creditors to a distribution level of 30% of allowed claims.

At the April 29, 1998 Creditors' Hearing in St. Louis, Judge Kinder indicated that he intended to pay certain individual creditors of Transit a 50% distribution of their allowed claims (approximately $2.5 million) unless he received objections from the creditors. This issue will be readdressed, and finalized, unless there are formal, written objections to the distribution prior to the June 29, 1998 hearing.

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FOR 1998 RATES AND EDITORIAL CALENDAR CALL 312-649-5340

REQUEST FOR PROPOSALS

REQUEST FOR PROPOSALS

The City of New York Management Benefits Fund is soliciting competitive proposals from qualified vendors to provide a Medicare Assistance Program for the Management Benefits Fund. The Management Benefits Fund is a welfare fund which provides supplemental benefits to non-unionized personnel of the City of New York. The City currently provides a Medicare assistance program for the Fund's Medicare-eligible members, Medicare-eligible spouses/dependents and Medicare-eligible dependents. Through this solicitation, the Fund wishes to continue the provision of this benefit so that its Medicare-eligible population may continue to gain a better understanding of their rights and benefits under Medicare. This Request for Proposals is available on 6/26/98. Proposals will be due on 8/7/98. To receive a copy of the RFP or if you have any questions, please contact Lou Porpora at (212)306-7306.

Business Insurance

Circulation Breakdown
Commercial Consumers

Administrative:	
CEO's, Presidents, and Owners, Vice Presidents, General Managers and Other Administrative Personnel	2,710 5,122
Financial:	
Chief Financial Officers and Vice Presidents of Finance	5,429
Secretaries, Treasurers, controllers and other Financial Personnel	4,145
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	14,748
Sub-total	**32,154**
Associations	286
Government, Unions and Educational Institutions	1,019
Commercial Consumers	
Sub-total	**33,459**
Insurance Agents and Brokers	8,083
Insurance Companies	6,933
Accountants, Actuaries, Attorneys & Consultants	2,705
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,578
Others Allied to the Field	757
Total Qualified	**53,525**
Non-qualified/Paid Subscriptions	14
Single Copy Sales	27
TOTAL CIRCULATION	**53,556**

★ *Source Business/Occupational breakdown of qualified circulation, November 24, 1997 Issue, as submitted to BPA for December 1997 BPA Publisher's Statement*

COBRA

Continued from page 1

group plans, such as when an employee gets a new job.

But a source of confusion and litigation has been whether an employee loses the right to COBRA if the individual already had group coverage as a spouse's dependent at the time he or she is eligible for COBRA.

In what benefit and legal experts describe as a literal reading of the law, Justice David Souter said COBRA coverage ceases when an individual "first becomes covered" under a group health care plan after he or she elects COBRA and not in situations where the individual had the additional coverage prior to opting for COBRA.

"Because he was thus covered before he made his COBRA election, and so did not 'first become' covered under the TWA plan after the date of election, Moore could not cut off his (Mr. Geissal's) COBRA coverage under the plain meaning of" COBRA, Justice Souter said.

The high court decision ends years of confusion and resolves splits at the appeals court level on whether employees who had other group insurance at the time they were terminated had the right to elect COBRA.

It isn't known how many employers interpreted the statute as Moore Medical did to deny coverage to employees who had other group coverage at the time they elected COBRA.

"In parts of the country where appeals courts have ruled that you have to provide coverage, employers have been following those rulings. In other areas where there have not been opinions, employers, based on advice of their legal counsel, have weighed the risks of denying coverage against the cost of denying coverage," said Connie Harden, a principal with Buck Consultants Inc. in San Francisco.

Those employers—if their interpretation of the law was different from the Supreme Court's—now have to instruct their plan administrators to extend COBRA in situations like that in the *Geissal* case.

"Look at your COBRA administration practices and conform those practices to the Supreme Court decision," advised John Piro, a consultant with Hewitt Associates L.L.C. in Rowayton, Conn.

"Review your administrative procedures so as to be sure they do not run afoul of the law," added Edward Susank, a consultant with William M. Mercer Inc. in Washington.

Employers also could face requests from former employees to obtain COBRA coverage that was previously denied.

"I think the decision is retroactive. I think many people who had not brought actions may now decide to bring them," said Mr. Weinhaus, the St. Louis attorney who brought the *Geissal* case before the Supreme Court.

Still, the cost impact of extending COBRA coverage to employees who had other group coverage at the time they terminated employment should be relatively low for several reasons, benefit experts say.

First, relatively few employees now opt for dependent coverage if they already have individual coverage through their own employers because the cost of dual coverage is so high.

"It is so very expensive to pay for two coverages that the issue does not come up very often," said James Franklin, manager of health programs at Franklin Electric Co. Inc., a manufacturer of electrical pumps in Bluffton, Ind.

"Once in a while it may be beneficial to pay for COBRA if you have other coverage. But that is very rare," said Helen Darling, a consultant with Watson Wyatt Worldwide in Stamford, Conn.

In addition, in recent years employers have been redesigning their coordination of benefits provisions—which govern the order and level of reimbursement when a beneficiary is covered by more than one plan—to decrease the appeal of taking dual coverage, consultants say.

Take the situation of an employee who has individual coverage from his or her employer and also dependent coverage through a spouse's plan. Assume both plans pay 80% of hospital expenses. Under a common coordination of benefits approach known as a "carve out," the secondary payer would cover unpaid amounts only up to the limits of its own coverage.

Thus, if an employee has a $10,000 bill, his or her employer's plan as the primary payer would pay $8,000, while the dependent plan as the secondary payer would not pay anything, since 80% of expenses have already been met. Years ago, however, the dependent plan might have paid all expenses not met by the employer plan—in this case, $2,000.

"Dual coverage really means less coverage" than it used to, said Mary Case, a principal with The Kwasha Lipton Group of Coopers & Lybrand L.L.C. in Fort Lee, N.J.

And the likelihood that former employees would be willing to pay COBRA premiums—which are 102% of their former group health care plan's costs—in addition to dependent coverage is even less likely, Ms. Case said.

"When something costs $150 or $200 a month, it often becomes a 'no, thank you' deal," said Mercer's Mr. Susank.

Still, there are individuals like Mr. Geissal, who want COBRA coverage even if they already have group coverage through a spouse's health care plan.

In some cases, these may be individuals who have access to health care plans that provide very different benefits. "One plan, for example, may provide something of great need, like coverage for infertility treatment, while the other does not," Ms. Case said.

More typically, though, individuals electing dual coverage either have or expect to incur significant medical expenses and want the most coverage possible.

"Not many employees take dual coverage, but those that do really need the coverage and are very expensive to cover," said Henry Saveth, a Mercer attorney in Washington.

In the case of Mr. Geissal, who is now deceased, he was a cancer patient who, because of expected high medical bills, wanted the best health insurance possible, Mr. Weinhaus said.

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Geissal vs. Moore Medical Corp. et al., U.S. Supreme Court; No. 97-689, June 8, 1998.

Court denies KAL families pain and suffering damages

By DAVE LENCKUS and MARK A. HOFMANN

WASHINGTON—Families of the U.S. passengers aboard the Korean jet that Soviet fighter pilots shot down 15 years ago cannot recover damages for their loved ones' pain and suffering, the U.S. Supreme Court unanimously ruled last week.

The families' monetary damages are limited to pecuniary, or economic, losses, because the Death on the High Seas Act governs their allowable recoveries, the high court ruled. The families had argued that while DOHSA limits their wrongful death damages, general maritime law allows them to recover damages for the victims' pain and suffering.

In another risk management-related case, the justices last week made it somewhat harder for the government to force parent companies to share in the Superfund cleanup costs of subsidiaries under certain circumstances.

The June 8 decision in the aviation case, *Dooley, personal representative of the Estate of Chuapoco et al. vs. Korean Air Lines Co. Ltd.*, is the latest in a series of lawsuits stemming from the KAL disaster and is grounded in a 1996 ruling the court handed down in a case that sought loss-of-society damages from an airline.

All 269 passengers and crew aboard KAL Flight KE007 were killed in September 1983, when the Seoul, South Korea-bound flight was shot down over the Sea of Japan after straying into the airspace of what was then the Soviet Union.

Among the many rulings in litigation brought against KAL, a federal court for the District of Columbia ruled that DOHSA was not the families' sole cause of action against the airline.

Under the Warsaw Convention, the District of Columbia court ruled, the families could recover all damages they sustained, including non-economic losses, if they proved willful misconduct on the part of the airline. A jury in 1989 found KAL guilty of willful misconduct.

DOHSA governs incidents that occur "on the high seas beyond a marine league," or three nautical miles, from the shore of any state or U.S. jurisdiction. A federal judge earlier this month ruled in a case involving TWA Flight 800 that DOHSA applies only when an incident occurs both a marine league offshore and beyond U.S. territorial waters, which in 1988 were extended to 12 nautical miles from shore (*BI*, June 8).

But shortly after the District of Columbia ruling, in another lawsuit that sought loss-of-society damages from KAL, the Supreme Court disagreed with the district court. The high



court in 1996 ruled that allowable recoveries under the Warsaw Convention are limited by the domestic laws in the forum in which the plaintiffs have filed suit. In the United States, DOHSA is the controlling law. Therefore, loss-of-society damages are not recoverable, the high court ruled.

The Supreme Court's 1996 ruling, though, did not specifically address how DOHSA would be applied to claims for pain and suffering.

In the latest action, the plaintiffs appealed a 1997 federal appellate court ruling, which had affirmed a district court's decision that DOHSA barred claims for such non-pecuniary damages.

The plaintiffs acknowledged that DOHSA limits wrongful death damages. But they argued to the high court that general maritime law allows a victim's estate to recover damages a victim could have recovered if not for his or her death. Those recoveries include damages for pain and suffering, the plaintiffs argued.

They also argued that because DOHSA is a wrongful death statute, it has no bearing on a so-called survival action.

But in an opinion that draws on the court's 1996 ruling, the high court ruled that Congress, in passing DOHSA in 1920, intended to limit survivors' total recoveries to pecuniary damages.

The court, in an opinion written by Justice Clarence Thomas, noted that before Congress passed DOHSA in 1920, admiralty law did not permit survivors to recover damages for a loved one's death at sea. In DOHSA, Congress established such a cause of action but limited recoveries to certain survivors and only for pecuniary damages. Because Congress did not allow recoveries for pain and suffering under DOHSA, "there can be no general maritime survival action for such damages," the court ruled.

The court also noted that Congress that same year in the Jones Act gave seamen injured on the job the right to recover damages for their injuries, which the court said was a survival action similar to the one the KAL plaintiffs sought.

The court refused to authorize "a cause of action with which Congress was certainly familiar but nonetheless declined to adopt."

In another case last week, the justices provided businesses with some relief from Superfund cleanup costs.

In *United States vs. Bestfoods et al.*, the justices ruled unanimously that a parent company must be involved in the operation of the subsidiary's facility to be held liable for the costs of cleanup under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, which created Superfund.

The case stemmed from CPC International Inc.'s relationship with Ott Chemical Co., which CPC—now known as Bestfoods—acquired in the 1960s. Ott operated a chemical plant near Muskegon, Mich., for more than 25 years.

The Environmental Protection Agency eventually sued CPC and several other potentially responsible parties for the cost of cleaning up the Muskegon site. The argument focused on whether CPC and another corporation had actually "owned and operated" the facility and

See **Judgments** *on next page*

Court refuses to hear GM retirees case

WASHINGTON—The Supreme Court, as some benefits experts predicted, will not review a lower court decision upholding General Motors Corp.'s right to reduce health care benefits for about 84,000 GM retirees.

The case, one of the biggest to hit the retiree health care litigation arena, has been ongoing since 1989. That year, former GM employees who retired between 1974 and 1988 challenged health care benefit cuts made in the automaker's retiree health care plan.

Among other things, GM imposed deductibles and copayment insurance requirements, violating what the retirees said was the company's promise to provide free lifetime benefits.

In January, the 6th U.S. Circuit Court of Appeals said GM had the right to amend its health care program (*BI*, Jan. 12). The 6th Circuit held that GM notified the retirees in writing of the automaker's right to change benefits, even though statements in plan documents said benefits would be provided free for life.

"We see no ambiguity in a summary plan description that tells participants both that the terms of the current plan entitle them to health insurance at no cost throughout the retirement and that the terms of the current plan are subject to change," the federal appeals court said.

Retirees in April asked the high court to review the decision, noting that Supreme Court intervention was necessary to resolve conflicts among various appeals courts (*BI*, April 13).

The Supreme Court, though, last week declined without comment to review the decision.

Legal experts earlier predicted it was unlikely the Supreme Court would take the case.

While the high court in recent years has intervened in a number of key benefit cases, that intervention has come in cases—including a decision last week involving COBRA health care continuation coverage (see related story)—where the justices are interpreting existing law.

By contrast, the GM dispute is one involving the terms of a contract rather than interpretation of a federal statute, said Nancy Ross, a retiree health care attorney and a partner with the law firm of McDermott, Will & Emery in Chicago.

—By Jerry Geisel

Liability

Continued from page 1

would have liked, the bill represents an incremental step toward reforming the current judicial lottery system," said Sen. Gorton in the statement.

For his part, Sen. Rockefeller emphasized the importance of President Clinton's willingness to sign the measure as currently written.

"I am pleased we've been able to craft a bill which fully meets the White House criteria. The president has indicated he will sign this bill if it reaches his desk in this form," he said.

The proposal focuses much of its relief on the smallest of businesses. Only individuals with a net worth of less than $500,000, or businesses with annual revenues of less than $5 million and fewer than 25 employees, would enjoy a cap—$250,000—on the punitive damages they would have to pay in product liability cases.

Earlier measures included formulas to limit the punitive damages paid by businesses of all sizes, as well as restrictions on businesses' joint liability for non-economic damages. The White House opposed both limits, however, and both disappeared from the newest draft.

The draft would, however, set a national standard of evidence that must be met before punitive damages can be awarded in product liability cases in states that permit punitive damage awards.

If the proposal becomes law, plaintiffs, to collect punitive damages, would have to present "clear and convincing evidence" that a defendant acted with "conscious, flagrant indifference to the rights and safety of others." Parties also would be allowed to request bifurcated trials, in which the same jury would hear separate proceedings on compensatory and punitive damages.

The proposal also would set an 18-year statute of repose for durable workplace goods in cases where the plaintiff has received, or is eligible to receive, workers compensation benefits. It also contains a drug and alcohol defense for manufacturers that would block a claim if the defendant could show that a plaintiff was under the influence of drugs or alcohol when a mishap occurred and that the plaintiff's inebriated state was the principal cause of the injury. The draft also would allow damage awards to be reduced if a manufacturer could show a product was misused or altered.

In addition, the measure would grant some relief from liability for sellers and renters of products, promote the use of voluntary alternative dispute resolution and make it easier for manufacturers of raw materials and component parts of medical devices to obtain dismissal of product liability cases brought against them. The measure also contains a workers compensation subrogation provision that insurers oppose.

If the draft product liability proposal becomes law, "companies can now begin to use their resources on research, development and job growth, and less on frivolous product liability suits," said Lance J. Ewing, chairman of RIMS External Affairs Team and loss control administrator for Philadelphia's public schools.

Mr. Ewing added that he believes the measure also "puts certain liberal states on notice" that the federal government has had enough of the "legal choking of companies via product liability lawsuits."

"I applaud Sens. Rockefeller and Gorton for their efforts, but risk managers know it's just the first step in a long journey toward true product liability reform," he added.

James A. Anderson, vp-government relations for the National Assn. of Wholesaler-Distributors in Washington, said: "When compared to earlier proposals, this is a bill of modest content. At the same time, let's not understate the value of this bill. This bill is going to help an awful lot of folks; it's not going to hurt anybody."

"There's absolutely no sense in saying we're not going to send a bill to the president that helps a lot of people because it doesn't help enough," added Mr. Anderson.

"Although it is more limited than what the Senate has passed before, if Congress would enact it, it seems it would provide a good basis for further action in future Congresses," said Ken Schloman, federal affairs counsel for the Alliance of American Insurers in Washington. Mr. Schloman cautioned, however, "one caveat that we'd have to look at would be the final language on the workers comp subrogation provision."

The proposal would block claims where a defending manufacturer can show a plaintiff was under the influence of drugs or alcohol and the inebriation caused the injury.

The provision is intended to hold employers accountable for all or part of the costs of worker injuries when the employer is at least partially at fault.

The American Insurance Assn. is also "disappointed" to see that the subrogation provision has remained in the bill, said Melissa Shelk, assistant vp of the Washington-based insurer group. She said the AIA does not think it is "appropriate" to have a provision in the bill that would create a federal workers comp standard.

Although risk managers and insurers generally are hopeful of the product liability measure's chances for passage, the proposal already has gone too far for the liking of consumer groups.

"It's a travesty. This is legislation that would protect companies that kill and injure innocent consumers. President Clinton had indicated all along that he might support this legislation, and we vigorously oppose it and will fight the administration," said Joanne Doroshow, executive director of Citizens for Corporate Accountability and Individual Rights, a new Santa Monica, Calif.-based group that opposes business-supported tort law changes.

Another consumer group, the Washington-based Consumer Federation of America, coincidentally released a study on product liability insurance costs the morning after the agreement was reached.

The study, prepared by J. Robert Hunter, the CFA's insurance director, from statistics compiled by Oldwick, N.J.-based A.M. Best Co., showed a steady drop in insurance costs over recent years to the point that product liability insurance costs manufacturers 16 cents for every $100 of product sales in 1996.

Mr. Hunter also noted that fewer than half of the claimants whose product liability claims closed over the past 10 years got any payment at all.

"The facts are, there's no need for any change" in product liability law, said Mr. Hunter, who did not know that the agreement on a reform proposal had been reached as he released his study.

The AIA's Ms. Shelk noted that the product liability insurance market, like the market for other liability coverages, has been softening throughout recent years.

Ms. Shelk said Mr. Hunter's reference to the fact that half the claimants never received any payment actually bolstered the case for reform, which she said underscores the amount of litigation surrounding product liability and the specter of frivolous, costly lawsuits.

Other reform advocates also disagree heartily with Mr. Hunter's defense of the status quo and remain optimistic that reform can be enacted this year. If that occurs, they say, the law could be strengthened in the future.

"We're very pleased with the bill; it does a lot of good for a lot of industries, and it certainly lays the foundation for future reforms. We found what areas the president will support, and we will support him in those areas," said PLCC Executive Director Pat Rowland.

"We're hopeful (Senate Majority Leader Trent) Lott (R-Miss.) will schedule this as soon as there's an opening in the calendar. It's hard to imagine a bill that has the president's endorsement, the Senate's endorsement would get hung up in the House, where there's always been broad support on both sides of the aisle," he said.

Mr. Rowland pointed out that the measure should not have to go through the time-consuming process of committee hearings in the Senate and could be introduced as a substitute to the bill that won Commerce Committee approval last year.

The Alliance's Mr. Schloman was somewhat more pessimistic. "I think the calendar does work against action in the House. However, I'd hope that if the Senate would clear the bill late this month or early in July, the House could find time to take it up later," he said. BI

Judgments

Continued from previous page

would therefore be responsible for cleanup costs.

A federal district court in Michigan held that a parent company indeed could be held responsible for site cleanup if state law allowed for piercing of the corporate veil, as Michigan law does.

According to Justice David Souter, it's easy to determine ownership of a facility but far trickier to define who operates it under the law that created Superfund.

The 6th U.S. Circuit Court of Appeals, however, reversed the lower court, and the Supreme Court accepted the case for review.

Writing for the high court, Justice David Souter noted, "It is a general principle of corporate law 'deeply ingrained in our economic and legal systems' that a parent corporation (so-called because of control through ownership of another corporation's stock) is not liable for the acts of its subsidiaries."

He further wrote that "nothing in CERCLA purports to reject this bedrock principle, and against this venerable common-law backdrop, the congressional silence is audible."

The exception in which the corporate veil between parent and subsidiary can be pierced occurs when "the corporate would otherwise be used to accomplish certain wrongful purposes, notably fraud, on the shareholder's behalf," Justice Souter wrote for the court.

The problem Justice Souter found was that while it is easy to determine the ownership of a facility, defining who operates it is far trickier under CERCLA. Because of the "uselessness" of the definition of "operator" under CERCLA as "any person. . .operating" the facility, the court prepared its own definition after discussing various dictionary definitions.

"To sharpen the definition for purposes of CERCLA's concern with environmental contamination, an operator must manage, direct or conduct operations specifically related to pollution, that is, operations having to do with the leakage or disposal of hazardous waste, or decisions about compliance with environmental regulations," according to the high court.

The Supreme Court returned the case to the district court for review.

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Dooley, personal representative of the Estate of Chuapoco et al. vs. Korean Air Lines Co. Ltd., U.S. Supreme Court; No. 97-704.

United States vs. Bestfoods et al., U.S. Supreme Court; No. 97-454.

For the Record

Avis franchisee settles bias claim

WILMINGTON, N.C.—An Avis Rent A Car System Inc. franchisee has agreed to pay $1.1 million to end claims of discrimination filed by African-American customers.

The payment by New Hanover Rent-A-Car Inc. of Wilmington, N.C., comes after Avis late last year agreed to pay $1.9 million into a fund to settle charges that it was legally responsible for the franchisee's actions.

If the New Hanover settlement gains court approval, it will be added to the fund earmarked for plaintiffs in the class-action lawsuit filed in 1996 in U.S. District Court in Wilmington. The lawsuit, *Linda A. Pugh et al. vs. Avis Rent A Car System Inc. and New Hanover Rent-A-Car Inc.*, charged that six New Hanover rental car locations in North Carolina and South Carolina discriminated against African-American renters since 1988.

Avis and New Hanover, both of which denied wrongdoing, are each paying $975,000 in attorneys fees and litigation expenses in addition to the amounts set aside for plaintiffs. Avis also is paying up to $450,000 to cover the cost of providing notice to class members and administering claims in the case.

According to the suit, the New Hanover locations denied rentals or discouraged African-Americans from renting cars. The settlement decree prevents the company from engaging in certain practices such as questioning African-Americans more rigorously than white customers or requiring African-Americans to have more credit available on credit cards than whites can show.

Avis, based in Garden City, N.Y., was charged in the suit as "legally responsible for the actions of its franchisee."

The settlement also calls for a court-appointed "civil rights monitor" to keep tabs on New Hanover's compliance with the settlement decree and for periodic testing by a civil rights organization to make sure all customers are treated the same.

Attorneys in the case could not be reached.

Grace may buy cover to cap liabilities

BOCA RATON, Fla.—W.R. Grace & Co. says it is considering buying supplemental insurance that would limit its liability for asbestos-related litigation.

Such coverage could cost less than $100 million, Larry Ellberger, senior vp and chief financial officer, said in response to questions at a meeting with analysts last month. The Boca Raton, Fla.-based company issued a statement that indicates coverage could be in place by the end of the year.

W.R. Grace at the end of last year faced 40,600 lawsuits related to asbestos products the company produced until about 25 years ago. Of those suits, 18 were property damage claims, and the remainder contained 96,900 personal injury claims, according to a company spokeswoman.

W.R. Grace faces a potential liability of $856 million related to the property and personal injury suits pending at year-end 1997 and the personal injury claims expected through 2002, she said.

The company expects to collect $314 million in insurance related to those claims, bringing its potential liability down to $542 million.

The spokeswoman did not say which insurers the company is negotiating with to structure the coverage.

Punitive award upheld in harassment suit

SAN FRANCISCO—The California Court of Appeals in San Francisco last month upheld a $3.5 million punitive damage award against law firm Baker & McKenzie. A jury originally had awarded secretary Rena Weeks $6.9 million in punitive damages in a sexual harassment suit against the firm and Palo Alto, Calif.-based attorney Martin Greenstein. The trial court reduced that amount.

In its decision, which cited numerous instances of Mr. Greenstein's alleged sexual harassment of female employees, the appellate court said Baker & McKenzie was "well aware" that Mr. Greenstein, who has since resigned, "was likely to create a hostile work environment for women" and that the firm "consistently failed to take measures reasonably designed to protect women from Greenstein's abuse." BI

Commentary

Is there still hope for journalism?

A basic credo of journalism is that if your mother says she loves you, check it out.

So perhaps it will come as a surprise to some of you that so many journalists were quick to jump on a sketchy story on the Internet earlier this month that reported—falsely—the demise of Bob Hope.

On June 5, Rep. Bob Stump, R-Ariz., read a statement on the floor of the House of Representatives that noted the passing of the entertainer and paid tribute to his career and the lives he had touched with his humor. Rep. Stump did so at the request of House Majority Leader Dick Armey, R-Texas, whose staff had been surfing the Internet and came across a report on the Associated Press World Wide Web site that seemed to suggest Mr. Hope had died.

Well, we all know that everything we read on the Internet is true, so it's understandable that Rep. Armey would have quickly scribbled a request to Rep. Stump to use part of his time on the floor to eulogize the legendary comedian.

Well, in a slow news day on the Hill, that scrap of information, broadcast live on the C-SPAN cable television channel, became like a sirloin steak tossed in the midst of a pack of starving pit bulls.


Paul D. Winston

Thankfully, that old journalistic skepticism did not lie dormant for long, and a few journalists *did* check out the report, only to find that something was rotten on the road to Denmark. Calls to the Hope household found the 95-year-old was alive and well, enjoying breakfast with his daughter. He shrugged off the premature reports of his demise and, if anything, was most perturbed that the buzz of news helicopters trying to catch a live overhead shot of his shroud might prevent him from hitting a few golf balls in the backyard.

I recount this story because I, too, was suckered by the story and, in my own way, helped perpetuate the false rumor.

Many journalists rely on wire services such as AP, Reuters and UPI, which have far-flung networks of correspondents, to uncover scraps of information. Those initial wire tips are often sketchy and many times consist of little more than a headline and a few sentences, maybe a quote. These wire stories typically are useful for triggering a broader reporting effort.

So it was that I was surfing the Internet on June 5 to ensure we were not missing any scraps of information from around the world before we put our latest issue to bed. And I came across a Reuters report that cryptically reported that Rep. Stump was reporting the death of Bob Hope.

I found it odd that the story didn't actually *say* that Bob Hope was dead; instead, it was a story about Rep. Stump volunteering this information. One thing journalists know is that if they can't independently confirm the facts of a story, at least make sure the information is attributed to someone. Let them help shoulder the burden of truth.

Despite that glaring hole in the story, I felt obliged to share this information with a few other people via e-mail. Having not seen a corpse or been privy to a medical examiner's report, I dutifully limited my e-mail to reporting that Reuters was reporting that Rep. Stump was reporting Bob Hope was dead.

After an immediate flurry of shocked responses, most of which were to the effect of "there's no more Hope" and "all Hope is gone," a few e-mails began to trickle in from people to whom I had not even sent my original e-mails. My original e-mail was snowballing and cascading like a bad chain letter.

But just as quickly, the e-mail tide began to shift. Subsequent wire reports echoing Mark Twain's famous cable to the Associated Press ("The report of my death was an exaggeration") began to appear, prompting a second flurry of e-mails.

This prompted me to start another e-mail chain denouncing my original message as a hoax.

Within two hours, the journalistic community that had set upon that juicy tidbit of information had chewed and chewed and finally spit back out what proved to be a rubber steak.

I felt foolish for having been drawn into the affair and worse for having played a role in perpetuating the false news among my colleagues.

Oh, well, I know my mother still loves me. Or so she says.

Editor Paul D. Winston and Publisher and Editorial Director Kathryn J. McIntyre publish columns on alternate weeks.

CIGNA

Continued from page 1

And insurer rating agencies say that the state Supreme Court's decision to let the appellate court's order stand will have no impact on their ratings of CIGNA.

In February 1996, then-Commissioner Linda S. Kaiser approved CIGNA's liability-based restructuring. Shortly after she gave her approval, insurance regulators in seven other states signed off on portions of the plan that required their approval.

CIGNA's plan was designed to recognize its long-tail liabilities and maintain its A- rating from A.M. Best Co. for its active operation. That rating was crucial for the active operation's financial future. Without it, the operation would not have been able to retain and attract quality risks, CIGNA officials have said.

Through the reorganization, CIGNA fenced off most of its long-tail liabilities—including 80% of its environmental and asbestos liabilities—in a separately capitalized runoff operation.

CIGNA executed that strategy using a unique Pennsylvania corporate division law to split its Insurance Company of North America subsidiary in two. CIGNA then allocated most of INA's liabilities to one segment. CIGNA merged that segment and some other small units to form a new company, then merged that company into an existing licensed company to form the runoff operation.

The other segment, which retained INA's name, handles active business.

CIGNA says its plan fully funds the insurer's long-tail liabilities three times over. Over its life, the runoff facility will have more than $7 billion in assets, including investment income, CIGNA officials have said.

Some policyholders with asbestos and pollution liability exposures, as well as several insurers that compete with CIGNA, have attempted to block the reorganization in court.

Those critics have argued they have no way of determining whether the runoff facility is adequately reserved, because they were not given access to an actuarial report on which the reserves were based. That is a concern, they say, because CIGNA's active operation would not be responsible for financially bailing out the runoff facility if liabilities were to ever outstrip assets.

The critics also alleged that the restructuring was not accomplished through a merger, as CIGNA argues, but through an illegal novation—a transfer of policyholders from one company to another without their prior permission.

The plan's critics appealed to the Pennsylvania Commonwealth Court, which last year vacated Ms. Kaiser's order and instructed the Insurance Department to hold new trial-like hearings on the reorganization (*BI*, March 10, 1997).

Although Ms. Kaiser had held three public hearings on the reorganization in late 1995 and early 1996, she allowed only 15 minutes of prepared testimony from each witness. And, she did not permit either side to cross-examine witnesses.

CIGNA and the Insurance Department appealed the Commonwealth Court's order for new hearings, which was stayed pending the state Supreme Court's decision. In addition, some of CIGNA's critics asked the court to hear their constitutional arguments on the novation issue if the court decided to review the case.

In a series of brief orders handed down June 4 and 5, the state's high court rejected all of the appeals.

"This appeal has always been about the narrow procedural issues relating to the form of the hearing conducted by the Insurance Department," a CIGNA spokesman said in a prepared statement.

"The Supreme Court action will simply return the case to the Insurance Department's jurisdiction pending the formal hearing ordered by the Commonwealth Court," the spokesman said, noting CIGNA likely would not "take further action to appeal."

"We are confident that anyone reviewing our restructuring today will reach the same conclusion that regulators in eight states reached more than two years ago—that this restructuring benefits our policyholders," the spokesman said.

He noted that as of year-end 1997, INA Holdings Corp., the active operation's intermediate holding company, had $5.9 billion of statutory assets and $1.4 billion of statutory surplus. The active operations earned $98 million in 1997, up 29% from $76 million the year before.

Brandywine Holdings Corp., the runoff facility's holding company, at year-end 1997 had $4.6 billion of statutory assets and nearly $4 billion of invested assets. The runoff facility also is backed by a $800 million excess-of-loss reinsurance policy written by INA.

Attorneys for CIGNA's critics disagree that the reorganization's status is unaffected by the state court rulings.

"How in the world could CIGNA contend they have authority to move forward?" asked attorney Lawrence T. Hoyle Jr. "I think that theory is preposterous."

"The only authority they had for reorganizing was the order of the Insurance Department, and the order is vacated. There is nothing there," said Mr. Hoyle of Hoyle, Morris & Kerr of Philadelphia. In addition to some CIGNA policyholders, Mr. Hoyle represents some insurers that oppose the restructuring.

Depending on how quickly the Insurance Department reacts to the state Supreme Court's order, "maybe we'd take the position" that CIGNA must undo the restructuring, said John N. Ellison, a partner with Anderson Kill & Olick P.C. in Philadelphia who represents some CIGNA policyholders.

Regarding the restructuring's status until Insurance Commissioner M. Diane Koken renders an order after a new round of hearings, an insurance department spokeswoman said, "That is something that we're looking at."

But as wrangling continues over the structure of CIGNA's property/casualty operations, the entire issue may be moot, said stock analyst Weston Hicks of Sanford C. Bernstein & Co. Inc.

"It would be difficult for a rating agency to say CIGNA has a problem now," Mr. Hicks said.

Prior to CIGNA's restructuring, Best had estimated the insurance industry's asbestos and environmental liabilities at $300 billion. But, because of improved claims frequency and severity, Best in 1996 cut its mid-range estimate of those liabilities to $106 billion. Last fall, the agency further cut the mid-range estimate to $96 billion and said that total liabilities could range from as low as $75 billion to as much as $123 billion.

Mr. Hicks said that assuming CIGNA is responsible for 5%, or $3.75 billion, of Best's lowest estimate, "$4 billion is already reserved."

Mr. Hicks was referring to the runoff facility's invested assets, which total nearly $4 billion. At year-end 1997, CIGNA Corp. had nearly $1.6 billion of net reserves for its asbestos and environmental liabilities, according to its financial statements.

The runoff facility's total assets and reinsurance recoverables also exceed 5%, or $6.15 billion, of Best's high-end estimate of the industry's total long-tail liabilities, according to CIGNA's financial statements.

Mr. Hicks noted to stockholders in a written analysis of the state Supreme Court's order that the runoff facility's $4 billion of invested assets generated about $280 million of investment income last year. "Claims payments have been in line or better than the assumptions used in setting the reserves at the time of the restructuring, both in terms of magnitude and speed of payment," meaning CIGNA's claims payments have been lower and slower than it originally assumed.

"Thus the original reason for the restructuring—to preserve an A- rating—no longer exists," Mr. Hicks wrote.

"We cannot speak for stock analysts or the rating agencies. We believe it is clear that the restructuring has enhanced the financial position for all our policyholders, past and present," the CIGNA spokesman said.

Until the Insurance Department resolves the dispute, 'we're operating under the assumption that it's business as usual" at CIGNA, said Peter Kellogg, an assistant vp in the property/casualty division of Oldwick, N.J.-based Best.

Standard & Poor's Corp. also will not review its BBB rating, with a positive outlook, for CIGNA at this time. The rating already reflects S&P's conclusion that there is no significant economic split between CIGNA's active and runoff operations because of the reinsurance that the active operation provides, said Joanne Balling, an S&P director in New York.

The rating also reflects the active operation's improving market position and operating performance and the runoff facility's "reasonable loss reserves," according to S&P. BI

State Farm cites papers in suit

WASHINGTON—Hundreds of pages of internal Ford Motor Co. documents submitted to federal highway safety officials last month support State Farm Mutual Automobile Insurance Co.'s claim that the automaker withheld information on potential fire hazards in millions of Ford vehicles, the insurer contends.

State Farm is suing Ford to recover claims paid to policyholders for vehicle fires the insurer says were started by faulty ignition switches. The nation's largest auto insurer alleges that Dearborn, Mich.-based Ford concealed from consumers and federal regulators the defect in 26 million cars built from 1983 to 1993.

Ford, which recalled 8.7 million vehicles to fix the problem, has denied any wrongdoing and said it cooperated fully with federal officials' requests for information concerning the problem. The documents now under review by federal highway safety officials were gathered by State Farm during discovery proceedings in an earlier action in Texas. Among other things, they discuss Ford's response to a federal probe of the alleged defect.

Bloomington, Ill.-based State Farm in January sued Ford in federal district court in Los Angeles (*BI* , Jan. 26). The Joint Panel on Multi-District Litigation, a federal body that determines federal court jurisdiction, recently ruled that the case be moved to Camden, N.J., for purposes of consolidating pretrial proceedings but indicated that, when appropriate, the case could be returned to Los Angeles.

Ford sought the move to Camden, where a federal judge last year denied class status to a group of Ford owners attempting to file a class-action complaint against the automaker on the ignition switch issue.

—By Rodd Zolkos

Directive

Continued from page 2

will have existing safety procedures sufficient to meet the directive's requirements, smaller industrial and storage sites may have to upgrade their risk management operations. The new regulations are aimed primarily at the chemical industry but will affect any industrial sites using or storing large quantities of dangerous substances.

"While some companies will already comply with the new legislation, there is not a consistent approach throughout industry," said a spokesman for the London-based Chemical Industries Assn. The new legislation will bring a greater uniformity to safety procedures, he said.

The new regulations "will have little or no impact" on large companies, which likely already have sufficient safety procedures in place, but "some smaller companies may have to effect improvements," noted Andrew Reid, speaking on behalf of the U.K.'s Assn. of Insurance & Risk Managers. Mr. Reid is group health, safety, environment and loss-prevention adviser for pharmaceutical group Glaxo Wellcome P.L.C., based in Greenford, Middlesex, England.

The new directive will require many more sites to prepare safety reports and develop written major-accident prevention policies, said Peter Kerridge, a member of AIRMIC's environmental task force.

A recent survey conducted by the British Chemical Distributors & Traders Assn. indicates that three times the number of association members would fall under more stringent regulatory categories under the new directive, said John Holding, a technical manager at the London-based association.

Industrial companies should consider the new regulations as a "chance of demonstrating their responsible attitude toward plant safety, not only to the responsible government authorities but also to their local communities, including environmental interest groups," according to a briefing paper prepared by the E.C. Industrial Risks section.

The new regulations "bring together environment and safety issues," said Gordon MacDonald, head of a policy section in the U.K. Health and Safety Executive. Mr. MacDonald noted that the HSE will be working closely with the government's Environment Agency to enforce and monitor the regulations.

An HSE briefing paper said the new regulations place "greater emphasis on safety management systems, i.e., the way establishments are managed and controlled."

The HSE, a government-funded agency that regulates health and safety at work, estimates 1,500 to 2,000 U.K. companies will be covered by the new directive. The HSE will be taking comments until Sept. 4 from industry on the U.K.'s recently published draft regulations implementing the directive.

The original Seveso Directive was adopted by the European Commission in 1982, six years after an accident at a pesticide-producing plant in Seveso, Italy, that caused a massive release of dioxin, leading to the evacuation of 600 people and the treatment of 2,000 people for dioxin poisoning.

Since the introduction of the first directive, more than 130 major chemical accidents have been identified within the European Union. A review of the original directive led to a call by the European Commission to widen its scope and introduce better risk and accident management, resulting in the Seveso II Directive, according to an E.C. spokesman.

The new directive aims to prevent major-accident hazards involving dangerous substances and, if accidents do occur, to limit their consequences for people and the environment.

"Although, in many cases, substances which are dangerous for man are also dangerous for the environment, it can be said that the scope of the Seveso I Directive was more focused on the protection of persons than on the protection of fauna and flora. With the Seveso II Directive, propensity to endanger the environment is an important aspect that has been reinforced," the E.C.'s briefing paper states.

The original directive has been broadened yet simplified.

For example, whereas previous legislation applied to companies using some 180 specified substances, the new legislation lists a series of generic categories for substances that could result in companies being covered by the new rules. The categories include substances that are toxic, flammable, explosive or dangerous to the environment.

The new regulation removes a loophole under which a company could reduce its requirements under the rule by, for example, treating a storage facility and a plant separately even if they were at the same site.

Like the original directive, Seveso II has two threshold levels—top tier and lower tier—which represent different levels of duties to which companies must adhere, according to the quantities of dangerous substances they have at any one site.

All companies are required to have a written major-accident prevention policy. "This represents a new requirement. . .derived from an increased recognition that appropriate policies and management systems within a company are necessary to safeguard against major accidents, as seen from the fact that management factors have contributed to many of the accidents which have occurred since the implementation of Seveso I," according to the E.C. briefing paper.

Top-tier—or higher-risk—companies are required to submit safety reports to the relevant safety authorities. Companies are required to provide regulators with comprehensive pictures of the risks and control measures at each site. Under the new regulations, the authorities will have to assess reports in greater depth to determine whether a company's actions should be prohibited, and the regulatory authority must develop an external emergency plan based on the safety reports.

Top-tier companies also must put into effect safety management systems that "take into account the development of new managerial and organizational methods in general and, in particular, significant changes in industrial practice relating to risk management which have occurred over the past 10 years," the E.C. briefing paper states.

A land-use planning control also has been introduced as part of Seveso II, following the 1984 Bhopal accident in India, in which a methyl isocyanate leak at a Union Carbide Corp. pesticide-manufacturing plant caused more than 2,500 deaths. Land-use planning policies should ensure that appropriate distances are maintained between hazardous establishments and residential areas, the briefing paper said.

As in the original legislation, there is a requirement to prepare onsite and offsite emergency plans. But the new legislation requires operators and local authorities to test the plans and to include measures for post-accident environmental remediation and cleanup.

In addition, new regulations will require safety reports covering design features to be submitted before construction can start on a site, in contrast to existing legislation, "where there is some evidence that safety considerations come into play too late in the design and construction process," the HSE notes.

"There has been a lot of opposition from industry to this proposal during informal consultation," the HSE added.

A spokesman from the Chemical Industries Assn. in London agreed that its members were "unhappy" about this part of the directive.

Providing detailed design work in a safety report will be "difficult to do" in the early planning stages of a site, the spokesman explained.

The new legislation also extends the duties of the appropriate authorities to prohibit the start-up or continued operation of a site where there is evidence that the measures taken for the prevention and mitigation of major accidents are seriously deficient.

Authorities also are required to identify industrial sites where the dangers of accidents and their possible consequences may be increased because their location and proximity to other establishments can create a domino effect. BI

Anthem company names execs

NEW YORK—Anthem Health & Life Insurance Co. of New York has announced the appointment of Carl Maleri as chairman of the board and Carmine Morano as president.

Mr. Maleri is senior vp and general manager for Anthem Blue Cross & Blue Shield of Connecticut, and Mr. Morano was formerly senior vp of The Anthem Health Cos., a unit of Indianapolis-based Anthem Inc.

Anthem Health of New York was retained by its parent company after Anthem sold a subsidiary, Anthem Health & Life Insurance Co., to Great-West Life & Annuity Insurance Co. of Denver in April. The appointments are part of the company's plan to expand its managed care presence in New York state.

In another development, Anthem BC/BS has stopped offering its Medicare HMO in 19 Ohio counties. Affecting about 20,000 members, the pullout is primarily in rural counties and won't affect the larger metropolitan areas, the company said. The withdrawal will be effective Jan. 1, 1999.

Anthem cited several factors for withdrawing Senior Advantage, its Medicare HMO, including a lack of managed care penetration in the counties, a lack of infrastructure for providing alternate health care and low reimbursement levels for rural areas from the federal Health Care Financing Administration. Consequently, Anthem has suffered financial losses in these areas.

"While we regret having to take this action, we will now be able to concentrate our efforts to build on the success Anthem Senior Advantage has had in Ohio's metropolitan areas," said Lynne Gross, Anthem vp, in a written statement.

Anthem will continue to offer its Medicare Supplement product as well as a preferred provider organization in most of the affected areas. In addition, the company will assist members in switching to other companies' Medicare HMOs.

Updates

Harassment ruling curtailed

Continued from page 2

promotions. It also can apply to those who have sufficient authority to cause a reasonable perception of control over an employee's job status.

The appellate court also found that strict liability was the standard in California for quid pro quo harassment and that Prudential could be held liable for punitive damages.

Illinois premium-tax bill signed

SPRINGFIELD, Ill.—Gov. Jim Edgar recently signed legislation to restructure the state's system for taxing insurance companies and health maintenance organizations (*BI*, Feb. 23).

The restructured plan in S.B. 659 will spread premium taxes more broadly among companies providing coverage in the state, imposing a 0.4% premium tax on all health insurers and HMOs and a 0.5% tax on all other insurers.

It is up to insurers to decide whether to pass any higher costs on to customers, but the Illinois Insurance Department said it does not expect policyholders to be significantly affected.

The new system would replace a 2% "privilege" tax on premiums written by non-Illinois insurers, a tax the Illinois Supreme Court ruled unconstitutional in October 1997. Illinois-domiciled insurers pay other types of taxes and fees.

The tax plan, which was developed with the concurrence of leading industry officials, is designed to replace about $120 million in lost revenue to the state. The new tax is effective July 1 for health plans other than HMOs and Jan. 1, 1999, for HMOs and all other lines of coverage.

Accident probe to begin

HAYSVILLE, Kan.—DeBruce Grain Inc. this week will begin assessing the damage and investigating the cause of the fatal June 8 explosion at a Haysville, Kan., grain elevator.

Paul DeBruce, chief executive officer of the company, said in a statement last week that the company would not make a detailed assessment of damage or determine the facility's future until rescue efforts were completed.

A company spokesman said Friday that the company would begin the damage assessment and would join the government in investigating the explosion "in a few days."

The company declined to provide details of its insurance coverage.

The blast inside the grain storage facility south of Wichita, Kan., killed five people and injured six, the spokesman said. One employee still was missing Friday.

The federal Department of Agriculture has suspended the company's license because the elevator is not functional.

Since 1996, when the company took ownership of the elevator, it has spent about $100,000 to rebuild its two dust collection systems, Mr. DeBruce said. The two systems remove dust from the elevator so it can be disposed of safely, he said. In addition, cleaning crews are assigned to remove dust.

Department of Agriculture safety inspections prior to the transfer of ownership in 1996 and last August noted grain dust on the floor. The company was not issued citations for the dust, but the situation was recorded as an "adjustment" to be made, Mr. DeBruce said. "We take all items listed in an inspection seriously and acted at once to correct the issues raised," he said in his statement.

Storm damage: $650 million

NEW YORK—Windstorms, tornadoes and hail that raked parts of 12 states in late May and early June caused an estimated $650 million in insured property damage, according to the Property Claim Services unit of the Insurance Services Office Inc.

Commercial property losses accounted for about $170 million of the total, with an additional $424 million in personal property and the rest in automobile. The violent weather, which stretched from South Dakota to Massachusetts, generated almost 250,000 claims and virtually destroyed the town of Spencer, S.D. (*BI*, June 8).

The upper Midwest suffered the greatest losses. Minnesota sustained the most damage, with approximately $200 million in insured property losses. Michigan sustained the second-highest insured loss at $115 million, and Pennsylvania had the third-highest loss at $65 million. New York and Wisconsin sustained estimated losses of $60 million.

Briefly noted

Willis Corroon Corp. said **John F. McCaffrey**, formerly chairman and chief executive officer of Frank B. Hall & Co., has joined the broker as president and national marketing director of Willis Corroon Risk Solutions. McCaffrey most recently was chairman and chief executive officer for the Belle Meade Corp. . . .President Clinton signed transportation legislation last week to give new tax breaks to **employer-provided mass transit benefits**. The new law will allow employees to make pretax salary contributions—initially $65 a month and rising to $100 a month in 2002—to pay for mass transit expenses. Previously, salary reduction arrangements were barred (*BI*, June 1). . . .**Nicholas M. Brown** Jr. will become chief executive officer of NAC Re Corp. on Jan. 1, 1999. Mr. Brown, currently president and chief operating officer of the Greenwich, Conn.-based reinsurer, will succeed Ronald L. Bornhuetter, who will remain chairman. . . .The House and Senate this week are expected to vote on **education savings legislation**—earlier agreed to by a congressional conference committee—that would continue through Dec. 31, 2002, the tax-favored status of employer-provided educational assistance benefits. Under Section 127 of the Internal Revenue Code, now set to expire May 31, 2000, an employer can reimburse an employee for up to $5,250 in undergraduate education expenses each year without that sum being added to the worker's taxable income.

CalPERS

Continued from page 2

year over Kaiser's 12% rate increase request for next year(*BI*, April 20). CalPERS had threatened to freeze enrollment beginning in January, which would have meant members could leave the HMO but not join.

A CalPERS spokesman emphasized there still is no agreement per se.

"It isn't an agreement until and unless the board agrees to it, and we have absolutely no way of knowing whether the board will accept this recommendation," the spokesman said.

The difference between the initial 12% rate proposal and the current 10.75% rate proposal equates to an annual savings to members and employers of $5.4 million, according to a memo dated June 16 and signed by Fred Steinmetz, chief, health benefit services, and Margaret T. Stanley, executive officer, health benefit services branch, at CalPERS.

The memo states that "CalPERS and Kaiser have succeeded in re-establishing a mutually beneficial relationship which will continue to provide quality and choice for our members.

"Kaiser's willingness to allow an audit of their community and CalPERS specific rating data and methodology will further this relationship. The quarterly business meetings will allow CalPERS to better understand Kaiser's business practices and provide staff with an ongoing snapshot of Kaiser's financial progress. As a result, CalPERS will be better positioned to forecast and potentially mitigate future unforeseen rate requests," according to the memo.

The memo also recommends that CalPERS not impose the threatened enrollment freeze.

Jack Hudes, vp-sales and marketing for Kaiser's California division, said, "We found a way to provide some rate relief while still maintaining our financial requirements to take care of our members next year."

'There comes a time in the underwriting cycle you can't continue to push without forcing bankruptcy,' says analyst Wanda Jones.

In addition to the 10.75% rate increase, Mr. Hudes said this involves moving 5,000 Medicare-eligible CalPERS members into Kaiser's Senior Advantage Medicare risk plan.

"That means we would get money from the federal government, rather than CalPERS," said Mr. Hudes.

Mr. Hudes said, "The issues that CalPERS had were, one, the large rate increase and, secondly, they wanted a deeper understanding of our rate calculations. Third, they didn't want this surprise to be repeated in the future, so we've been working with staff to try and address each one of these issues."

Wanda Jones, president of San Francisco-based New Century Health Institute and a health care analyst, said the 1999 increase would be "the first major increase in about seven years" for Kaiser.

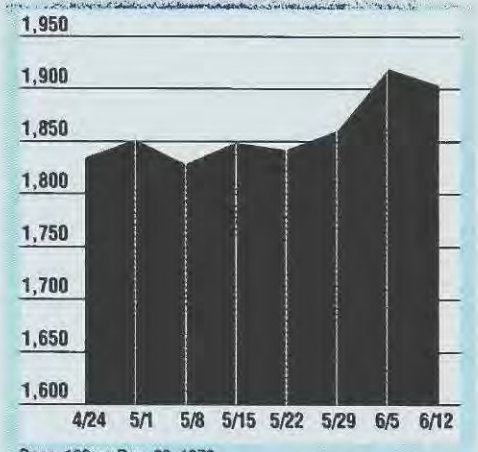
Pointing to Kaiser's $270 million 1997 loss, Ms. Jones said: "There comes a time in the underwriting cycle you can't continue to push without forcing bankruptcy. . . .There is a level below which you really can't go."

Kaiser "can't easily look at not having CalPERS' business, and CalPERS can't also tell its members that 'we're not contracting with your plan any more,' so they've got to live together, and it's this that has made the whole idea of negotiating much more real," said Ms. Jones.

Jim McCabe, vp at Sedgwick Noble Lowndes in San Francisco, said, "CalPERS must have reviewed the mix of employees covered by Kaiser and recognized that a majority of those are of Medicare age."

The cost of that group's health care was significantly higher than that of the population overall, he said, "which would allow them to accept the increase based on the demographics rather than market conditions." BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

PCS catastrophe options

As of June 12

Call spread	Price bid/ask
National Annual 1998	
40/60	7.5/12.0
60/80	3.6/8.0
100/120	1.0/5.0
Southeastern September 1998	
40/60	2.6/3.1
Northeastern September 1998	
100/150	.9/1.4
Florida September 1998	
40/60	1.2/2.4
California Annual 1998	
80/100	—/1.1
150C	1.1/1.9
Western Annual 1998	
40/60	—/2.2
80/100	—/1.9
150C	1.2/1.9
Eastern September 1998	
20/40	2.7/5.5
40/60	2.7/3.2

Total volume: 204 Total open interest: 21,016

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Comml & Gen	1106	22.2	32.5	3.0	1300-630
Legal & Gen	720	17.8	12.7	2.3	785-400
Royal & Sun	660	17.3	22.8	3.5	825-440
Brokers					
Lmbrt Fenchurch	116	8.2	8.4	9.0	138-101
Lloyd Thmpson	180	12.2	10.0	7.1	196-151
Sedgwick Grp	139	12.1	7.0	4.5	171-115
Willis Corroon	156	13.0	6.8	5.1	174-116

Note: Prices are June 12 closings; other numbers from June 11.

Source: *Nordby International Inc.*(nordby.com) Boulder, Colo.

Ohio

Continued from page 2

Health Partnership, a managed care organization, is furnishing electronic data support that will allow information to be transmitted to the Ohio Bureau of Workers Compensation and other backroom functions on the project.

Using the self-insurance and medical services plan instead of taking the traditional commercial insurance route is expected to save the county between $2 million and $3 million, said Gary Berger, employee benefits manager for Hamilton County.

The savings will come from lower bids submitted by contractors who don't have to pass along premium costs and from the lower cost of self-insuring as opposed to buying coverage, Mr. Berger explained.

Self-insuring the workers comp risk brings other benefits, Mr. Berger added.

"It eliminates the subrogation issues between contractors," he said. "If an electrician steps in a hole dug by another contractor," any injuries are taken care of, and any finger-pointing as to who is responsible for payment is avoided, Mr. Berger said.

The workforce at the site is about 75% unionized, and reaction from the unions has been favorable, according to Mr. Berger. Because workers injured in the stadium work are eligible for the same statutory amounts paid to all workers employed in Ohio, labor groups don't have to worry about that part of those benefits.

"They obviously are concerned about having claims paid and getting medical treatment," Mr. Berger said, and have indicated they are pleased with services such as those that will be provided by an on-site occupational nurse.

Stadium construction at the former site of produce warehouses is in the demolition and excavation phase.

As of late last week, there had been no injuries at the site, only a few aches and pains and routine illnesses reported by workers.

The integrated medical services program is the first developed for a public sector project in Ohio, said Leslie Miller, senior vp-sales and marketing at Health Alliance.

"There probably will be more to come," she added, partly because of the estimates that the county, and therefore taxpayers, will save millions by self-insuring and using the integrated medical services program.

Ms. Miller said Health Alliance will provide the on-site occupational nurse, who will be available at any time contractors are at the site.

The nurse will diagnose injuries, provide first aid when appropriate, send for emergency services when needed and handle case management.

Drug screening will be carried out at the work site, with a Health Alliance unit handling testing. BI

BI Industry Stock Report JUNE 8, 1998, THROUGH JUNE 12, 1998

BROKERS		Price	Weekly % change	Year to date % change	52-week High	52-week Low	Vol.(000)
Aon Corp.	NYS	64.63	1.37	10.23	68.19	48.88	1750
E.W. Blanch Holdings Inc.	NYS	35.94	-5.89	4.36	38.75	25.63	74
Gallagher Arthur J. & Co.	NYS	42.81	-3.52	24.32	46.56	31.25	102
Hilb, Rogal & Hamilton	NYS	17.19	-2.14	-11.00	19.63	14.88	74
Kaye Group Inc.	NDQ	6.38	-3.77	-3.77	9.00	4.88	2
Marsh & McLennan	NYS	85.56	-2.91	14.75	94.88	66.00	931
Poe & Brown	NYS	37.00	0.51	24.37	39.38	21.13	20
Sedgwick Group PLC	NYS	11.25	-8.16	-8.63	14.44	9.38	20
Willis Corroon Corp.	NYS	12.94	0.49	5.08	15.19	9.75	182
BROKERS	AVERAGE		-3.17	6.18			
INSURERS/REINSURERS							
ACE Ltd.	NYS	35.00	-4.44	8.81	42.50	21.44	1983
Acceptance Insurance Cos.	NYS	23.13	-2.63	-4.39	28.63	21.13	170
AEGON N.V.	NYS	80.38	-3.24	79.36	84.00	34.00	242
Aetna Life & Casualty	NYS	75.88	-3.50	7.53	118.13	66.31	1734
AFLAC Inc.	NYS	30.00	-6.43	17.36	34.50	22.13	1976
Allied Group Inc.	NYS	46.69	0.67	63.10	46.81	25.00	1090
Allstate Corp.	NYS	93.69	-3.35	3.52	100.25	70.94	5223
AMBAC Indemnity Corp.	NYS	54.38	-1.58	18.21	61.00	38.19	733
American Bankers Ins.	NDQ	59.38	-1.45	29.25	66.06	29.50	455
American Financial Group	NYS	44.56	-0.42	10.54	49.25	34.56	262
American General	NYS	67.81	-1.54	25.43	70.56	45.63	1727
American Heritage Life Ins.	NYS	21.06	-5.60	17.01	25.00	14.13	70
American Indemnity/Fin'l	NDQ	11.69	0.00	-15.77	15.50	9.50	6
American International	NYS	136.06	4.41	25.11	140.31	93.75	5438
Argonaut Group	NDQ	33.00	-0.38	-2.58	38.13	28.13	36
AXA-UAP Group	NYS	55.13	-5.87	41.35	62.63	29.75	161
Baldwin & Lyons Inc.	NDQ	23.13	-2.63	-4.15	28.75	17.75	1
Berkley W.R. Corp.	NDQ	46.09	-2.70	5.06	49.88	35.69	1227
Berkshire Hathaway Inc.	NYS	76000.00	-0.78	65.22	78400.00	30000.00	1
Capital RE Corporation	NYS	69.38	-4.80	11.78	77.44	48.00	150
Capitol Transamerica Corp.	NAS	20.00	-1.84	-6.16	28.13	19.00	33
Centris Group Inc.	NYS	12.38	-1.00	10.92	14.81	9.69	31
Chartwell Re	NYS	28.69	-1.50	-15.00	36.25	27.63	86
Chubb Corp.	NYS	76.88	-2.77	1.65	83.44	63.50	1997
CIGNA Corp.	NYS	69.13	-0.54	20.30	71.75	45.63	1935
CNA Financial Corp.	NYS	48.00	-2.17	12.72	53.25	33.75	404
CNA Surety	NYS	14.63	-6.40	-5.26	16.75	12.88	91
EMC Insurance Group Inc.	NDQ	15.06	1.26	13.68	15.88	12.13	81
ESG Re Limited	NDQ	21.50	2.08	-8.51	28.88	19.88	237
Enhance Financial Services	NYS	63.00	-2.98	5.88	75.19	42.00	294
Everest Reinsurance	NYS	37.63	-6.81	-8.79	45.25	33.00	813
Executive Risk Inc.	NYS	60.88	3.18	-12.80	75.75	49.31	374
EXEL Ltd.	NYS	74.38	-0.25	17.36	81.13	46.00	593
Fremont General Corp.	NYS	53.81	-5.49	-1.71	62.13	36.63	449
Frontier Insurance Group	NYS	23.50	0.00	2.73	39.25	20.00	796
Gainsco Inc.	NYS	6.56	-7.08	-22.79	10.19	6.56	321
General RE Corp.	NYS	225.19	0.19	6.22	228.88	179.25	600
Gryphon Holdings	NDQ	17.00	-2.16	1.49	19.38	14.75	56
Harleysville Group	NDQ	22.50	-3.74	-6.25	28.50	18.38	68
Hartford Steam Boiler	NYS	48.38	4.59	31.48	49.00	33.25	453
HCC Insurance Holdings	NYS	20.50	0.00	-3.53	32.69	15.63	433
ING Groep N.V.	NYS	66.44	-4.83	57.02	71.06	38.88	246
IPC Holdings Ltd.	NDQ	29.75	-0.63	-7.57	33.25	25.75	144
Hartford Financial Services	NYS	107.94	-0.52	15.36	116.88	78.56	1434
LaSalle Re Holdings Ltd.	NYS	36.06	0.00	1.94	42.94	27.75	96
Life Re Corp.	NYS	73.75	1.20	13.14	77.44	45.00	287
Lincoln National	NYS	89.00	-1.86	13.92	94.13	63.81	761
MAIC Holdings Inc.	NYS	27.63	0.00	3.13	30.38	18.81	33
Markel Corp.	NYS	174.00	-0.57	11.45	181.00	121.00	13
MBIA Insurance Group	NYS	72.31	-3.26	8.23	80.94	55.19	754
Meadowbrook Insur. Group	NYS	27.44	-6.60	5.28	35.00	21.88	30
Mid Ocean Ltd.	NYS	75.56	-0.08	39.29	81.63	52.00	238
MMI Cos. Inc.	NYS	21.06	-2.88	-16.17	27.88	20.75	30
Mutual Risk Mgmt. Ltd.	NYS	34.88	-1.93	16.49	37.25	21.25	434
NAC Re Corp.	NYS	48.13	2.80	-1.41	53.81	42.75	411
Navigators Group	NDQ	18.25	1.39	-2.83	22.50	16.75	46
Nobel Insurance Ltd.	NDQ	13.13	0.00	0.00	15.38	12.13	83
NYMagic Inc.	NYS	27.44	-3.73	-0.45	34.25	20.25	10
Ohio Casualty Corp.	NDQ	47.13	-0.79	5.60	51.75	41.56	1025
Old Republic Int'l	NYS	28.69	-0.86	15.71	32.25	19.81	1109
Orion Capital Corp.	NYS	55.25	-2.64	18.98	57.75	35.13	420
Partner Re Ltd.	NYS	49.81	0.38	7.41	52.50	35.75	191
Penn-America Group Inc.	NDQ	16.94	6.69	-17.38	23.00	14.50	38
Pennsylvania Manufacturer's Co	NDQ	18.88	-3.82	12.69	20.25	16.25	131
Philadelphia Cons. Holding	NDQ	22.00	1.15	23.94	24.38	15.50	105
PXRE Corp.	NYS	30.81	-1.20	-7.16	35.25	28.50	34
Reliance Group Holdings	NYS	17.00	-5.23	20.35	19.13	11.50	654
Reliastar Financial Corp.	NYS	44.31	1.87	7.59	49.94	33.63	1743
RenaissanceRe Holdings Ltd.	NYS	44.88	-2.05	1.70	50.75	37.50	134
Risk Capital Holdings	NDQ	23.38	-3.61	5.06	25.50	18.63	164
RLI Corp.	NYS	51.31	-1.44	3.01	56.81	32.75	30
St. Paul Companies	NYS	44.44	-0.14	8.30	47.19	36.25	2389
SCOR	NYS	59.50	-4.61	24.61	66.00	39.25	26
SAFECO Corp.	NDQ	45.81	-3.17	-6.03	56.00	44.75	1910
SCPIE Holdings Inc.	NYS	35.25	-2.93	21.81	38.38	22.38	NA
Seibels Bruce Group	NDQ	7.00	-5.08	-6.67	8.94	6.63	239
Selective Ins. Group	NDQ	25.19	-0.49	-6.71	29.25	22.31	278
Terra Nova Insurance Co. Ltd.	NYS	30.31	1.04	15.48	33.13	20.69	130
TIG Holdings	NYS	23.81	-4.75	-28.25	36.56	22.63	980
Tokio Marine & Fire	NDQ	49.38	3.54	-14.50	66.00	41.25	233
Torchmark Corp.	NYS	41.94	-2.47	-0.59	49.81	34.25	1878
Transatlantic Holdings	NYS	75.00	0.00	4.90	78.44	62.63	370
Travelers Property Casualty	NYS	42.00	-1.90	-4.55	46.06	34.88	1146
Travelers Corp.	NYS	62.25	-3.11	15.55	73.50	40.13	14815
Trenwick Group Inc.	NDQ	37.25	0.00	-1.00	41.75	33.38	101
Unico American Corp.	NDQ	15.38	0.82	25.51	18.13	10.13	50
United Fire & Casualty	NDQ	40.00	3.90	-9.60	47.00	36.00	2
Unitrin	NDQ	70.00	-0.09	8.32	74.13	56.00	360
UNUM Corp.	NYS	55.56	1.02	2.18	59.63	40.69	1234
Vesta Insurance Co.	NYS	23.25	-10.58	-60.84	64.75	23.25	1342
Zenith National Ins	NYS	28.31	-2.58	9.95	30.50	24.50	104
INSURERS/REINSURERS	AVERAGE		-1.54	8.18			
HEALTH MAINTENANCE ORGANIZATIONS							
Foundation Health Systems Inc.	NYS	29.56	-0.21	32.87	33.94	22.06	1281
Humana Inc.	NYS	30.81	1.23	48.49	31.19	18.44	5821
Oxford Health Plans	NDQ	16.44	0.00	5.62	89.00	13.75	3500
Pacificare Health Sys.	NDQ	80.25	-1.38	59.70	85.00	46.75	75
Safeguard Health Enter.	NDQ	8.13	8.33	-39.81	14.88	7.13	16
Sierra Health Services	NYS	23.75	-2.23	5.95	27.75	20.19	233
United Healthcare Corp.	NYS	63.88	1.59	28.55	73.94	42.44	4281
Wellpoint Health Networks	NYS	62.88	1.51	48.82	73.50	38.63	1623
HMOs	AVERAGE		1.11	23.77			
ALL COMPANIES	AVERAGE		-1.20	12.71			

Top advancing issues: Safeguard Health Enter., Penn-America Group Inc., Hartford Steam Boiler. Leading decliners: Vesta Insurance Co., Sedgwick Group P.L.C., Gainsco Inc. Most active issue: Travelers Corp. The *BI* index fell 0.9%; the Dow Jones 30 Industrials declined 2.2%; the S&P 500 decreased 1.4% and the NYSE Composite fell 1.5%. Average P/E: Brokers, 17.9; Insurers/reinsurers, 18.8; HMOs, 23.1.

Source: *Nordby International Inc.* (nordby.com), Boulder, Colo.

RECENT FIGURES REVEAL ENVIRONMENTAL

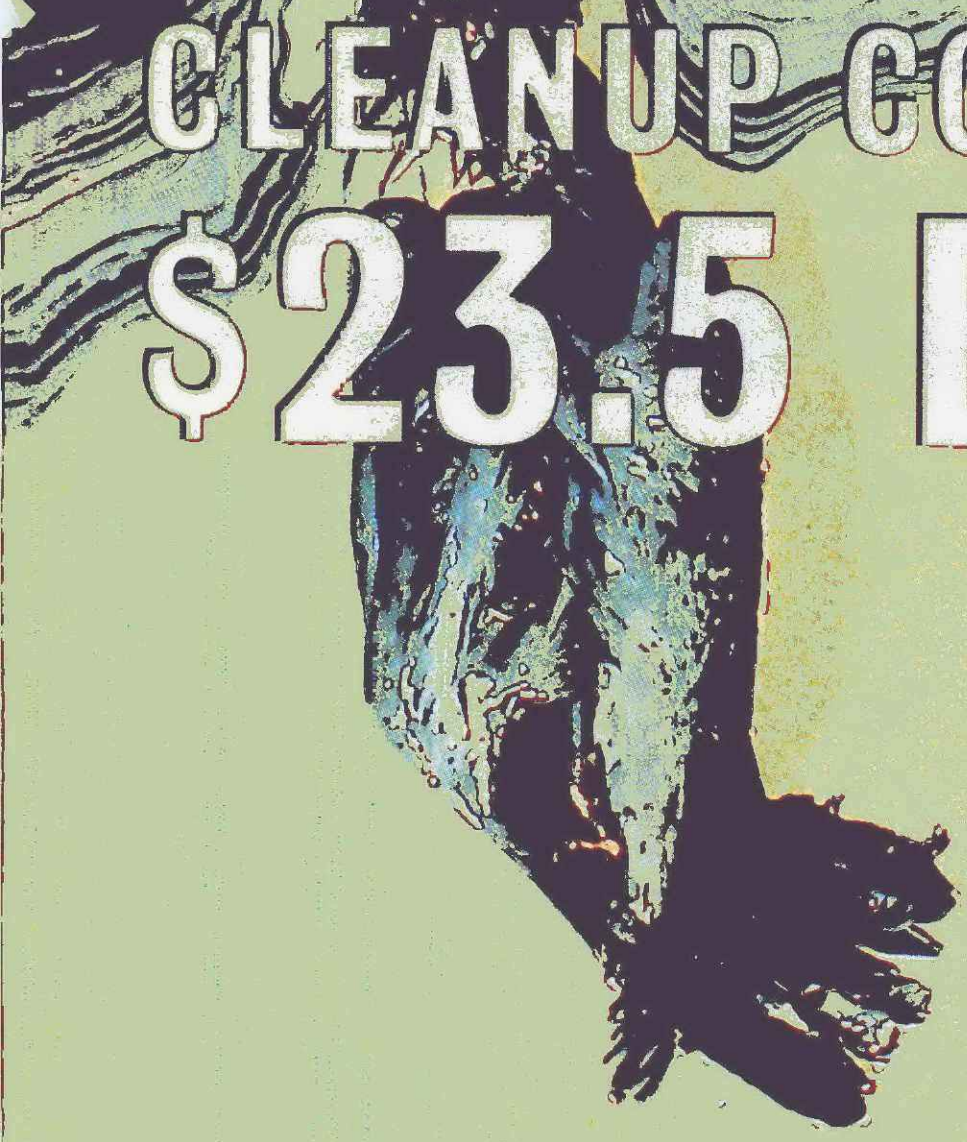
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