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Update

New York BC/BS plan admits giving state incorrect data

NEW YORK—Empire Blue Cross & Blue Shield says high-risk policy loss figures it submitted to the New York Insurance Department apparently were inflated by as much as $28 million.

The insurer is investigating whether the inflated figures were used in a lobbying drive that led New York to require all health insurers in the state to offer open enrollment and use community rating, which put them on the same footing with the Blues plan (*BI*, June 15, 1992).

Continued on next page

Clinton aides try to allay concerns

By JERRY GEISEL



WASHINGTON—The Clinton administration may be moving away from the philosophy of tightly controlling the number of health care purchasing alliances under its health care reform plan.

Two administration officials, in separate meetings last week, said they envision that employers could still band together to purchase health care benefits from providers rather than joining a state-run purchasing alliance.

Speaking before a meeting of the Washington Business Group on Health, White House Senior Domestic Policy Adviser Ira Magaziner said that large employers would be able to form their own alliances. However, according to those attending the meeting, which was not open to non-WBGH members, Mr. Magaziner did not spell out how large employers would have to be to form their own purchasing alliances.

"(Mr. Magaziner) raised more questions than he answered," said a benefit consultant who attended the meeting.

Meanwhile, Walter Zelman, a key adviser to President Clinton's Task Force on Health Care Reform, told a press briefing that big employers might be able to remain outside of state-run health care purchasing alliances, but those employers might be asked to help subsidize coverage for the poor and others who receive coverage through alliances.

The remarks of Messrs. Magaziner and Zelman contrast with earlier suggestions by Clinton advisers that all employers might be forced into state-controlled purchasing alliances.

Many employers, which contend they can do a better job of controlling health care costs than a giant, state-run alliance, fear the administration's reform plan may force them into a state-run alliance or may impose penalties that would make it prohibitive to stay outside the state alliances.

Those employers, as well as some members of Congress like

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PepsiCo uninsured for any losses from tampering

By DAVE LENCKUS

SOMERS, N.Y.—PepsiCo Inc. is uninsured for expenses and any loss of profits it will incur as a result of Pepsi soft drink product tampering claims nationwide.

Although about $80 million of malicious product tampering coverage is available in the market, PepsiCo does not purchase the coverage because the company says it does not find the insurance cost-effective.



Photo by Brooke Hummer

Somers, N.Y.-based PepsiCo expects to lose an as-yet-undetermined amount of sales because of the widespread reports of product tampering. The company also plans to launch a special advertising campaign this week in response to the reports.

But, some risk management experts applaud PepsiCo's response to the incidents, saying it likely will minimize the company's losses and can serve as a lesson to other food and drug producers.

An elderly couple in Tacoma, Wash., first reported finding a syringe in a can of Diet Pepsi on June 9. A woman in Federal Way, Wash., filed the next report on June 11. Both cans were processed by the same facility—but six months apart.

By the end of last week, consumers nationwide had filed reports of finding syringes and other foreign objects in various Pepsi soft drink products canned at different facilities nationwide over several months. PepsiCo holds various ownership stakes in these canning facilities.

A few of the reports also involved soft drinks produced by other manufacturers, including The Coca-Cola Co. Like Pepsi,

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Judging Ginsburg's record

High court nominee seen as pro-business on certain issues

By MARK A. HOFMANN

WASHINGTON—What's past may not necessarily be prologue if Judge Ruth Bader Ginsburg wins confirmation to the U.S. Supreme Court.

Legal experts describe the federal appellate judge, who is President Clinton's first nominee to the high court, as a thorough jurist who does not let her personal beliefs color her interpretation of any given case. They say her decisions on the U.S. Circuit Court of Appeals for the District of Columbia reflect no particular ideology.

This is somewhat surprising, given Judge Ginsburg's record as litigator for the American Civil Liberties Union in the 1970s, said Paul Rothstein, a law professor at Georgetown University in Washington who closely follows the federal courts.



AP/Wide World Photo

Judge Ginsburg

Judge Ginsburg is described as a centrist or even slightly pro-business in areas like product liability, employee benefits and regulation.

"She's not an activist judge, despite what one might have expected," said Mr. Rothstein.

While at the ACLU, Judge Ginsburg played a role in numerous cases involving women's rights in the workplace.

One was a 1976 Supreme Court case, *General Electric Co. vs. Martha V. Gilbert*, involving pregnancy disability benefits. In an amicus brief, Ms. Ginsburg and several other lawyers argued that in passing the federal Equal Rights Amendment, which never was ratified by the states, Congress "intended to outlaw policies and practices that injure women, especially in employment, and disavowed any intention to disadvantage working women as childbearers."

Ultimately, the court ruled

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New cat cover facilities won't reverse rate hikes

By JUDY GREENWALD

HAMILTON, Bermuda—New catastrophe reinsurance facilities being formed in Bermuda will contribute sorely needed capacity to the market, but ceding companies still won't find all the catastrophe cover they want.

That could translate into more property insurance rate hikes for corporate policyholders.

"From the point of view of being needed," the new facilities are "great, but there's so much pent-up demand that it's going to take a long time before that starts being filled by increased supply," said Paul Ingrey, president of F&G Re Inc., a Morristown, N.J.-based unit of United States Fidelity & Guaranty Corp.

Even with the additional capacity supplied by the new facilities, "we're still way short of where we were two years ago," he said.

Hence, the facilities won't lead to any softening in rates for cat covers, at least in the short term, though it could help hold down rate increases, reinsurance experts agree.

Whether these companies will continue to write catastrophe reinsurance over the long haul, or whether they are likely to either wind down operations or branch out into other lines when and if cat cover prices soften, also is under debate.

Regardless, these companies' decisions to locate in Bermuda is a boom for that offshore domicile.

More than $1.2 billion in new capital could flow to Bermuda in the next several months if all of the facilities proceed as envisioned.

New catastrophe reinsurance companies now either in operation or being planned include:

- Renaissance Reinsurance Ltd., with $140 million in capital, which started writing business last week. It was formed with: $70 million in investments from Warburg, Pincus Investors L.P.; $25 million from trustees of General Electric Pension Trust; $25 million from GE Investment

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Update

Empire BC/BS losses inflated

Continued from previous page

But the inaccurate figures have had no effect on the pricing of Empire BC/BS policies, a company spokesman said.

The disputed loss figures were filed in 1989, 1990 and 1991, the spokesman said. Internal company records show losses of $154 million, while the filings reported $182 million in losses. Also, Empire BC/BS understated its internal assessment of its large-group policies: Internal reports said it lost $63 million, while the loss figures filed with the state said $35 million.

Last week, the insurer placed Jerry Weismann, its chief financial officer, on a leave of absence. Mr. Weismann, who was responsible for filing the figures, contends the discrepancy arose due to different methods of calculating unpaid losses used by two departments that produced the figures, the spokesman said.

AMA to fight price controls

CHICAGO—The American Medical Assn. may sue the Clinton administration if it introduces controls on medical spending.

Such controls are unconstitutional, according to an AMA board report presented at the association's annual meeting last week.

Federal officials do not have unlimited discretion to regulate prices, the report contends. "The Fifth Amendment requires that prices be at a level that would permit any enterprise" to operate successfully and to provide "a return on investment commensurate with the risk of the enterprise."

Global budgets would also present constitutional problems, the AMA report contends. "The Fifth Amendment prohibits the government from barring individuals from using their own funds or their own insurance coverage to obtain appropriate medical care based solely on a governmental desire to limit aggregate expenditures."

Bill may reverse Hewitt ruling

WASHINGTON—The full Senate will vote whether to overturn a recent Supreme Court decision that protects pension plan advisers in cases of alleged breach of fiduciary trust.

The Senate Labor & Human Resources Committee approved an amendment offered by Sen. Howard Metzenbaum, D-Ohio, to the budget reconciliation bill last week that would void *Mertens et al vs. Hewitt Associates* (*BI*, June 7). The amendment would modify the Employee Retirement Income Security Act to allow plan participants to seek monetary damages from non-fiduciaries, like consultants and accountants, who "knowingly participated" in an "act or omission" by plan trustees that constituted a breach of fiduciary trust.

The measure, supported by Labor Secretary Robert Reich, now goes to the full Senate.

Bankruptcy clears cleanup bill

SAN FRANCISCO—A company can escape Superfund liability if it can show a creditor knew of—but failed to demand—cleanup costs before the company filed for bankruptcy, a federal court ruled.

In its June 15 ruling, the 9th U.S. Circuit Court of Appeals found that Jensen Lumber Co. was not liable for pollution cleanup costs because a state agency knew about the pollution and failed to demand payment before the owners of the Northern California firm filed for personal bankruptcy protection in 1984. At stake was $100,000 in costs to clean up a lumber fungicide that leaked from a tank.

Upholding a bankruptcy appeals panel decision, a three-judge panel of the 9th U.S. Circuit ruled that the personal bankruptcy filing discharged the cleanup cost debt. "We conclude that the state had sufficient knowledge of the Jensens' potential liability to give rise to a contingent claim for cleanup costs before the Jensens filed their personal bankruptcy petition," the court said.

Dean Gloster, a bankruptcy lawyer with Farella, Braun & Martel in San Francisco, pointed out that this ruling is not a clear victory for either polluters or public or private entities trying to recoup pollution-related costs.

Under this ruling, if one individual or small part of an entity with a pollution claim was aware of pollution prior to the polluter's bankruptcy filing, the creditor would not be able to collect.

However, while the polluter prevailed in this case, the result is that "creditors with environmental claims are going to have more leverage," he said. "If push comes to shove, they can say 'The liability claim can't be discharged in bankruptcy because we didn't have knowledge of it.' "

Aon entering TIG territory

WOODLAND HILLS, Calif.—Aon Corp. is expanding its entertainment insurance specialty as Transamerica Insurance Group exits that business.

TIG Holdings Inc.—the holding company for Transamerica Insurance Group—is folding its Completion Bond Co. subsidiary and slashing 500 people from its payroll in a corporate restructuring that follows its initial public offering in April.

Aon's Rollins Entertainment Brokers unit is in the advanced stages of purchasing Albert G. Ruben & Co., a Los Angeles-based broker that had an exclusive marketing arrangement with Completion Bond Co. before the TIG spinoff. Neither firm would comment.

Ruben places errors and omissions, property, liability and cast insurance on behalf of the entertainment industry.

Aon last month purchased K&K Insurance Specialties, a sports/leisure and entertainment underwriting manager in Fort Wayne, Ind., that was a managing general agent for Transamerica (*BI*, May 10).

TIG also plans to move its headquarters this fall.

Updates continued on page 62

Du Pont fights new claims of damage from fungicide

By MICHAEL SCHACHNER

WILMINGTON, Del.—After voluntarily paying at least $500 million to growers who allege their crops were damaged by a fungicide it marketed, E.I. du Pont de Nemours & Co. Inc. will soon enter court to defend the first in a possible string of product liability suits seeking hundreds of millions of dollars.

Four separate claims that have been consolidated into one lawsuit—seeking $79 million in compensatory damages and an unspecified amount of punitive damages for fraud—is scheduled to go to trial July 6 in federal court in Columbus, Ga.

With more than 400 other Benlate DF suits pending nationwide, Du Pont opened a major public relations campaign last week with what it billed as the "Benlate Challenge."

Edgar Woolard, Du Pont's chairman and CEO, offered to fund university-based testing on Benlate. If those tests find that the antifungal mixture caused the damage that farmers and flower growers claim, Du Pont said it would pay damages. But if the tests turn up negative, the suits would have to be dropped.

"Based on the data we gathered during our studies, we are confident we will win every time," said Mr. Woolard.

Benlate DF, which is at the center of the largest case of pesticide damage in U.S. history, is one of several Benlate products marketed by Du Pont. Whether Benlate DF becomes a liability nightmare for Du Pont depends largely on what happens in the inaugural trial.

A verdict for the four growers

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More Minnesota reforms

New law will consolidate state's health care industry

By CHRISTINE WOOLSEY

MINNEAPOLIS—When it comes to health reform, Minnesota legislators are like the battery-operated bunny in the TV commercials—they just keep going, and going, and going.

Gov. Arne Carlson has signed yet another piece of health care reform legislation that state lawmakers have become so fond of creating.

Unlike the fanfare surrounding last year's passage of MinnesotaCare, which was designed in part to help pay for a state health insurance pool for the uninsured, apprehension and reluctant acceptance surround the Legislature's latest effort.

The bill, signed by Gov. Carlson May 24, is expected to harness health care costs—by saving as much as $7 billion—and lead to a major consolidation of the state's health care industry over the next several years.

But employers—particularly small and midsize companies—are worried that provisions in the new law will limit, rather than expand, their choice of health care plans.

And, physicians and hospitals are giving a lukewarm reception to the caps put on their annual revenue growth over the next five years.

Commercial health insurers also are expressing dismay be-

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Remediation, liability provisions top reformers' agenda

Pressure to change Superfund

By GAVIN SOUTER

NEW YORK—Federal pollution liability laws are sure to be reformed, but the extent of change in the embattled Superfund law is still unknown, an insurer lobbyist says.

Pressure for reform of the Superfund law is coming from all directions, and consensus is beginning to emerge in some areas, he says.

Regardless of Superfund reform, the pollution insurance market also is undergoing change and will grow into a different creature over the next 10 years, another insurer executive says.

The Superfund law—formally known as the Comprehensive Environmental Response, Compensation and Liability Act of 1980—will be 13 years old in December.

"It is impossible for me to believe that Congress will. . .give Superfund another five years of life without a major overhaul," said Leslie Cheek, director-domestic external affairs of Xerox Corp., the parent of Crum & Forster Inc., in Washington.

When Congress enacted the original Superfund law, the extent of the pollution problem in the United States was not fully

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Excess/surplus lines directories approaching

Business Insurance will publish two directories in the Aug. 16 issue, which also will contain a Spotlight Report on the surplus lines insurance market.

One directory will list underwriting managers, managing general agents and surplus lines brokers. The second will list surplus lines insurers and insurers that specialize in writing excess liability coverages.

To be listed in the directory of insurers, surplus lines insurers must write at least 50%, or $10 million, of their gross premiums on a direct, non-admitted basis; excess insurers must write at least 50% of their volume, or $500,000, of gross premiums in excess liability insurance.

There is no charge to be included in the directories. Companies that wish to be listed must fill out and return a questionnaire provided by *Business Insurance*.

Companies eligible to be listed in either directory that have not yet received a questionnaire should request one from Assistant Directory Editor Cindy Bloom at 312-280-3195.

The extended deadline for returning the questionnaires is July 9.

Inside

- A federal role in insurance regulation is inevitable, and a good first step would be to make insurance fraud a federal crime, this week's editorial says. **PAGE 8**
- Insurers haven't lobbed rate increases at Wimbledon organizers in the wake of the stabbing of Monica Seles at a tennis tournament in Germany. **PAGE 55**
- A final E.C. ruling on pension equalization will carry a hefty price tag for European employers. **PAGE 55**
- Employers withdrawing from underfunded multiemployer pension plans can be required to pay a share of the plan's unfunded liabilities, the Supreme Court has ruled. **PAGE 58**
- Brokers' hopes for a market turn this year appear to be dashed, analyst Leonard Wilson says. **PAGE 63**

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Spotlight report

Midyear benefit market report

Decline in health cost trends demonstrates managed care's effect on employer programs

By NANCY P. JOHNSON

Employers are seeing health care cost trends cool a bit as they renew their group health plans this summer.

The size of premium increases has dropped by a couple of percentage points for most types of health plans compared with a year ago.

Increases for employers with traditional indemnity plans are averaging 18% to 22%, while increases for employers offering preferred provider organizations are 12% to 18%. Increases for employers with a point-of-service plan are averaging 10% to 16% at midyear renewals.

Increases varied most—from 4% to 14%—for employers renewing a contract with a health maintenance organization.

The lowest HMO premium increases are in staff model plans and in all types of plans in California, where competition among HMOs is keen.

At midyear renewals in 1992, premium increases ran 20% to 27% for standard indemnity plans, 16% to 20% for PPOs and point-of-service plans and 10% to 12% for HMOs (*BI*, June 8, 1992).

While self-insured employers are affected by cost trends, their experience may differ due to the level of managed care in their plan design.

Some consultants and providers attribute the more moderate cost trends to maturing managed health care programs.

"There is a move toward managed plans, and managed plans are getting better at what they are doing," said Roger L. Arlen, vp at Sedgwick Consulting Group in San Francisco. Doctors and patients better understand their obligations in a network, and plan administration is improving, he explained.

Other consultants say providers are setting more modest prices as talk of health care reform fuels public scrutiny—and sometimes condemnation—of prices for medical services and insurance.

Providers "looked in the rear-view mirror and saw flashing lights," said Dr. Michael McGarvey, managing director of Alexander & Alexander Consulting Group in Lyndhurst, N.J. "All the attention at the national level has caused providers to take another look before they send out another bill."

But all sources agree that a major factor in moderating trend lines is a slowdown in health care inflation.

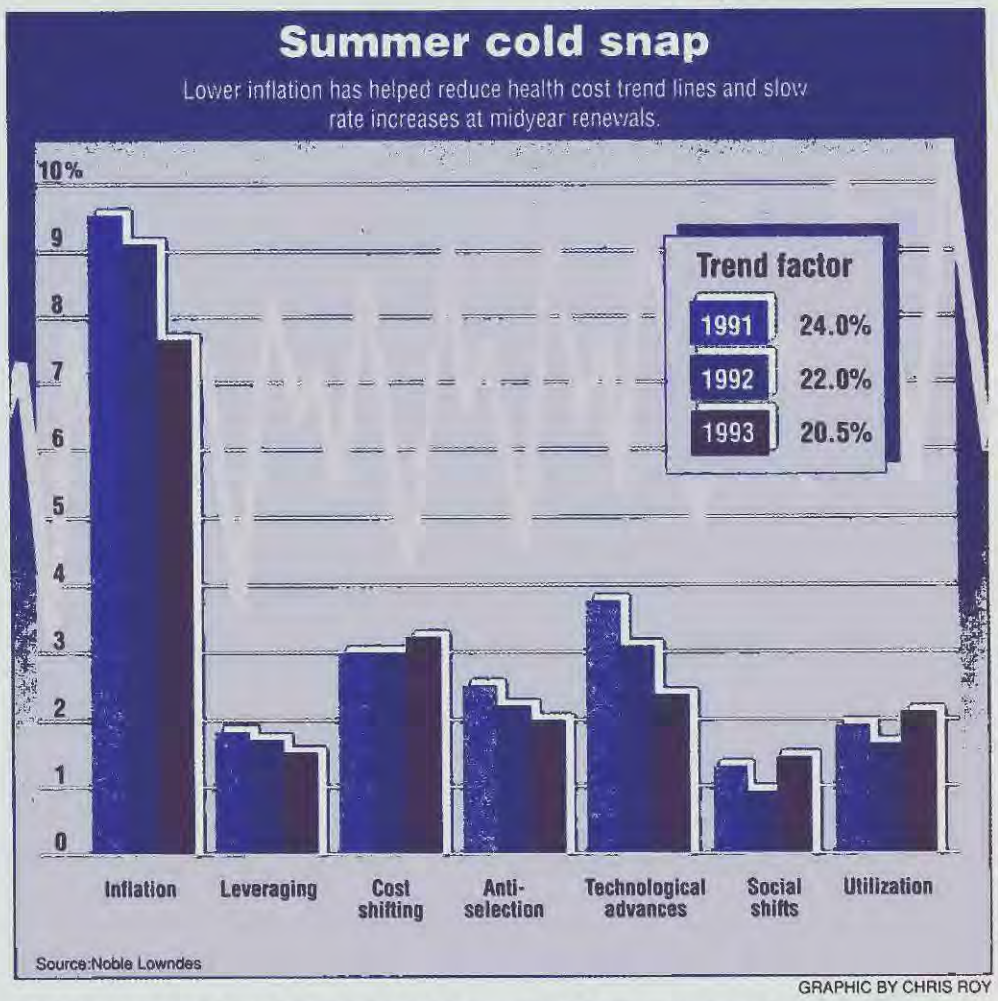
In 1992, the medical care component of the Consumer Price Index rose at an annualized rate of 6.6%, compared with a generalized inflation rate of 2.9%. In 1991, those figures were 7.9% and 3.1%, respectively.

And, the slowdown in medical inflation continues. As of April, the CPI's medical care component for 1993 rose at an annualized rate of 6%. The overall CPI rose 3.2% during the same period.

"Insurers are getting more sophisticated in projecting costs for the managed care environment," said Randall Abbott, managing director-national health, welfare and flexible compensation practice at Alexander & Alexander Consulting Group. Also, plan sponsors that are capturing plan data have leverage to negotiate trend rates down to a more appropriate level for their group's experience, he said.

Trend lines used to forecast health insurance cost increases are based in part on

Continued on next page



GRAPHIC BY CHRIS ROY

Managed care worries many mental health professionals

By LOUISE KERTESZ

While employers view managed mental health care as an effective way to control costs, many psychologists and psychiatrists say managed mental health care does more harm than good to patients.

While they concede that managed care techniques have curbed some abuses in mental health care delivery, many providers are still wary.

In the name of cost-effectiveness, managed care can increase suffering by placing roadblocks to adequate treatment and interfering with the physician-patient relationship, particularly by violating confidentiality, they say.

But some mental health care providers say they are reluctant to be too critical of managed care companies for fear of being dismissed from networks or losing referrals.

"One of the things that makes us nervous is that it's a little bit like the old Communist Party in Eastern Europe," said Robert Erard, a psychologist in a Detroit suburb. "If you rub somebody the wrong way, you may be out of the system." Mr. Erard is president of the Michigan Psychological Assn. and past chairman of its insurance committee.

Two of the nation's largest trade groups for mental health care professionals have detailed their objections to managed care practices.

The American Psychological Assn., for example, last year outlined its proposal for an alternative to managed care, called "integrated care," in which employers directly contract with psychologists (*BI*, Aug. 24, 1992).

Integrated care "takes the best tenets of managed care" and discards the harmful ones, contends Henry Engleka, acting administrative director for operations in Washington.

For example, the APA's report advocated the use of: provider networks that attack the abuse of inpatient psychiatric care; cost-effective

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Mental health costs under control

Limiting benefits, managing care hold down cost hikes

By MICHAEL SCHACHNER

Employers have reined in behavioral health care inflation by limiting mental health and substance abuse treatment benefits and by actively managing mental health benefit programs.

With more than 90% of employers now imposing limits on both inpatient and outpatient mental health and substance abuse benefits, the annual inflation for behavioral health care stood in the single digits for two of the past three years.

Last year, for example, per-employee costs for mental health and substance abuse benefits grew only 4.6%, compared with 10% inflation for general medical benefits, according to a study by benefit consultant A. Foster Higgins & Co.

Even though there was a 16.5% spike in behavioral health treatment costs in 1991, average annual inflation over the past three years for psychiatric and substance abuse treatment benefits has been just more than 9%, compared with an average of 13% for general medical benefits.

In addition, per-employee costs for mental health treatment as a percentage of overall health care costs continue to dip. This decrease is mainly a result of caps on benefits and increased use of specialized utilization review and managed mental health provider networks, consultants and benefit managers say.

The Foster Higgins study reports that the cost of mental health and substance abuse benefits as a percentage of total health plan costs fell to 7.8% in 1992 from 8.5% the previous year. In contrast, throughout the 1980s, behavioral health benefits consistently accounted for 10% to 15% of total health care costs.

"Plan limitations are by far the leading reason why inflation in this area is down," said John Erb, a principal with Foster Higgins in New York. "Everybody has limits on inpatient benefits by now, and limits on outpatient benefits have existed for a long time."

Figures from the study back up Mr. Erb's assessment. Ninety-one percent of the studied employers now put limits on benefits for inpatient treatment of behavioral health disorders, while 94% limit outpatient benefits.

"If you're putting limits on the number of visits that are covered as well as placing annual or lifetime dollar limits, there is going to be less inflation," added Bill Danish, health and welfare practice leader for the New York region with Lyndhurst, N.J.-based Alexander & Alexander Consulting Group. "These limits don't exist on the traditional medical benefits side."

Mr. Erb said common dollar limits for mental health benefits may be $20,000 per year, while caps on lifetime benefits usually range between $50,000 and $100,000. Companies that choose to place a limit on covered inpatient days often set the cap at 45 covered days per year.

"These limits have really impacted inpatient days, and that's where the greatest expense is," Mr. Erb said. "And, there has been little anecdotal evidence of employees being adversely affected by the limits."

However, Albert Waxman, chief executive officer with American Biodyne Inc., a San Francisco-based managed health care firm, believes aggressive management of mental health and substance abuse benefits is a better cost-control method than simply diminishing benefits availability.

"While there should be some element of copayments on outpatient services to ensure that a patient is serious, you would have to severely diminish benefits to get the same results one gets by actively managing utilization through a specified provider network," he explained.

Mr. Waxman also acknowledged that placing lifetime maximums on benefits can achieve cost savings, "but you ought to be able to identify the abusers long before they reach a maximum."

And, he disagreed that capping the

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Health renewals

Continued from previous page
the CPI. Based on a survey of 13 group health insurers, Noble Lowndes projects an average 1993 trend rate for unmanaged indemnity plans of 20.5%, down from 22% in 1992. Trend lines for plans with a discounted fee-for-service PPO remained steady at 17%, while trends for PPOs with a strong gatekeeper feature remained at 14%.

Although HMOs declined to participate in the survey, Noble Lowndes estimates HMO premium increases of 4% to 14% in 1993 based on survey results of insurers with HMOs and client experience.

"For the last two-and-one-half to three years, we have seen a cooling in the underlying rate of inflation but have not seen a corresponding cooling in trend," said Bill Gibson, senior health care consultant at Noble Lowndes in Newtown, Pa. "Insurers will be slower to lower their rates than in the past but will be quick to raise them if they see costs going in the other direction."

Consultants predict that these trends will probably continue for the rest of the year, perhaps dropping slightly.

Trends may decline by 0.25% or 0.5% per quarter because of the heightened sensitivity to costs, said Sedgwick's Mr. Arlen. And, utilization may drop because plan changes give employees more incentives to make prudent decisions in medical coverage, he added.

At the same time, insurers are being conservative in their pricing strategies, observers say.

'For the last two-and-one-half to three years, we have seen a cooling in the underlying rate of inflation but have not seen a corresponding cooling in trend,' says Bill Gibson, senior health care consultant at Noble Lowndes.

"They are looking for stability and profitability. They want to recoup expenses from setting up managed care programs," said Noble Lowndes' Mr. Gibson.

In contrast, HMO business in the West continues to be a competitive arena.

"We're seeing some HMOs much more aggressive in pricing in California in order to build network participation," said Jim Foreman, principal and leader of the health and welfare practice of Towers Perrin in Los Angeles and San Francisco.

In California, HMO premium increases are 4% to 9% on average, he said.

Insurers agree that moderation in trend lines can be attributed to the high visibility of health-related prices in the current political environment, and to continued fine-tuning in managed care plans.

CIGNA Corp. projects premium increases of: 20% to 22% for indemnity plans; 5% to 12% for HMOs, with an average rise of 9% to 10%; and 13% to 18% for PPOs, said Chris Doerr, senior vp and chief financial officer of employee benefits for the health insurer in Hartford, Conn.

"There is uncertainty, and we have heard speculation on price controls, so providers may be moderating their prices," he said. "One thing that is certain is that managed care will be part of health care reform, and that is where the market is going anyway."

"There is some self-discipline coming into the (pricing) process," said Charles T. Bell, senior vp-marketing at Aetna Health Plans, a unit of Aetna Life & Casualty Co. in Hartford, Conn.

Premium increases will be in the upper teens for Aetna's indemnity plans, 9% to 12% for HMOs, middle teens for PPOs and 12% to the lower teens for point-of-service plans, he said.

Metropolitan Life Insurance Co.'s trend rates for renewal increases are 12% for HMOs, 18% for PPOs and 15% for point-of-service plans, said James Galasso, vp and actuary with Met Life in New York.

At Prudential Insurance Co. of America, average premium increases are 20% to 25% for indemnity plans, 8% to 10% for HMOs and in the low teens for point-of-service plans, said Joe Maginnis, vp-underwriting in Newark, N.J.

Pricing remains relatively high for indemnity plans because "our indemnity business is shrinking and the population in those plans is becoming sicker," he said.

"Incremental advances in fine-tuning managed care programs" is one reason for moderating trends, said Richard Maturi, senior vp-health care affairs for Blue Cross & Blue Shield Assn. in Chicago. Also, BC/BS plans have had success in using a program to help evaluate physicians as primary care providers, he said.

Average premium increases for BC/BS plans are 12% to 14% for indemnity plans; 9% to 11% for HMOs; and 10% to 12% for PPOs.

At Travelers Corp., indemnity plan premium increases are 23% to 25% for smaller groups and 18% for midsize groups, said Michael Gross, division vp-managed care and employee benefits in Hartford, Conn. HMO increases average 14% to 15%; point-of-service plan hikes average 16% to 17%; and PPO increases average 20% to 23% for small groups, 16% for midsize groups and 10% to 12% for large groups.

At least one PPO has seen a big drop in average premium increases from last year.

At Irvine, Calif.-based Beech Street Inc., the nation's fifth-largest general service PPO, renewal increases are ranging from 5% to 7%, compared with 20% last year, according to George Bregante, vp-marketing and sales. The average increase has fallen because many Beech Street clients have tightened up managed care requirements and introduced strong incentives for employees to stay in the network, he explained.

Likewise, the nation's largest HMO is reporting a slowdown in average premium increases.

Kaiser Permanente Medical Programs of Oakland, Calif., projects an average renewal increase in 1993 of 6.7%, excluding Medicare business. That trend

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Ramon Gonzales Teja/The Image Bank



"Never say never"

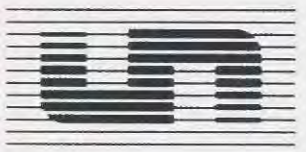
Some surplus lines insurance companies use underwriting policy to bog down producers in a bottomless quagmire of paperwork and procedure while underwriters try to figure out what to do with unique risks and specialty programs.

It is no wonder that producers often feel their risks will never get written.

At United National Group—one of the largest surplus lines insurers in America—our underwriters are trained to tear through the paperwork in order to get risks placed quickly and efficiently. We want to help producers grow and profit.

Our companies are resourceful, flexible, and inventive, and when it comes to writing surplus lines risks, we never say never.

United National Group. Wise enough to listen, strong enough to act.



united national group

The open market for unique risks and specialty programs.

United National Insurance Company Diamond State Insurance Company Hallmark Insurance Company
Three Bala Plaza, East Suite 300 Bala Cynwyd, PA 19004 (215) 664-1500

United National Group companies rated A+, VIII by A.M. Best, eligible for surplus lines in 50 states, and admitted in 41 states.

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Health renewals

Continued from page 4
should be less than 5% in 1994, projected Dick Anderson, vp-medical economics. Last year's premium increase averaged 9.7% at Kaiser, which has 6.6 million members and generally leads the way for HMO prices in the California market.

Minneapolis-based United HealthCare Corp., the fourth-largest general service HMO with 1.9 million members, is increasing premiums by about 9%, and it appears that the trend for the second half of 1993 will be lower, said George B. Borkow, executive vp and chief financial officer.

Like their counterparts with insured plans, self-insured employers are welcoming the moderating trend lines.

"We saw a significant drop in trend in the last six to nine months," said Gary Yeaw, director-group insurance at Allied-Signal Inc. in Morristown, N.J. Increases for the company's point-of-service plan were in the 6% to 7% range and in the 14% to 15% range for indemnity plans. Increases for both types of plans are 2% to 3% below figures for nine months ago, he said.

"Our results are another endorsement of managed care, which is just starting to live up to its potential," said Mr. Yeaw.

Another benefit manager attributed his company's favorable results to good luck.

In 1992, Minneapolis-based Dayton Hudson Corp.'s cost per participant rose 7.1% for self-insured indemnity plans, HMOs and PPOs, said Fred Hamacher, vp-compensation and employee benefits. And trends since the beginning of 1993 look as good or better, he said, attributing the performance to fewer catastrophic claims than in 1992.

'We are telling clients that if they don't have managed care now, they had better put something in soon so that employees aren't surprised when managed care is introduced under the Clinton administration,' says Tim Garmager.

While some employers are wary of making substantial plan changes before the Clinton administration unveils a health plan proposal, others are going full speed ahead with added managed care features.

"We are rolling out a major initiative to increase managed care features in retiree health coverage," to be effective in late 1993 or early 1994, said Mr. Yeaw. "I don't feel any employer can take a wait-and-see attitude when health care costs are increasing at an unacceptable level."

"Costs are too high to just wait" for health reform to be unveiled, agreed Sally Bullen, director of compensation and benefits for Kemper National Insurance Cos. in Long Grove, Ill.

Kemper, which self-funds its health plans, is moving ahead with plans to incorporate more wellness and preventive care—like screening for breast cancer and testicular cancer—into its major medical plan. Kemper also has saved money by phasing in a PPO network and a hospital precertification program over the past two years, she said.

Despite the Clinton administration's delays in unveiling a health reform plan, large employers in particular are proceeding undeterred with plans to introduce or tighten up managed care programs, consultants say.

In fact, talk of health reform has "increased employers' interest in managed care," said Brian Dolan, benefits consultant at Hewitt Associates in Rowayton, Conn. "Many employers are interested in going right to point-of-service plans for 1994."

And, if a national health reform measure is passed, "I think you won't get an implementation date before 1997. Employers are looking at another four years of uncontrolled health care costs. They will have to manage their programs more than ever," said Noble Lowndes' Mr. Gibson.

Consultants are advising their clients that "this is business as usual, and if they haven't moved into managed care, they should do so," said Bob Shannon, a principal with A. Foster Higgins & Co. Inc. in New York.

"We are telling clients that if they don't have managed care now, they had better put something in soon so that employees aren't surprised when managed care is introduced under the Clinton administration," observed Tim Garmager, a consultant with Deloitte & Touche in Chicago. BI

Mental benefit costs

Continued from page 3
number of inpatient days available to an employee is appropriate. "It doesn't matter if you place the cap at 30 days, 45 days or 180 days. Case management should occur within the first few days of treatment. That is where outcomes are improved and costs are saved."

For one employer, limiting benefits while managing care is producing exemplary results.

Michael Marra, director of employee benefits with Ashland Oil Inc. in Lexington, Ky., said his company's mental health and substance abuse treatment costs have regularly accounted for about 6% of overall health care costs. Through April of this year, mental health and substance abuse benefits are accounting for only about 4% of health costs.

Ashland Oil for several years, has imposed a cap on the number of days an employee can be hospitalized for substance abuse treatment. The company also limits the amount of cash reimbursement available for outpatient substance abuse treatment.

On the psychiatric benefits side, Ashland Oil requires employees to pay a 50% copayment on the first six outpatient visits, while all hospital admissions for mental health disorders are subject to the same precertification, concurrent review and large-case management as medical cases.

"Based on our experience, I'd have to say comprehensive utilization review for inpatient psychiatric treatment has had a positive effect on costs. And monetary caps on substance abuse treatment definitely work," Mr. Marra said. BI

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Opinions

Dingell makes his point

IT LOOKS LIKE Rep. John Dingell and Carlos Miro are fast becoming buddies.

We quickly add that we are not in any way suggesting the Michigan congressman is on the take from an admitted insurance con artist. However, the testimony delivered by Mr. Miro before a House subcommittee last month is proving to be a powerful weapon that Rep. Dingell can brandish in his fight to give the federal government oversight of insurance company solvency.

During the hearing last month, Mr. Miro revealed how he bribed state officials and generally spat on state insurance laws in order to reap millions of dollars in illegal profits and, along the way, play crucial roles in the insolvencies of Transit Casualty Co. and Anglo-American Insurance Co. of Louisiana. Even as he awaits sentencing on insurance fraud-related charges, Mr. Miro shows nothing but contempt for state insurance regulators (*BI*, May 24).

The fact that Mr. Miro could act at will in ripping off innocent policyholders is troubling. But, what's really disturbing is the insurance commissioners' response to Mr. Miro's testimony.

At a second hearing earlier this month, Rep. Dingell asked officials of the National Assn. of Insurance Commissioners how Mr. Miro could get away with his actions for so long. Neither Rep. Dingell nor we are happy with their answers. The commissioners basically relied on the tired argument that state regulation of insurance is better than federal regulation because of federal regulators' failure to detect insolvent savings and loans (*BI*, June 14).

We seriously doubt that federal insurance regulators would have detected Mr. Miro's crimes any more quickly than the average state insurance department. However, state regulators' response to



Rep. Dingell's questions—which they knew for weeks would be asked—is another sign that the federal government would not do any worse of a job regulating insurer solvency.

We've said for a while that some federal regulatory role is inevitable and likely necessary, though many kinks must be removed from Rep. Dingell's current proposal before we can lend our full support.

But, before Congress ever acts on that proposal, it should pass another proposal by Rep. Dingell that would make insurance fraud a federal crime and would set tough penalties. That would give state insurance commissioners some of the help they need.

Letters

'Coordinate' workers comp, group medical care

To the editor: I would like to respond to the letter from W.T. Howard, director of risk management for Arch Mineral Corp. (*BI*, May 24). Despite Mr. Howard's characterization of the Alliance of American Insurers' efforts, it appears that we agree more than we disagree on how workers compensation should be treated under a new national health insurance system.

Like Mr. Howard, the Alliance wants this reform to put an end to the unfair cost shifting that has sent workers comp medical costs through the roof. Also, we share his desire to preserve important workplace safety incentives inherent in the workers comp system.

The Alliance and its member companies have met with members of the president's Task Force on Health Care Reform on several occasions. During those meetings, we have discussed how workers compensation medical care could be coordinated, rather than merged, with the new health insurance system.

We—like Mr. Howard—believe that American employers and workers cannot afford to leave workers comp completely outside of a new national health care plan. Instead, we advocate the coordinated approach, providing workers comp insurers with equal access to managed care and other cost-efficient delivery systems developed by the reform effort. We also have proposed that, in fee-for-service situations, one set of fees should apply to all payers, regardless of the source of injury.

As for Mr. Howard's point that lawyers are "an unnecessary and expensive surcharge on legitimate medical treatment charges," we agree again. The no-fault doctrine is at the heart of the 80-year-old workers compensation compact between employers and employees. Nonetheless, litigation has crept into the system, increasing uncertainty and costs on all sides. The president's plan, as it currently is understood, does nothing to address those aspects of the workers comp system where litigation is running rampant, like cases of "dueling doctors." In fact, by subsuming medical payments coverage under health insurance, the task force inadvertently could open up an entirely new litigation front.

The Alliance actively supports national health care reform to provide universal access to quality, affordable medical care. We also support reform of the workers compensation system that would reduce ever-increasing costs and litigation. These objectives are complementary and could be achieved largely by coordinating the workers comp and national health care systems. We will continue to carry this simple message to policymakers, employers, labor groups and others across America. This is not, as Mr. Howard suggests, "propaganda"; it is much-needed truth.

Rodger S. Lawson
President
Alliance of American Insurers
Schaumburg, Ill.

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Malpractice costs are not 'scant'

To the editor: In "Malpractice Award Caps in California Challenged" (*BI*, May 24), Mary E. Alexander, vp of the California Trial Lawyers Assn., was quoted as saying that even if doctors were granted total immunity from malpractice liability—which would eliminate the need for malpractice insurance and "defensive medicine"—health care costs would only drop a "scant" 0.6%, or 24 cents for a $40 office visit.

According to figures published in *Business Insurance*, national expenditures on health care total $800 billion annually.

Six-tenths of 1% of that figure is $4.8 billion.

Does Ms. Alexander really think that $4.8 billion is a scant amount?

Ray Odmark
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Providers' view

Continued from page 3

outpatient care; and practice benchmarks and outcomes studies to improve quality care.

However, among the managed care features it opposed were: arbitrary limits on the number of covered outpatient sessions and too-frequent utilization review, which it says disrupts care.

The American Psychiatric Assn. says it has received more than 7,000 complaints about managed care from psychiatrists on a hot line it set up. The 3-year-old hot line has "collected, reviewed and documented a substantial body of actual patient information indicating abuse in managed care and the need for strong patient protection in managed care systems," according to a letter sent last month by the Washington-based group to Tipper Gore, who is coordinating mental health care on the president's Task Force on Health Care Reform.

The APA and mental health care professionals have several complaints about managed care, the most common being denial of care, too-frequent utilization review, lack of confidentiality and unqualified reviewers (see related story).

However, not all managed care organizations are equally guilty, providers say.

And therapists employed by managed mental health firms—such as psychologist Jeff Bragman, vp of clinical services at American Biodyne in South San Francisco, Calif.—say the "goal-oriented" focus of managed care actually helps patients.

But there are enough "horror stories" from providers to raise questions about managed care as it is practiced today (see story, page 11).

Jane Flood, a patient from Westchester, N.Y., describes her experience changing to a managed care system as "shocking and cruel." In February 1992, Ms. Flood, who was being treated for depression, says she was given confusing directions about her employer-provided health plan's changeover to managed care.

While she was in deepening crisis because of her husband's eventual death last summer, the health insurer repeatedly sent her therapist the wrong forms or lost completed forms, curtailed her visits, said she was liable for $4,000 in treatment costs and required her to visit a network provider in order to begin a treatment plan of short-term care and medication.

The new provider then prescribed an antidepressant medication to which she had "a very severe reaction," Ms. Flood said.

As a result of these and other difficulties, she has joined about 200 other patients and licensed providers in the Coalition of Mental Health Professionals & Consumers. She now serves as consumer advocate co-chair of the grass-roots organization, which was formed last November.

The Commack, N.Y.-based coalition says it is "dedicated to addressing the negative impact of managed care on patients and the professions."

"Our first action was to circulate a petition to the Clinton administration asking them to reconsider managed care and managed competition as regards to mental health care. We have collected over 5,000 signatures nationwide," said psychologist Karen Shore, another of the coalition's co-chairs, who practices in Westbury, N.Y.

'I'm afraid that everyone is being dealt with in a generic fashion. This is much too simplistic. . . .(It's) a preconceived cookbook format. I think we're going to have a whole lot of people terribly hurt,' says Dr. Michael Brennan, a Phoenix psychiatrist.

Once an employer moves from a traditional fee-for-service plan to a managed care plan, the traumatic changes for patients don't stop there, a psychiatrist says.

Insurers and managed care firms are "constantly shopping around for better deals. There's no stability," said Dr. Michael Brennan, a psychiatrist and medical director of an adolescent mental health care facility in Phoenix.

For example, Dr. Brennan has worked under subcontracts with several insurers that "changed their contracts and yanked their patients" in mid-treatment. One of the patients "was in crisis. My liability continues though patients are yanked, because in Arizona your liability continues until a patient is with another physician," he explained.

And when these patients are assigned to new physicians, the new doctors "don't know the nuances of their care. They may become destabilized," Dr. Brennan warns.

The "discontinuities" in a managed care setting can plague patients constantly, he said. For example, Dr. Brennan participates in a managed care network that refers patients to him for only two sessions.

"I'm told a patient sent to me is potentially suffering from major depression. I'm not given any information about other problems. I am asked to make an assessment and to initiate care, to prescribe something on the first visit and on the second to see whether it has magically worked and whether there are side effects."

Because of his objections to managed care, Dr. Brennan said he is leaving private practice and taking an academic position.

"I believe the system was indeed plundered in the past. But I'm afraid that everyone is being dealt with in a generic fashion. This is much too simplistic. . . . (It's) a preconceived cookbook format. I think we're going to have a whole lot of people terribly hurt," he said. BI

Managed mental health care complaints

Confidentiality, unqualified reviewers among concerns

The current climate for managed mental health care is driving some providers up the wall. Here is a sampling of providers' key complaints with managed care:

- Denial of access to care.

This headed the American Psychiatric Assn.'s list of psychiatrists' complaints culled from its hot line.

The American Psychological Assn. echoes that complaint in asserting that the current average of 20 outpatient sessions a year allowed by most managed care plans is insufficient for patients in greatest need.

It recommends that plans cover 52 outpatient visits, which many providers interviewed said is a reasonable maximum.

According to psychologist Daniel Abrahamson, administrative director and partner of the Traumatic Stress Institute in

Continued on next page

THE STRENGTH

Atlanta Chicago Columbus Dallas

Continued from previous page
South Windsor, Conn., some managed care companies tell psychologists that the companies expect the patient to terminate treatment after 15 outpatient sessions or visit a psychiatrist. "I expect that's a threat over the provider and the patient," Mr. Abrahamson commented.

As for inpatient care, Albuquerque, N.M., psychiatrist Dr. Mark Heitner points out that denial of care "in actual real-life experience" often is arbitrary. "If a kid has been in the hospital a week, a reviewer is basically operating with a mandate to get the kid out," he said.

In one instance, Dr. Heitner wanted to keep a despondent patient in the hospital.

"I told the reviewer he had a gun at home. The reviewer asked me if the gun was loaded or not," he recalled.

• Too frequent treatment reviews.

Noting that statistics show most patients leave outpatient treatment at about the 25th session, providers say it is wasteful to begin treatment review before the 20th session.

"I think the absolute minimum should be 20, or you're damaging the treatment process and you end up wasting money," said Mr. Abrahamson of the Traumatic Stress Institute.

Having to provide information periodically to a reviewer early in the treatment, with the threat that treatment may be terminated, is disruptive and upsetting to patients, providers say.

• Unqualified treatment reviewers at managed care firms.

The American Psychiatric Assn. is calling for establishment of national guidelines for regulating entities performing mental health utilization review and managed care.

That presumably would eliminate cases like that cited by Dr. Michael Brennan, a Phoenix psychiatrist.

Dr. Brennan said he discovered that the physician reviewing his treatment of "a horribly despondent adolescent," which the managed care company wanted discharged from a hospital, was a urologist.

• Confidentiality.

Some providers interviewed said they see no solution to the undermining of trust that begins when a patient realizes a therapist is required to routinely reveal deeply personal information about their treatment to a faceless reviewer.

That reviewer—who the patient knows is somehow connected with his or her employer—may be unlicensed and therefore not bound by therapists' confidentiality codes, providers point out.

Others say that rigorous practices ensuring confidentiality of information would reassure patients.

Currently, though, confidentiality can be breached in a number of ways, providers contend.

For example, unlicensed staff at a self-insured employer may receive confidential information from their managed care company about an employee's condition, claims Henry Engleka, acting administrative director for operations at the American Psychological Assn.

And even the usual clerical lapses that occur in any business can prove traumatic to a person undergoing mental health treatment.

"A 10-page appeal of a denial on a very disturbed, self-destructive patient, emphasizing the pathology. . .in cold, clinical terms—not the words I would have used with my patient—got mailed to her by a major managed care company. She was devastated," said Robert Erard, a psychologist in a Detroit suburb.

—By Louise Kertesz

Psychologist says managed care 'terrified' patient

One California psychologist's experience with managed care in his opinion captures what many providers say is wrong with the system.

Leonard Schwartzburd, a psychologist in Berkeley, said he has been treating a young woman over an eight-year period for a serious dissociative disorder in which she repeatedly cuts or otherwise harms herself. The root of the problem was her hospitalization at age 2 for polio, he explained. She told him that a painful memory was seeing her parents staring at her from behind a glass barrier while nurses placed hot packs on her body.

"She evolved from cutting herself to burning herself with an iron. During sessions, whenever I would touch on emotional material, she would. . .go off into a corner and begin to bang her head on a door frame," Mr. Schwartzburd said.

For six years, the young woman—who was an employee of a public utility—was covered by a health insurance program that covered 50 outpatient sessions per year and paid for 50% of her care up to an annual cap. "That was enough. She was able to afford her care that way, and I was seeing her at a reduced fee once, sometimes twice, a week. And she calls me every day, which I don't charge for," he said.

"Not only was she employed, but she got promoted. She was able to maintain and do a good job. She caused no problems for anyone. She's very shy and conscientious," he said.

But two years ago, her employer switched health insurers. Her coverage was reduced to 30 sessions a year, with a managed care option that paid substantially more per session than unmanaged treatment.

"She chose the managed care option. I was immediately required to submit a lengthy treatment plan, with a diagnosis, which I did."

Mr. Schwartzburd felt ethically obliged to tell his patient he was writing up this information. "She felt like a hostage, which in a sense recapitulated an element in which her psychopathology originally developed," he noted.

Mr. Schwartzburd said he was told by the insurer's psychologist-reviewer, who admitted he was unlicensed, that the information all goes into a computer system and was not secure.

After the psychologist sent in eight pages of information on the patient, "she didn't hear anything. She didn't get any money. The reviewer said he couldn't find any record of having received it. I faxed the pages immediately. And they lost those."

The reviewer then told Mr. Schwartzburd that his superiors "needed a whole new treatment plan, on a new set of forms. I said, 'No way am I going to do it.' I wrote to the president of the company, with copies to the American Psychological Assn."

"I got a call from the head of managed care for all of the company. She demanded that I fill out a whole new form. 'Dr. Schwartzburd, you're one of our providers, aren't you?' she said. It was a definite threat," according to the psychologist.

"They grant her 30 sessions a year. It's not enough. She's coming once a week and paying for the other sessions herself," Mr. Schwartzburd said.

Nevertheless, "She's getting better. She hasn't cut or burned herself for two years, but she almost regressed. It was terrifying for her during this experience," he said.

—By Louise Kertesz

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EAP expansion to improve postal employee services

By DEBORAH SHALOWITZ

The U.S. Postal Service is trying to meet the need for workplace stress reduction that became tragically obvious after recent shooting sprees by distraught postal workers.

The Postal Service currently has 140 on-site employee assistance programs to serve approximately 680,000 active employees, said a Postal Service spokesman in Washington.

Although there are 29,000 Postal Service facilities nationwide, most of these are very small facilities either in rural locations or near large cities. Every major mail processing facility in a large city has an on-site EAP, he said.

However, the counselors that work in the EAPs are Postal Service employees, not professional social workers, psychologists or psychiatrists. And, there is little uniformity among the programs across the country, he said.

To remedy this, the Postal Service plans to hire outside professionals to work on-site with current EAP counselors and to expand offsite services, the spokesman said.

The American Postal Workers Union opposes the expansion of services through the use of outside providers and has filed a grievance against the Postal Service.

Some employees would rather talk to someone they know instead of a stranger, even if the stranger has professional training, said Sidney Brooks, director of human relations for the union in Washington.

Despite the grievance, the Postal Service is going ahead with its EAP expansions, the spokesman for the service said. "The unions are simply opposed in principle to any kind of contracting out," he said. They have "resistance to change whether it's better or not."

The Postal Service routinely contracts out for various services and has done so for more than 30 years, he said. Furthermore, the service is "only in the process of expanding the system to be more inclusive."

In addition to expanding the EAP, the Postal Service last month created a toll-free crisis hot line that employees can call if they are under stress or need immediate help.

The hot line is staffed by employee relations representatives who can contact industrial psychologists.

In addition, Postal Service employees do have access to some mental health benefits through their health insurance plans.

Postal Service workers can choose from hundreds of health insurance plans offered to all federal employees, which include fee-for-service plans, health maintenance organizations, preferred provider organizations and other types of health insurance arrangements.

Under the indemnity arrangements, though, mental health benefits generally are subject to deductibles and copayments (see chart).

"These deterrents are very unfortunate," said James Zender, a clinical psychologist in private practice in Birmingham, Mich.

Mr. Zender, who has worked with Postal Service employees, suggested that instead of having to satisfy a deductible up front, "people should be rewarded" for getting help early.

"Quick prevention and quick intervention would probably greatly reduce costs," he said.

The federal government is committed to at least maintaining the current level of mental health benefits offered to federal employees.

"One of the stipulations to plans during the (renewal) negotiations is that they are not allowed to decrease the coverage" for mental health benefits, said a spokeswoman for the Office of Personnel Management.

A letter outlining guidelines for coverage to all plans participating in the Federal Employees Health Benefits Program states that for mental health and substance abuse benefits, "current levels of benefits will not be reduced."

"All plans must provide mental health benefits at least covering the equivalent of 50% of the cost of 30 inpatient days and 20 outpatient visits per calendar year. Inpatient days can be exchanged for outpatient day treatment at the rate of two day treatments for each inpatient day," the letter states. BI

Neither rain, nor sleet, nor chronic depression

Plan name (Sponsor)	Enrollment Active Postal Service workers	Biweekly postal employee premium Individual/Family	Inpatient benefits Deductible	Inpatient benefits Copayment[1]	Outpatient benefits Deductible	Outpatient benefits Copayment[1]
Blue Cross & Blue Shield Service Benefit Plan-Standard Option	139,000	$5.24/$11.01	Up to $250	40%	$200	40%
Alliance Health Benefit Plan (National Alliance of Postal and Federal Employees)	NA	$20.78/$40.29	$1,000	Varies	$300	50%
American Postal Workers Union	80,000-95,000	$10.64/$18.61	$500	50%	$500	50%
Government Employees Hospital Assn.	33,950	$11.17/$18.56	$500	50%	$250	50%
Mail Handlers Benefit Plan-High Option (National Postal Mail Handlers Union, a division of CIUNA, AFL-CIO)	NA	$4.55/$10.15	up to $125	Varies	None	Varies
National Assn. of Letter Carriers Health Benefit Plan	58,376	$6.66/$12.01	$500	50%	$150	50%
Postmasters Benefit Plan-Standard Option (National League of Postmasters of the United States)	2,941	$13.25/$28.27	$350	20-25%	$350	50%

[1]Copayments are subject to varying maximums Source: Plan brochures

GRAPHIC BY CHRIS ROY

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Mental health captitation plans touted

Employers must guard against undertreatment, however

By CHRISTINE WOOLSEY

Capitation has come to mental health care, and many employers are expressing the same concerns they had when health maintenance organizations first hit the scene: Will the fixed fee paid to providers be enough to ensure adequate care for employees and their families?

While paying managed health care companies or providers a fixed fee per employee lends some predictability to mental health and substance abuse costs, employers often worry that providers have a profit motive to undertreat health plan members.

Consultants and managed care company officials say undertreatment is rare, though. In fact, they say, most providers err on the side of overtreating patients. But they agree it is still important for employers to examine their managed mental health programs closely to be sure cost control and quality care are optimized.

Capitated payment can benefit both employers and providers, said Tom O'Brien, a principal with Alexander & Alexander Consulting Group Inc. in Baltimore. "It gives employers predictability in terms of monthly costs and it off-loads risk to the provider, so if costs exceed the amount, the hospital is at risk."

Providers that cost-effectively treat patients are able to improve their bottom-line results, whereas providers with a less-than-desired track record lose money, he said.

The reason to use capitation is to make sure providers assume some risk and "make physicians aware that there isn't a never-ending supply of patients," said Geoff Deutsch, president of the managed care division of Community Psychiatric Centers, a Laguna Hills, Calif.-based chain of mental health hospitals.

"Managed mental health care has dramatically impacted the way mental health treatment is provided in this country," commented Joan Pearson, a principal in the Seattle office of Towers Perrin. "It has lowered costs because care is better managed. And, it also has reduced utilization of acute care facilities and increased use of alternative sites and treatment."

In fact, inpatient hospital days for psych/substance abuse are dropping about 10% to 15% per year, she said.

At the same time, HMOs and specialized managed mental health vendors are contracting with ancillary providers to treat patients outside a traditional hospital setting.

However, employers should be sure ancillary facilities and physicians receive adequate reimbursement from HMOs—and other intermediaries accepting capitated payments—to effectively treat patients.

"Everyone knows fee-for-service payment in the mental health area is lunacy," said John Erb, a principal with A. Foster Higgins & Co. Inc. in New York. "Providers charge too much, and a fee-for-service arrangement gives them the opportunity to increase utilization."

But, he noted, "With capitation, the trick is making sure providers don't undertreat." For example, providers under a capitation agreement might try to keep patients out of the hospital, where typically more expenses are incurred.

"Capitation is a fine way to reimburse, but from an employer's perspective, the gnawing concern is underutilization through limited access," Ms. Pearson said. Employers worry that patients who encounter long waits or other barriers to treatment—particularly those suffering from mental health and substance abuse problems—will abandon treatment plans and their conditions will worsen.

"The problem is exacerbated substantially by the fact that people who need mental health services can be easily discouraged or might lack persistence," Ms. Pearson said. These problems usually require timely treatment.

For example, a worker suffering from substance abuse may reach a point where he or she admits treatment is necessary, but the worker may enter stages of severe denial if he or she has to wait a few weeks before gaining admission to a facility or seeing a counselor.

Moreover, those patients are not likely to let the HMO or the employer know their treatment needs were not met. "A mother with a sick child would be sure to complain if she was unable to get treatment," but an employee with a substance abuse problem probably won't, Ms. Pearson explained.

That's why it's important for employers to make sure the intermediary with which they contract to provide psych/substance abuse services for a fixed fee has an adequate supply of practitioners and a good quality-assurance program.

"The employer has to be pro-active," suggested Steve Richter, senior health care consultant in the Los Angeles office of The Wyatt Co. And, one way to do that is to request better data, he said.

Most managed mental health vendors collect data, but if they don't—or they don't routinely share it—employers must direct them to do so, Mr. Richter said.

For instance, employers should examine how many people access a network, Ms. Pearson said. "With mental health and chemical dependency, only about 4% to 6% of a population will ever access any of these services, and the vast majority may use only outpatient services." Employers that see substantially smaller percentage of employees receiving treatment should be on the alert for potential access problems.

Employers—or their intermediaries—also should track the average number of sessions or visits per 1,000 covered lives, Ms. Pearson said. And, HMOs should have information on patient waiting times and emergency room care.

Inpatient mental health facilities that refer patients to ancillary providers should provide data on how far in terms of miles and minutes patients must travel to get outpatient treatment. Typically, patients should not have to travel farther than 45 minutes to reach an inpatient facility and 30 minutes to reach an outpatient provider, Ms. Pearson advised.

Managed mental health care companies also should give employers information on provider credentialing and how they track patient outcomes, she said. BI

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Measuring treatment outcomes

Mental health care research is still in its infancy

By JOANNE WOJCIK

Like their counterparts in the medical field, mental health care providers are attempting to develop objective standards for measuring the effectiveness of the treatment they provide.

However, few of the so-called outcome measurement studies conducted so far have been objective gauges of treatment efficacy, critics charge, because they have relied on patient satisfaction survey data.

And because none of the legitimate outcome studies conducted so far has been collaborative, it is unlikely the information these firms are gathering in competition with one another will be combined to create a national data base for measuring mental health treatment.

"Everybody is rushing to do something because there's nothing out there," observed Martha Sherwood, a clinical psychologist and consultant for The Wyatt Co. in New York. "This is uncharted territory."

Among the studies underway:

- CIGNA Corp.'s MCC Behavioral Care unit in Eden Prairie, Minn., has teamed up with the University of Minnesota's Health Services Department to develop a clinical information system to measure outcomes, focusing first on substance abuse treatment.
- Florida Psychiatric Management Inc. in Winter Park, Fla., has teamed up with the Center for Outcomes Research & Clinical Effectiveness at the University of Arkansas to see whether patients with depressive disorders fare better with managed care providers than with independent practitioners.
- Value Health Inc.'s American Psychmanagement unit in Arlington, Va., is developing an outcome measurement system to evaluate providers and help them change ineffective practice patterns.
- Preferred Health Care Ltd. in Wilson, Conn., is comparing the effectiveness of its treatment program against that in non-managed settings, using employee populations from Xerox Corp. and two other major employers.
- Integra Inc. of Radnor, Pa., is testing its COMPASS system, which evaluates family, medical, psychological and work-related problems and treatments and measures them against a data base of validated treatment outcomes developed by Northwestern University.
- Private Health Care Systems Inc. of Lexington, Mass., is collaborating on a study of mental health treatment with the American Psychological Assn.

Until recently the only available measurements of mental health treatment have been patient satisfaction surveys developed by managed care firms' marketing departments, said Donald F. Anderson, national practice leader-mental health/substance abuse at William M. Mercer Inc. in San Francisco.

"There's a lot of literature on psychiatric treatment regarding diagnoses and what treatment techniques work best," said Ron Hersch, director of mental health product development for Private Health Care Systems. But developing a data base to conduct long-term studies requires "a level of sophistication that managed care hasn't yet achieved."

The focus of managed care until recently has been on determining treatment necessity, while much of the university research so far has focused on nuances within treatment, he said.

But economic pressures continue to compel mental health firms to develop more credible measures of treatment efficacy, say observers.

Although university researchers have been developing instruments for measuring treatment efficacy over the past 15 years, they are relatively untested, observers say.

"The number of subjects has been too small to summarize results," said David Cunningham, vp of clinical operations for Florida Psychiatric Management Inc. in Winter Park, Fla. Surveying the general population is both expensive and time-consuming, he added.

For example, researchers like Ken Howard at Northwestern University took four years to develop a workable mental health care tracking system in conjunction with Integra Inc., a mental health and substance abuse treatment manager. That system is in its fourth generation, following 10 years of unsuccessful versions that failed to successfully predict outcomes, according to Grant Grissom, vp of research and development for Integra.

Most managed mental health care firms conducting outcome studies are using tools already developed by researchers, such as: Rand Corp.'s SF 36, a short form of the Symptoms Checklist 90 used to measure medical treatment outcomes; the Behavioral Symptoms Index; and the Alcohol Use Inventory.

Wyatt's Ms. Sherwood said these tools are widely used because they meet three criteria: They are reliable and valid, providing the same results consistently; they are based on an established data base for purposes of comparison; and they are tied to specific life functions.

Unfortunately, the objective data being culled by the serious outcome measurement studies is still the closely guarded purview of mental health care vendors' marketing departments, making it unlikely that a national data base will be developed in the near future.

While some groups, like the Institute for Behavioral Health in San Francisco, have tried to spearhead a joint effort to pool data, "so far it's been every group for itself," observed Mercer's Mr. Anderson.

But if the day ever arrives when mental health care vendors become less competitive and more collaborative, they likely will have considerable information at their fingertips to develop reliable treatment measures, observers believe.

"A lot of organizations have laid the groundwork and are on the verge now," said Mercer's Mr. Anderson. "By next year, a lot (of studies) will actually be in progress and by the end of the year we will see some results that mean something."

Health care reform will accelerate development of outcome measures, Ms. Sherwood says, because "providers need to justify the necessity and cost of treatment to survive."

And while it will never be possible to develop a "cookbook approach" to psychiatry, "what could be standardized are the methods used to measure outcomes," she said. BI



Employer resource guide of health care information

■ Employers are shown how to **use utilization management to avoid unnecessary medical procedures** and save money on employee health benefits in a brochure from HealthNetwork. Request item 2101.

■ A survey describing how hundreds of organizations are coping with emerging **FAS 106 liabilities** are discussed in a 20-page publication from Hay/Huggins Co. Inc. Request item 2102.

■ An overview of Crawford & Co.'s medical case management services to **control health benefit costs without sacrificing the quality of care** is described in an eight-page brochure. Request item 2103.

■ Midwest Vision Service Plan offers a 14-page booklet with an overview of **prepaid vision care benefits**. Request item 2104.

■ Options available to employee benefits professionals in their search to **reduce medical and disability claims costs** are covered in a booklet from CONSERVCO. Topics covered include workers comp PPOs, utilization review, cost management, computerized medical bill review and more. Request item 2105.

■ Progressive Health Management Inc. offers a group of brochures dealing with health and mental health care cost containment thru **utilization management, case management, bill audits, wellness programs** and more. Request item 2106.

■ Crawford & Co. helps **control workers comp medical and indemnity costs** through a program that screens lost time cases, detects potentially serious or high cost cases, offers alternative care recommendations and more. Request item 2107.

■ William M. Mercer Inc. details the three major **variations of the managed competition concept for health care reform**. A discussion of the main issues in health care reform is also covered in this booklet. Request item 2108.

■ An article available from Alexander Consulting Group offers **solutions to human resource executives faced with increased workers comp claims** due to lower employee health care benefits. Request item 2109.

■ Modeling and related techniques to help employers **obtain and analyze health care data to bring costs under control** are discussed in this article offered by Buck Consultants Inc. Request item 2110.

■ A brochure offered by Booke & Co. addresses **FAS 106 implications** in the design features of health care plans for retirees. Request item 2111.

■ "High Risk Pregnancy," a booklet supplied by Action Healthcare Management Services Inc., supplies **statistical information on at-risk pregnancies** and provides suggestions to help avoid the "million-dollar" baby. Request item 2112.

■ Crawford & Co. presents an article examining **magnetic resonance imaging management,** efficiency, quality and impact on health care costs. Request item 2113.

■ The Prudential Health Care System brochure overviews a variety of innovative programs ranging from **traditional to managed health care coverage**. Request item 2114.

■ An article from Godwins Booke & Dickenson addresses **lowering health care costs by reducing the demand for health services** through preventive care. It includes data and strategies for establishing work-site health promotion programs. Request item 2115.

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■ A report on **trends in plan cost, design, funding and administration** is furnished by Johnson & Higgins. Request item 2119.

■ Crawford & Co. presents a five-page article that examines the issue of **rising health care costs and offers an alternative response** to the view that our health care system is in crisis. Request item 2120.

■ A 120-page guide provides a step-by-step approach to **implementing FAS 106**. The Coopers & Lybrand guide includes plan design changes and financing and funding options. Request item 2121.

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■ Crawford & Co. offers a quarterly brochure examining the problems of **health costs and related issues**. Request item 2123.

■ A "COBRA Checkup Kit" is provided by Applied Benefits Research Inc. in order to help **evaluate COBRA administration,** spot compliance problems and potential liabilities and uncover savings opportunities. Request item 2124.

■ StayWell Health Management Systems Inc. offers two information sheets on programs that allow companies to **obtain baseline information on health risks,** provide personalized recommendations for change and track employee progress. Request item 2125.

■ Information on utilization management, PPOs and case management is included in a brochure that overviews Crawford & Co.'s group **health care cost containment services**. Request item 2126.

■ A flyer from HealthNetwork Inc. illustrates the **specific savings realized, through the use of PPO options,** by three companies of varying size. Request item 2127.

■ "Guide to Better Hearing," a brochure from Beltone Electronics Corp. provides information on hearing loss, **hearing aids** and why it's important to have regular check-ups. Request item 2128.

■ An article from Crawford & Co. discusses **computerized tomography scanners,** comparing CT scanners to magnetic resonance imaging systems and evaluating their impact on health care costs. Request item 2129.

■ An article supplied by Buck Consultants Inc. describes a strategy to **improve and gain control over costs of retiree health care benefits**. Request item 2130.

■ Central Reserve Life offers a pamphlet with insight into why the U.S. demand for convenience, speed and high-tech medical care is contributing to the **soaring costs of health care.** Request item 2131.

■ An overview of a **medical case management program** designed to handle severe or complex medical treatment or high financial exposure is offered by Crawford & Co. Included is a directory of nurse specialists. Request item 2132.

■ An overview of the proposed **managed competition policy**—and suggestions for shaping the policy to make maximum use of employers in purchasing health care wisely and economically—is offered by Health Economics and Market Analysis. Request item 2133.

■ A flyer on insured or self-funded **managed vision care services** is available from Spectrum Benefits Management Corp. Request item 2134.

■ William M. Mercer Inc. supplies a booklet detailing the new **Family and Medical Leave Act** and how to develop policies to fit with other benefits and human resource programs. Request item 2135.

■ An Alexander Consulting Group Inc. paper explores **health care issues confronting America today** and presents a leadership position on health care thinking for the future. Request item 2136.

■ An overview of Crawford & Co.'s **long-term care services,** which coordinates appropriate care for elderly, chronically ill or disabled individuals, is presented in a four-page booklet. Request item 2137.

■ Different assumptions that comprise the valuation of **post employment welfare benefits and how they impact FAS 106 expense** are explained in an article from Booke & Co. Request item 2138.

■ **Employer-sponsored long term care coverage** is discussed in a publication from William M. Mercer Inc. Request item 2139.

■ Crawford & Co.'s internal **return-to-work/ADA related program** information explains how to reduce the indemnity time frame by placing injured employees in transitional positions. Request item 2140.

■ The Spring edition of "Managed Care News," a newsletter from GAB Business Services Inc., overviews GAB's **managed care program.** Request item 2141.

■ Hay/Huggins Co. Inc. offers a guide on the general concepts behind the **national health care reform.** The report covers the likely impact on employers and providers. Request item 2142. BI

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Directory of employee assistance program vendors

A

Affiliated Healthcare Systems

30 Summer St., Bangor, Maine 04401; 207-942-0472; fax: 207-941-0873

Services began: 1982.
Parent: Eastern Maine Healthcare.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: occupational problems, legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.
Education training: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling, counseling offices of subcontract coordinators.
Staff: 11; 55 clinical staff members, including 21 CEAP, 28 MSW, 20 CAC, one MD, two RN, eight Ph.D. designations. On-site: four social workers, five professional/mental health counselors. Contracted: eight psychologists, 24 social workers, 13 professional/mental health counselors, one physician.
Specialties: Companies with multiple locations throughout the Northeast.
Service area: Connecticut, Maine, New Hampshire, New Jersey, New York, Rhode Island, Vermont.
Clients: 55. Lives covered at year-end 1992: 160,000 total, including 55,000 employees and 105,000 dependents.
1992 revenues: $625,000; 90% from EAP services, 10% from managed mental health care services.
Officers: Frank J. Hannon, president; Miles Theeman, executive vp.
Contact: Miles Theeman.

Archbold Employee Assistance Programs

414 Park Ave., Thomasville, Ga. 32308; 912-228-6171

Services began: 1988.
Parent: John D. Archbold Memorial Hospital.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, depression, career counseling. Occasional: suicide.
Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.
Staff: Three; two clinical staff members. On-site: marriage/family/child counselors, professional/mental health counselors. Contracted: psychiatrists, psychologists.
Facilities: Two.
Service area: Decatur, Grady, Thomas, Mitchell and Brooks counties, Ga.
Clients: 10. Lives covered at year-end 1992: 9,700 total, including 4,300 employees and 5,400 dependents.
1992 revenues: $34,000; 100% from EAP services.
Officers: Paul Peavy, director.

Archeus Foundation Ltd.

3 First National Plaza, Suite 1400, Chicago, Ill. 60602; 312-461-1907; fax: 312-467-3828

Services began: 1968.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: suicide, legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review.
Utilization review services: Case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 14, including nine CEAP, three MSW, five CAC, one MD, one Ph.D. designations. On-site: four social workers, four professional/mental health counselors. Contracted: two psychiatrists, four psychologists.
Service area: Nationwide.
Clients: 1,400. Lives covered at year-end 1992: 350,000 total, including 100,000 employees and 250,000 dependents.
Officers: Sterling M. Minturn, executive director; Paul Hewett, director; John Deely, director; Larry Finder, director.

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MultiPlan
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B

BEMW Inc.

7984 D Old Georgetown Road, Bethesda, Md. 20814; 301-657-8922; fax: 301-657-8924

For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse. Occasional: suicide, legal problems, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling, as contracted.
Staff: Six; eight clinical staff members, including two CEAP, four MSW, two CAC, one RN designations. On-site: one social worker, three professional/mental health counselors. Contracted: three social workers, one marriage/family/child counselor.
Specialties: Government, real estate management, high tech, associations.
Service area: Baltimore, Washington and northern Virginia.
Clients: Seven. Lives covered at year-end 1992: 16,000 total.
1992 revenues: $320,000; 80% from EAP services.
Officers: Irene Mendelson, president; Dr. Sander H. Mendelson, treasurer.

C

The Center for Employee Assistance

10335 W. Oklahoma Ave., Milwaukee, Wis. 53227; 414-327-7017; fax: 414-327-1154

Services began: 1982.
Parent: Southeastern Wisconsin Medical & Social Services Inc.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, school problems, eating disorders, adult/children of dysfunctional families. Occasional: suicide.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, conflict resolution, communication skills. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 50; 90 clinical staff members, including three CEAP, 38 MSW, seven CAC, 12 MD, two RN, nine Ph.D. designations. On-site: 12 psychiatrists, nine psychologists, 38 social workers, 60 marriage/family/child counselors, 54 professional/mental health counselors.

Continued on next page

Continued from previous page

Specialties: Hospitals, municipalities, airlines, food industry, manufacturers, colleges.

Service area: Kenosha, Milwaukee, Ozaukee, Racine, Walworth, Waukesha and Washington, Wis.

1992 revenues: 100% from EAP services.

Officers: Lawrence Neuser, president; Maryann Gorski, director.

Contact: Maryann Gorski, 800-227-7696.

Ann Clark Associates

8899 University Center Lane, Suite 385, San Diego 92122; 619-452-1254; fax: 619-452-7819

Services began: 1985.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Three; five clinical staff members, including three CEAP, three CAC, one MD, one RN, three Ph.D. designations. On-site: one psychologist, three marriage/family/child counselors, one dietician. Contracted: one psychiatrist, one social worker, 10 marriage/family/child counselors, one physician.

Facilities: One.

Service area: California, Illinois, Hawaii.

Clients: 10. Lives covered at year-end 1992: 2,500 total, including 2,000 employees and 500 dependents.

Officers: Ann D. Clark, president; Tandice Clark, office manager; Deanna Smith, CFO; Trudy Taylor, administrative assistant.

Corporate Services

372 Fullerton Ave., Newburgh, N.Y. 12550; 914-562-8240; fax: 914-562-0813

Services began: 1986.

Parent: Pius XII Youth & Family Services.

Not for profit.

Assessments & treatments: Frequent: stress, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent adjustment issues and assessment. Occasional: occupational problems, suicide.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, wellness workshops. Occasional: smoking cessation, AIDS awareness, elder care.

Educational/general services: Employee education; supervisor training; drug-free workplace adherence; workplace problem identification; psychiatric disability review; training/consultation for human resource management; staff management, training and development.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities, phone counseling.

Staff: Five; 25 clinical staff members, including five CEAP, 15 MSW, 10 CAC, three MD, five RN, 10 Ph.D. designations. On-site: three social workers. Contracted: three psychiatrists, 10 psychologists, 12 social workers, five marriage/family/child counselors, five professional/mental health counselors.

Facilities: 25.

Specialties: Not for profit groups.

Service area: Nationwide, including Puerto Rico.

Clients: 33. Lives covered at year-end 1992: 50,000 total, including 10,000 employees and 40,000 dependents.

1992 revenues: $328,200; 100% from EAP services.

Officers: Brother Robert Fontaine, president/CEO.

Corporate Support Strategies

3100 Airway, Suite 105, Costa Mesa, Calif. 92626; 714-754-1144; fax: 714-754-1009

Services began: 1978.
Parent: YMCA.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, domestic violence, adult survivors of abuse, depression, child management. Occasional: suicide, legal problems, financial concerns, adolescent treatment.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, child management, anger management. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Six; 15 clinical staff members, including three CEAP, four MSW, one CAC, two MD, two Ph.D. designations. On-site: two psychiatrists, two psychologists, two social workers, five marriage/family/child counselors, two professional/mental health counselors. Contracted: two social workers, six marriage/family/child counselors.

Facilities: 250.

Specialties: Manufacturing, electronics, unions, aerospace.

Service area: Los Angeles and Orange,

Continued on page 24

How to use directories of vendors

The third annual *Business Insurance* directory of employee assistance programs and managed mental health care providers lists organizations that provide these services directly to employers on a stand-alone basis.

Business Insurance defines an employee assistance program as counseling and training to assist employees in the identification and resolution of personal problems and may include referrals to specialists for treatment. Managed mental health care networks offer an integrated mental health care plan with assessment, treatment by the contracted network and utilization review.

The EAP and managed mental health care provider listings appear in separate sections. All organizations listed in the managed mental health care section offer EAP services as well, unless noted. The listings begin with the company name and address, followed by the year **services began**, **parent company** (if any) and whether the organization is for profit or not for profit.

Services available are listed under three categories—**assessment and treatment**; **health promotion**; and **educational/general services**—and are noted as being offered frequently or occasionally.

Utilization review services are noted next, followed by **sites** of counseling and treatment.

Information on **staff** (given in full-time equivalents for 1992) includes the number of salaried staff members providing EAP/managed mental health services and the number of clinical staff members, including independent contractors. Professional designations and memberships held by the clinical staff are also listed here. The number of specific types of staff members both on-site and contracted are noted next.

Number of participating **facilities** includes hospitals, treatment centers and halfway houses. **Specialties** lists particular types of business or industry the organization services.

The geographic **service area**, usually given by state and county, is followed by total number of employer **clients** served at year-end 1992 and total number of lives covered at year-end 1992.

When reported, 1992 **gross revenues** are included. **Principal officers** and a **contact person** for those seeking more information complete the listings.

There is no charge to be included in the directory. Information reported is based on each company's responses to a *BI* questionnaire. Although every effort is made to publish complete and accurate listings, *BI* is unable to verify all information.

If you want to receive a questionnaire for next year's directory, write Kathy Welyki, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590.

Following are the full professional designations for those abbreviated under the staff heading:

CAC is Certified Alcohol Counselor; **CEAP** is Certified Employee Assistance Program Counselor; **MD** is medical doctor; **MSW** is Masters in Social Work; **Ph.D.** is doctor of philosophy; **RN** is registered nurse.

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Continued from page 21

Calif.

Clients: 14. Lives covered at year-end 1992: 60,000 total, including 20,000 employees and 40,000 dependents.

1992 revenues: $300,000; 100% from EAP services.

Officers: George Scobas, executive director; Adrienne Stokols, director; Marie Polhamus, coordinator; Susan Ambrozich, clinical director; Deborah Travis, clinical supervisor.

Contact: Adrienne Stokols.

D

DCC/The Dependent Care Connection Inc.

P.O. Box 2783, Westport, Conn. 06880; 203-226-2680; fax: 203-226-2852

Services began: 1984.
For profit.
Assessments & treatments: Frequent: child care, elder care.
Health promotion services: Frequent: elder care, child care.
Educational/general services: Child care, elder care.
Counseling sites: Phone counseling.
Staff: 40. On-site: 40 dependent-care counselors.
Service area: Nationwide.
Clients: Lives covered at year-end 1992: 450,000, including 300,000 employees and 150,000 dependents.
Officers: John B. Place, president; Jeffrey A. Burki, Peter G. Burki, executive vps; Norma E. Savarino, vp.
Contact: John B. Place.

Dor & Associates Inc.

430 First Ave. N., Suite 216, Minneapolis, Minn. 55401; 612-332-4805; fax: 612-342-2422

Services began: 1978.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns. Occasional: adolescent treatment, senior caregiver.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, AIDS awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: EAP/mental health care facilities, phone counseling.
Staff: Six; 12 clinical staff members, including seven CEAPs, two MSWs, one Ph.D. On-site: five psychologists, three social workers, two marriage/family/child counselors. Contracted: two psychologists.
Facilities: Five.
Service area: Minnesota.
Officers: Janet Deming, CEO.
Contact: Linda Houden.

E

EAP, Service of Mount Auburn Hospital

55 Wheeler St., Cambridge, Mass. 02138; 617-661-0090 or 800-888-5105; fax: 617-661-3978

Services began: 1981.
Parent: Mount Auburn Hospital.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, co-dependency, eating disorders, mental illness. Occasional: legal problems, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, communication skills, personal growth, development, financial planning. Occasional: smoking cessation, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: Nine; eight clinical staff members, including one CEAP, eight MSWs, two CACs, one Ph.D. On-site: eight social workers. Contracted: one psychiatrists, three psychologists, seven social workers.
Facilities: 44.
Service area: Massachusetts, New Hampshire.
Clients: 28. Lives covered at year-end 1992: 16,000, all employees.
1992 revenues: $350,000; 100% from EAP services.
Officers: Frank Lynch, president; Lucy Farmer, Katharine Whidden, Tim O'Neal, and Peter Gerace, vps.
Contact: Nancy Zare, director.

EAP Systems

51 N. 12th St., Kansas City, Kan. 66102; 800-624-5544; fax: 913-281-8494

Services began: 1978.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse. Occasional: suicide, legal problems, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, child care issues.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, family communications, parenting.
Utilization review services: Inpatient precertification, outpatient precertification, case management.

Continued on page 26

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Continued from page 24

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 16; 12 clinical staff members, including seven CEAP, six MSW, five CAC, one MD, one Ph.D. designations. On-site: one psychiatrist, one psychologist, six social workers, one marriage/family/child counselor four professional/mental health counselors. Contracted: 20 psychiatrists, 225 psychologists, 165 social workers, 110 marriage/family/child counselors, 100 professional/mental health counselors.

Facilities: 425

Specialties: Multiple-site employers in rural areas.

Service area: Nationwide including Puerto Rico and Canada.

Clients: 4,600. Lives covered at year-end 1992: 350 000 total.

1992 revenues: 100% from EAP services.

Officers: Richard H. Ready, director; Lin Jeffery, national network manager.

Contact: Richard H. Ready.

EmployASSIST Inc.

3230 Lake Worth Road, Suite C,
P.O. Box 7033, Lake Worth, Fla.
33466-7033; 407-967-8025;
fax: 407-967-4543

Services began: 1973.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Six; 20 clinical staff members, including four CEAP, four MSW, five CAC, two MD, two EN, six Ph.D. designations. On-site: one psychiatrist, one social worker, one marriage/family/child counselor, two professional/mental health counselors. Contracted: one psychiatrist, four psychologists, three social workers, six professional/mental health counselors, one physician.

Facilities: Eight.

Specialties: Small and medium-size employer groups.

Service area: Florida, Southeastern United States.

Clients: 36. Lives covered at year-end 1992: 14,000 total, including 4,000 employees and 10,000 dependents.

1992 revenues: $180,000; 75% from EAP services.

Officers: Jerry A. Wilson, president; Donald J. Steenhoek, vp.

Contact: Jerry A. Wilson.

Employee Assistance Program

1000 Hastings St., Traverse City, Mich.
49684; 616-947-8387;
fax: 616-947-3522

Services began: 1972.
Parent: Catholic Family Social Services.
Not for profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, management issues, conflict management. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Six; five clinical staff members, including one CEAP, four MSW, four CAC, one Ph.D. designations. On-site: one psychologist, four social workers, one marriage/family/child counselor. Contracted: two psychiatrists, one physician.

Facilities: five.

Service area: Michigan.

Clients: 50. Lives covered at year-end 1992: 500 total, including 425 employees and 75 dependents.

1992 revenues: $60,000; 100% from EAP services.

Officers: Chuck Veeser, executive director; Dave Martin, Jim Skiera, Kathy Wilkinson, Bill Morford, area directors.

Contact: Bill Wares.

Employee Assistance Program Consultants Inc.

3330 Fiechtner Dr., Fargo, N.D. 58103;
701-235-4440; fax: 701-235-0306

Service began: 1984.
For profit.

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

Health promotion services: Occasional: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness.

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

Utilization review services: Case management.

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.

Staff: Eight; 12 clinical staff members, including two CEAP, three CAC designations. On-site: two marriage/family/child counselors, one professional/mental health counselor. Contracted: 10 psychologists, 20 social workers, 10 marriage/family/child counselors.

Service area: Kansas, Minnesota, Nebraska, North Dakota, South Dakota.

Clients: 100. Lives covered at year-end 1992: 27,000 employees.

Officers: Bill Kippley, president; Larry L. Johnson, Kathy Marcil, vps.

Contact: Larry L. Johnson.

Employee Assistance Program Services

18101 Prince Philip Drive, Olney,
Md. 20832; 301-570-3900;
fax: 301-570-0211

Services began: 1981.
Parent: Montgomery General Hospital Inc.
Not for profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control. AIDS awareness, elder care.

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

Utilization review services: Outpatient precertification.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 18; 14 clinical staff members, including two CEAP, 10.6 MSW, 10.6 CAC designations. On-site: 10 6 social workers, four professional mental health counselors. Contracted: 1 psychiatrist.

Facilities: One.

Specialties: Federal government.

Service area: Anne Arundel Howard, Montgomery and Prince George's, Md.; Burlington and Ocean, N.J.; Fairfax Va.; District of Columbia.

Clients: 19. Lives covered at year-end 1992: 61,049 total.

1992 revenues: $818,000; 100% from EAP services.

Officers: Peter Monge, president/CEO; John Hogarty, CFO; Eric Gundlach., vp-human resources; Kent Fangboner, assistant vp-addiction/mental health center; Vicki Thompson-Jones, director-EAP services.

Contact: Vicki Thompson-Jones.

Employee Counseling Associates Inc.

612 Pasteur Drive, Suite 207
Greensboro, N.C. 27403;
919-854-1760; fax: 919-634-0162

Services began: 1969.
For profit.

Assessments & treatments: Frequent: stress, family/marital problems, alcohol abuse, drug/chemical abuse. Occasional: occupational problems, suicide, financial concerns, adolescent treatment, gerontology.

Health promotion services: Frequent: alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, stress management, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.

Staff: Two; three clinical staff members, including one CEAP, two MSW, one CAC, one RN designations. On-site: two social workers, one marriage/family/child counselor. Contracted: one psychologist, one social worker.

Facilities: Five.

Specialties: Hospital, union, utilities, manufacturing, transportation, insurance, distributing.

Service area: Alamance, Forsyth, Guilford and Rockingham, N.C.

Clients: 14. Lives covered at year-end 1992: 9,000 employees.

1992 revenues: $200,000; 100% from EAP services

Officers: Nelson B. Hodgkins, president; Merle D. Walker, secretary/treasurer.

Contact: Nelson B. Hodgkins.

F

Families First

1105 W. Peachtree St. N.E., Atlanta,
Ga. 30309; 404-853-2800 or
404-353-2862; fax: 404-853-2889

Services began: 1920.
Parent: Child Service and Family Counseling.

Assessments & treatments: Stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, trauma counseling/crisis debriefing, parent/child concerns, family violence, relationship problems. Occasional: suicide, legal problems, financial concerns, adolescent treatment, eating disorders.

Health promotion services: Frequent: stress management alcohol awareness, drug/chemical awareness, AIDS awareness. Occasional: elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, gatekeeper role.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 34; 31 clinical staff members, including one CAC designation. On-site: 31 social workers, three marriage/family/child counselors, three professional/mental health counselors. Contracted one psychiatrist.

Facilities: Nine.

Service area: Butts, Clayton, Cobb, DeKalb, Douglas, Fayette, Fulton, Henry,

Continued on next page



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Rockdale, Gwinnett and Paulding, Ga.

Clients: 110. Lives covered at year-end 1992: 45,000 total, including 31,500 employees and 13,500 dependents.

1992 revenues: $6.3 million; 2% from EAP services, 0.53% from managed mental health services.

Officers: Robert M. Weaver, executive director; Juanita Robinson Carter, board president; James L. Curry, board vp; Quintus W. Sibley, board treasurer; Mrs. George W. Brumley, board secretary.

Contact: Cynthia A. Jones, coordinator of corporate services.

Family Service Assn. of Greater Lawrence

430 N. Canal St., Lawrence, Mass. 01840; 508-683-9505

Services began: 1984.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, family and mental health issues. Occasional: smoking cessation, nutrition/weight control.

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

Counseling sites: EAP/mental health care facilities.

Staff: 20; 12 clinical staff members, including eight MSWs, one M.D., one R.N. On-site: one psychiatrist, two psychologists, seven social workers, one professional/mental health counselor.

Service area: Essex, Mass.; southern New Hampshire; nationwide through Family Service Network.

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

Contact: Leonard DeBenedictis.

Family Service Mid-Peninsula

375 Cambridge, Palo Alto, Calif. 94306; 415-326-9880; fax: 415-326-1340

Services began: 1980
Not for profit.

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

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

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

Utilization review services: Inpatient precertification, outpatient precertification, case management.

Counseling sites: All worksites, EAP/mental health care facilities.

Staff: Eight; six clinical staff members, including one CEAP, three MSWs, one CAC, one M.D. On-site: one psychiatrist, one psychologist, three social workers, three marriage/family/child counselors.

Specialties: Medical, high-tech, theme parks, publishing, educational.

Service area: Nationwide.

Clients: 20. Lives covered at year-end 1992: 43,000, including 15,000 employees and 33,000 dependents.

1992 revenues: $200,000; 100% from EAP services.

Officers: Chester F. Villalba, executive director; M.J. Loughran, director-corporate services; Candace Pierce, associate director; Leon Beckler, CFO.

Contact: M.J. Loughran.

I

Insight Employee Assistance Program

770 E. Shaw Ave., Suite 112, Fresno, Calif. 93710; 209-226-7437; fax: 209-226-5937

Services began: 1978
Parent: Community Hospitals of Central California.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment, depression, co-dependency. Occasional: suicide, legal problems, financial concerns.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, critical incident stress debriefing.

Utilization review services: Case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 10; nine clinical staff members, including three CEAPs, two MSWs. On-site: two social workers, four marriage/family/child counselors, one professional/mental health counselor, two CRCs.

Specialties: Health care, education, banking, government employees.

Service area: California.

Clients: Lives covered at year-end 1992: 20,000 employees and 30,000 dependents.

1992 revenues: $300,000.

Officers: Terry Curley, president; Michael Lucid, director; Torene Bonner, manager.

Contact: Torene Bonner.

Institute for Human Resources

9705 Data Park Drive, Minnetonka, Minn. 55343; 612-945-6648; fax: 612-945-6630

Services began: 1981.
Parent: United HealthCare Corp.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, violence in the workplace, sexual harassment, grief & loss. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Service area: Worldwide.

Clients: 280. Lives covered at year-end 1992: 1.9 million.

1992 revenues: $7.4 million.

Officers: R. Edward Bergmark, CEO; Phil Dell, director-sales/marketing.

Contact: Scott R. Erhardt, manager-marketing, 612-945-6627.

K

The Keystone Center

2001 Providence Road, Chester, Pa. 19013; 215-876-9000; fax: 215-876-5441

Services began: 1992.
Parent: Universal Health Services Inc.
For profit.

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

Health promotion services: Frequent: physical fitness/exercise, stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: All worksites.

Staff: 10; six clinical staff members, including one CEAP, one MSW, three CACs, two M.D.s, two R.N.s, one Ph.D. On-site: one psychiatrist, one psychologist, one social worker, three marriage/family/child counselors, three professional/mental health counselors, one physician.

Facilities: Three.

Specialties: Public safety organizations.

Service area: Delaware, New York, Pennsylvania.

Clients: Two. Lives covered at year-end 1992: 409 employees and 626 dependents.

1992 revenues: $53,654.

Officers: Paul B. Henry, managing director; Frank B. Krause, director-development.

Contact: Paul B. Henry.

L

Ligonier Valley Treatment Center

RD 1, Box 190, Stahlstown, Pa. 15687; 412-593-6311; fax: 412-593-6316

Services began: 1986.
Not for profit.

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

Health promotion services: Frequent: alcohol awareness, drug/chemical awareness. Occasional: physical fitness/exercise, nutrition/weight control, stress management.

Educational/general services: Employee education, supervisor training, workplace problem identification.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: Two; 10 clinical staff members, including one CEAP, three MSWs, two CACs, two M.D.s, five R.N.s, one Ph.D. On-site: five professional/mental healthcounselors, two physicians. Contracted: one psychiatrist, one psychologist.

Facilities: Two.

Service area: Pennsylvania.

Contact: Patrick Shields, director-community relations.

Lincoln EAP Inc.

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

Services began: 1974.
Not for profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, physical fitness/exercise, AIDS awareness.

Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, critical incident stress debriefings.

Utilization review services: Inpatient precertification, outpatient precertification, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities.

Staff: 11.5; nine clinical staff members, including five CEAPs, two MSWs, one CAC. On-site: two social workers, seven professional/mental health counselors. Contracted: four psychologists, five social workers, 15 professional/mental health

Continued on next page

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counselors.

Specialties: Police and fire departments, educational institutions, small businesses.

Service area: Nebraska.

Clients: 70. Lives covered at year-end 1992: 62,500, including 25,000 employees and 37,500 dependents.

1992 revenues: $471,295; 100% from EAP services.

Officers: D. Doc Chaves, board president; Art Sharp, vp; Bob Snow, secretary/treasurer; Kelley Baker, director; Deb Fischer, director.

Contact: Kristine Brennan, executive director.

Longview Associates Inc.

237 Mamaroneck Ave., Suite 404, White Plains, N.Y. 10605; 914-946-0525; fax: 914-683-0037

Services began: 1972.
Not for profit.

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

Health promotion services: Frequent: nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities.

Staff: Seven, all clinical staff members, including six CEAPs, two MSWs, six CACs.

Specialties: Non-profit schools, hospitals.

Service area: Nationwide.

Clients: 63. Lives covered at year-end 1992: 35,000 employees.

1992 revenues: 100% from EAP services.

Officers: Marcia E. Nagle, president; T.J. Elliott, vp.

M

Maschhoff, Barr & Associates

P.O. Box 11268, Tacoma, Wash. 98411-0268; 800-441-3119; fax: 206-596-5656

Services began: 1979.
Parent: Pierce County Medical.
For profit.

Assessments & referral: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, mandatory referrals. Occasional: suicide.

Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, coping with change.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities.

Staff: 58; 2,630 clinical staff members, including 1,497 MSWs, five M.D.s, 261 R.N.s, 867 Ph.D.s. On-site: one psychiatrist, two psychologists, six social workers, six marriage/family/child counselors. Contracted: five psychiatrists, 867 psychologists, 1,497 social workers, 1,986 marriage/family/child counselors, 2,630 professional/mental health counselors, five physicians.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 960,000, including 300,000 employees and 660,000 dependents.

Officers: Thomas Maschhoff, president; Bill Barr, CEO.

Contact: Chris Parsons.

Mastrich & Associates

128 Main St., Kingston, N.J. 08528; 609-921-3665

Services began: 1987.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Three, all clinical staff members, including two MSWs, three CACs, three Ph.D.s. On-site: two psychologists, one social worker. Contracted: one psychologist, one social worker.

Service area: Mercer, Middlesex and Somerset, N.J.

Clients: Five. Lives covered at year-end 1992: 2,800, including 700 employees and 2,100 dependents.

Contact: Jim L. Mastrich, director.

Medcenter One Employee Assistance Program

300 N. Seventh St., Bismarck, N.D. 58501; 800-526-8648 or 701-224-6765; fax: 701-224-6934

Services began: 1980.
Parent: Medcenter One.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, adolescent treatment, general mental health and relationship problems. Occasional: suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns.

Health promotion services: Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, workplace problem identification, drug free workplace.

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

Counseling sites: EAP/mental health care facilities, phone counseling.

Staff: 12; nine clinical staff members, including one CEAP, six MSWs, one CACs, one Ph.D.. On-site: one psychologist, six social workers, two addiction counselors.

Service area: North Dakota.

Officers: Lowell Flemmer, director.

Medical Center Psychiatric Associates

1671 Grant St., Portsmouth, Ohio 45662; 614-354-8684; fax: 614-354-1168

Services began: 1993.
Parent: Southern Ohio Medical Center.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, adolescent treatment. Occasional: alcohol abuse, drug/chemical abuse.

Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control. Occasional: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, parent education.

Educational/general services: Employee education, supervisor training, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Utilization review services: Inpatient precertification, outpatient precertification.

Counseling sites: EAP/mental health care facilities.

Staff: Four clinical staff members, including one MSW, one M.D., two Ph.D.s. On-site: one psychiatrist, two social workers, one professional/mental health counselor.

Facilities: One.

Service area: Adams, Galla, Lawrence, Pike and Scioto, Ohio; Boyd, Greenup and Lewis, Ken.

Officers: Dr. Kendall Stewart, medical director.

Contact: Warren Throckmorton.

Michael Mitroff, LCSW, CEAP

38950 Blacow Road, Suite D, Fremont, Calif. 94536; 510-794-4500

Services began: 1988.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment, career issues, parents, conflict on the job. Occasional: legal problems.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: AIDS awareness, elder care.

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

Utilization review services: Case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: One, a clinical staff member who holds a CEAP and MSW. On-site: one social worker, one marriage/family/child counselor, one professional/mental health counselor. Contracted: psychiatrists, psychologists, physicians.

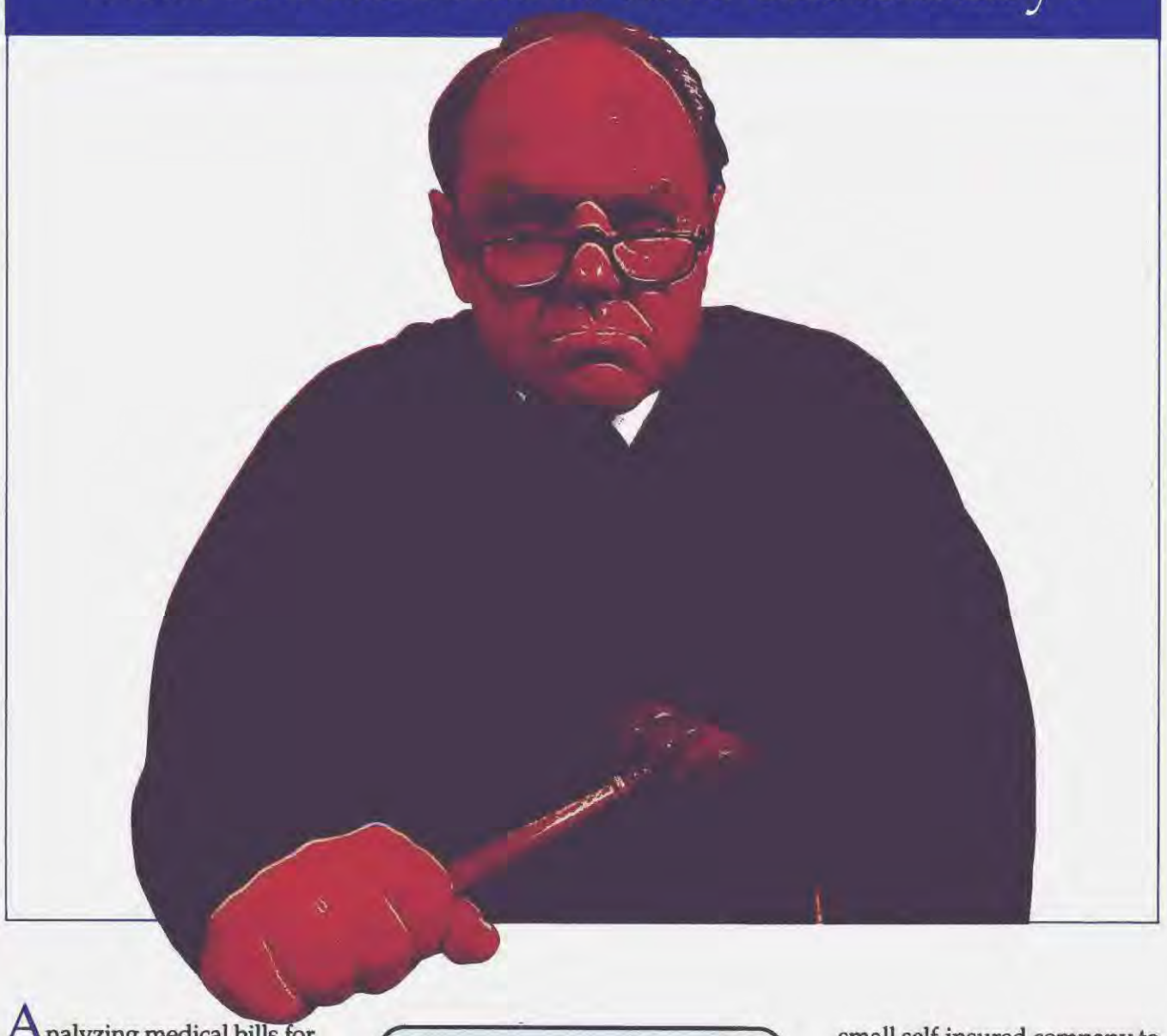
Facilities: 10.

Clients: Six. Lives covered at year-end 1992: 6,000 employees.

Contact: Michael Mitroff.

Continued on page 30

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Continued from page 28

N

New Choices Inc.

1111 S. Las Vegas Blvd., Suite 233, Las Vegas, Nev. 89104; 702-383-9777

Services began: 1986.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, alcohol abuse, drug/chemical abuse. Occasional: occupational problems, suicide, legal problems, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: Four; two clinical staff members, including CEAP, MSW and CAC designations. On-site: social workers, professional/mental health counselors. Contracted: psychiatrists, psychologists, marriage/family/child counselors, physicians.
Facilities: One.
Specialties: Banks (post trauma).
Service area: Clark, Nev.
1992 revenues: 90% from EAP services.
Contact: Bob Henderson, director.

Northwest Resources EAP

364 Indian Boundary Road, Chesterton, Ind. 46304; 219-926-3738; fax: 219-926-3979

Services began: 1983.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: occupational problems, suicide, legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP facilities.
Staff: Eight; six clinical staff members, including three CEAP, one MSW, one CAC designations. On-site: four marriage/family/child counselors, one professional/mental health counselor, one pastoral counselor.
Facilities: Three.
Service area: Lake, LaPorte and Porter, Ind.
Clients: 21. Lives covered at year-end 1992: 12,000 employees.
1992 revenues: $260,000; 100% from EAP services.
Officers: Marian Roser and Dan McGinnis, partners.
Contact: Marian Roser.

O

Omni Health Systems, A Division of Health Resources

190 N. Main St., Natick, Mass. 01760; 508-655-9766 or 800-451-1834; fax: 508-655-9922

Parent: Health Resources.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment, elder care, child care. Occasional: suicide, legal problems, financial concerns.
Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, self-development, family/parenting, time/money management, communication skills. Occasional: AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, stress and family issues seminars.
Utilization review services: Inpatient precertification, outpatient precertification, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: Eight; seven clinical staff members, including two CEAP, seven MSW, one Ph.D. designations. On-site: one psychologist, nine social workers. Contracted: one psychiatrist, 22 psychologists, 121 social workers, 10 marriage/family/child counselors.
Service area: Nationwide.
Clients: 69. Lives covered at year-end 1992: 99,000 total, including 33,000 employees and 66,000 dependents.
Officers: David Critchlow, president/CEO; Tom Diffily, vp/COO; June Ameen and Patricia Dzindolet, vps.

P

Pius XII Corporate Services

372 Fullerton Ave., Newburgh, N.Y. 12550; 914-562-8240 fax: 914-562-0813

Services began: 1985.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: Four; 30 clinical staff members.
Service area: Nationwide.
Contact: Frederick E. Noll, director.

Post Trauma Resources

1830 Bull St., Columbia, S.C., 29201; 803-765-0700; fax: 803-765-1607

Services began: 1982.
For profit.
Assessments & treatments: Frequent: stress, work-related trauma including violence and accidents.
Health promotion services: Frequent: stress management.
Educational/general services: Employee education.
Counseling sites: Worksites, EAP/mental health care facilities.
Staff: Five, all clinical staff members, including four MSW, one Ph.D. designations. On-site: four social workers, one professional/mental health counselor.
Service area: Nationwide.
Clients: Lives covered at year-end 1992: 25,000 employees.

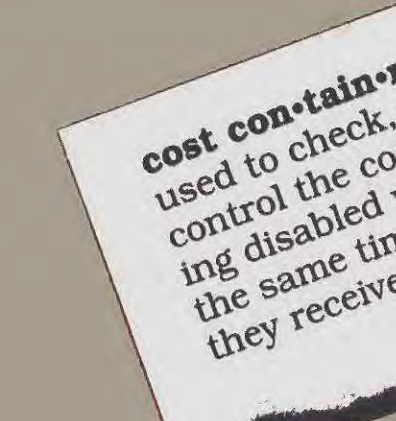
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Continued from previous page

1992 revenues: $500,000; 50% from EAP services.
Officers: Lawrence H. Bergmann, Ph.D.; Timothy Barnett-Queen.
Contact: Lawrence H. Bergmann.

ProActive Health Associates

Professional Bldg., 201 Lyons Ave., Newark, N.J. 07112; 201-926-7830

Services began: 1985.
Parent: Newark Beth Israel Medical Center.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse. Occasional: suicide, financial concerns, adolescent treatment.
Health promotion services: Occasional: smoking cessation, stress management, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, case management.
Counseling sites: EAP/mental health care facilities, phone counseling.
Staff: Three; one clinical staff member with CEAP, MSW and MD designations. On-site: social workers. Contracted: psychiatrists, psychologists, marriage/family/child counselors, professional/mental health counselors.
Specialties: Health care industry.
Service area: New Jersey.
Clients: Two. Lives covered at year-end 1992: 4,000 total, all employees.
Officers: Dr. Stuart Rosenthal; Susan H. Frishman, director.
Contact: Susan H. Frishman.

Professional Employee Assistance Consulting

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

Services began: 1986.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: legal problems, traumatic incident.
Health promotion services: Frequent: alcohol awareness, drug/chemical awareness, AIDS awareness, retirement planning. Occasional: smoking cessation, nutrition/weight control, stress management.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Six; four clinical staff members, including two CEAP, one MSW, one Ph.D. designations. On-site: psychologists, social workers, marriage/family/child counselors. Contracted: psychiatrists, physicians, one attorney.
Facilities: 13.
Specialties: Oil industry, beverage (alcohol/beer sales) industry, attorneys, cities.
Service area: Kern and Los Angeles, Calif.
Clients: Five. Lives covered at year-end 1992: 6,500 employees.
1992 revenues: $134,000.
Officers: Nancy A. Petenbrink, sole proprietor.

R

ROI Associates/Gosnold

196 Ter Heun Drive, P.O. Box CC, Falmouth, Mass. 02541; 508-548-7119 or 800-649-8115; fax: 508-540-6550

Services began: 1984.
Parent: Gosnold/CCairu.
Not for profit.
Assessments & treatments: Frequent: stress, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns. Occasional: occupational problems, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Case management.
Counseling sites: EAP/mental health care facilities, phone counseling.
Staff: One; three clinical staff members, including one MSW, two Ph.D. designations. Contracted: two psychologists, one social worker.
Facilities: One.
Service area: Barnstable, Mass.
Clients: 14. Lives covered at year-end 1992: 1,792 employees.
1992 revenues: $55,000; 100% from EAP services.
Officers: Raymond Tamas, CEO.
Contact: George Flavin.

RADAR Inc.

645 Farmington Ave., Hartford, Conn. 06105; 203-523-9273; fax: 203-232-5049

Services began: 1979.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse. Occasional: suicide, legal problems, financial concerns, adolescent treatment
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.
Educational/general services: Employee education supervisor training, drug-free workplace adherence, workplace problem identification.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Five; 140 clinical staff members, including 65 CEAP, 90 MSW, 50 CAC, 10 MD, 30 Ph.D. designations. On-site: one psychologist, two social workers, two marriage/family/child counselors. Contracted 10 psychiatrists, 29 psychologists, 88 social workers, 72 marriage/family/ child counsellors, 90 professional/mental health counselors, 10 physicians.
Service area: Chicago; Denver; Detroit; Morristown, N.J.; New Orleans New York; Philadelphia; Seattle. States of California, Connecticut, Florida, Massachusetts Minnesota, New Jersey Ohio, Rhode Island Texas and West Virginia.
Clients: 22. Lives covered at year-end 1992: 23,000 employees.
1992 revenues: $350,000; 35% from EAP services.
Officers: Richard Narowski, chairman; Rodney Carr, vice-chairman; Anne Ambrose, secretary.
Contact: Marlene Dube, executive director.

Raleigh Employee Assistance Program

4000 Wake Forest Road, Raleigh, N.C. 27609; 919-872-4786

Services began: 1985.
Parent: HCA Raleigh Community Hospital.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns. Occasional: occupational problems, suicide, adolescent treatment.
Health promotion services: Frequent:

Continued on next page

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Continued from previous page
smoking cessation, stress management. Occasional: physical fitness/exercise, nutrition/weight control, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.

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

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: Four; including one CEAP, one MSW.

Facilities: One.

Service area: Central North Carolina, including Wake and surrounding counties and Research Triangle Park.

Clients: 20. Lives covered at year-end 1992: 13,000 employees.

1992 revenues: 100% from EAP services.

Contact: Karen Untz, manager.

REACH (Resources in Employee Assistance and Corporate Health)

332 Springfield Ave., P.O. Box 1382, Summit, N.J. 07902-8382; 800-872-7322; fax: 908-277-1334

Services began: 1985.

For profit.

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

Health promotion services: Frequent: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 10; seven clinical staff members, including six MSW, one Ph.D. designations. On-site: six social workers, one professional/mental health counselor.

Service area: Nationwide.

Clients: 40. Lives covered at year-end 1992: 111,000 total, including 44,500 employees and 66,500 dependents.

Officers: Scott Pontier, president/CEO; Tony Kearney, clinical coordinator.

Contact: Brian Burgener.

S

St. Luke's-Roosevelt Hospital Center EAP

428 W. 59 St., New York, N.Y. 10019; 212-523-7200; fax: 212-523-1669

Services began: 1986.

Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, grief, AIDS, eating disorders, relationship issues, elder care.

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

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

Counseling sites: EAP/mental health care facilities, phone counseling.

Staff: Five; four clinical staff members, including one CEAP, three MSW designations. On-site: social workers.

Facilities: One.

Specialties: Alcohol/substance abuse treatment facilities.

Service area: Bronx, Kings, New York, Queens, Richmond and Ulster, N.Y.

Clients: 389. Lives covered at year-end 1992: 10,150 employees.

1992 revenues: $141,250; 100% from EAP services.

Officers: Ronnie Sue Jaffe, EAP director.

Sobel & Raciti Associates

1 Richmond Square, Providence, R.I. 02906; 401-274-6460

Service began: 1985.

For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse. Occasional: suicide, legal problems, financial concerns.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, phone counseling.

Staff: 10; eight clinical staff members, including three MSW, five Ph.D. designations. On-site: five psychologists, three social workers. Contracted: two psychiatrists.

Facilities: Three.

Specialties: Companies with less than 2,000 employees.

Service area: Massachusetts, New Hampshire, Rhode Island.

Clients: Lives covered at year-end 1992: 17,000 total, including 12,000 employees and 5,000 dependents.

1992 revenues: 50% from EAP services, 20% managed mental health..

Officers: Harry J. Sobel, president; Michael A. Raciti, vp.

Contact: Dr. Harry Sobel.

Southeastern Employee Assistance Services

305 W. Fifth St., Rome, Ga. 30165-2818; 706-232-1111 or 800-848-1243; fax: 706-232-4301

Services began: 1981.

For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, eating disorders, post-traumatic stress disorder.

Health promotion services: Frequent: 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 adherence, workplace problem identification.

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.

Staff: Four; seven clinical staff members, including one CEAP, two MD, one Ph.D. designations. On-site: one marriage/family/child counselor, three professional/mental health counselors. Contracted: two psychiatrists, one psychologist.

Service area: Georgia.

Clients: 25. Lives covered at year-end 1992: 40,000 total, including 10,000 employees and 30,000 dependents.

Officers: Mary Ann Watson, president.

Straussner Associates

124 W. 79th St., New York, N.Y. 10024; 212-787-0357

Services began: 1982.

For profit.

Assessments & treatments: Frequent: occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness.

Educational/general services: Employee education, supervisor training.

Staff: Two, both hold Ph.D. designations. On-site: one psychologist, one social worker.

Continued on next page



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InsurerTopics

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to insurers and reinsurers



Aiming at a moving target

Delayed health reform proposal hasn't stopped health insurers from lobbying for influence

By NANCY P. JOHNSON

WASHINGTON—The Clinton administration may have missed several self-imposed deadlines for announcing its health care reform proposal, but that isn't slowing down the lobbying efforts of health insurers.

In fact, the administration's failure to deliver a proposal when promised is giving health insurers and the organizations that represent them more time to lobby legislators and to blitz the public with their positions on how to reform the health care system.

Frustrating the insurers' lobbying effort, though, is the fact that the Clinton administration has sent up a number of trial balloons, ranging from managed competition to a single-payer system, thus creating a moving target for lobbying efforts.

While virtually all of the major insurers have their own legislative affairs representatives in Washington, many health insurers have joined forces in coalitions.

For example, the Health Insurance Assn. of America is a member of the Coalition for Health Insurance Choices. Other CHIC members include the American Assn. of Preferred Provider Organizations, the Assn. of Health Insurance Agents, the Independent Insurance Agents of America, the National Assn. of Health Underwriters and the National Assn. of Life Underwriters. CHIC promotes universal coverage in an employer-based system.

But five big health insurers—Aetna Life & Casualty Co., CIGNA Corp., Metropolitan Life Insurance Co., The Prudential Insurance Co. of America and Travelers Corp.—have formed their own coalition, the Alliance for Managed Competition. Because its members have invested heavily in managed care networks, the group promotes managed competition as the best way to restructure the nation's health care system.

CIGNA left the HIAA in 1991. Then, Met Life and Aetna left the HIAA last November, saying they wanted to pursue health reform efforts on their own (*BI*, Nov. 30, 1992). Travelers left the HIAA last year, but Prudential is still a member of the association.

"We believed the HIAA wasn't moving quickly enough on health care reform," said Arthur Lifson, vp-health policy for CIGNA and a spokesman for the Alliance of Managed Competition. "Each company in the coalition came to the conclusion that managed care needed to be the centerpiece of reform."



Yet another group, the Coalition to Preserve Health Benefits, was founded in April to oppose mandated employer participation in health alliances. Members include the Employers Council on Flexible Compensation, the Council for Affordable Health Insurance, the Society of Professional Benefit Administrators, and the Self-Insurance Institute of America.

The Coalition to Preserve Health Benefits is focusing its efforts on legislators but also has made the rounds of editorial boards of newspapers and magazines, set up press conferences and sent out position papers. The coalition, which hasn't run any ad campaigns, has operated so far on a budget of $150,000, said Ken Feltman, executive director of the Employers Council on Flexible Compensation.

And, the Blue Cross & Blue Shield Assn. is continuing the efforts it began two years ago to lobby for health care reform, said Alissa Fox, executive director-congressional relations. The BC/BS Assn. has pushed for universal coverage, mandated employer-provided health insurance and a reorganization of the health care delivery system emphasizing managed care networks, she said.

Many of these groups rushed to launch ad campaigns earlier this spring when they expected the Clinton administration to unveil a proposal in May. For example, the Coalition for Health Insurance Choices spent $4 million this spring in an advertising campaign to promote individual choice in choosing coverage. The campaign, financed by the HIAA, included print ads in nine major newspaper markets, TV ads on CNN and Headline News, and ads on radio talk shows hosted by Larry King and Rush Limbaugh. The Alliance for Managed Competition's spring ad blitz was aimed directly at legislators with a six-week print ad campaign in the New Republic, the National Journal and Roll Call.

The BC/BS Assn. ran an ad campaign in The Washington Post about a year ago, accompanied by TV ads, said Ms. Fox.

But, until the insurer groups see the Clinton administration's proposal, they are putting off further ad spending. Because conventional wisdom in Washington is predicting a September announcement, this gives insurer groups time to fine-tune their strategies.

"We want to make sure we know what they are proposing" before we launch a new ad campaign effort, said HIAA Executive Vp Charles Kahn, explaining CHIC's plans.

The Alliance for Managed Competition will continue to meet with legislators, but it has no plans at the moment for a big print or broadcast ad campaign, said Mr. Lifson.

Meanwhile, the administration's delays in announcing a plan has not cooled insurers' lobbying efforts, consultants say.

In fact, "lobbying is continuing at a hot pace, and with Clinton's continued stumbling, insurers are taking heart," said Charles E. Ginsberg, managing director-research and training services at Alexander & Alexander Consulting Group in Newburyport, Mass.

When the administration announces a concrete plan, "it will be a full-court press on the legislators," agreed James S. Diorio, national practice leader-health and welfare plans at Noble Lowndes in Roseland, N.J. "Insurers can't change public opinion by that time. They will be lobbying themselves to death."

In fact, one health insurer lobbyist estimated that $300 million will be spent on lobbying before the smoke clears on health reform., Mr. Diorio said.

And, because congressional elections are coming up next year, no freshman legislator wants to report to constituents that nothing has been done on health reform, added J. Lawrence Hager, principal at Noble Lowndes in Newtown, Pa.

But the lobbyist for one life/health insurer scoffs at the suggestion that lobbying on health reform has reached a fever pitch.

"This is our bread and butter—educating and communicating" with legislators about the complexities of health insurance, said Stuart J. Brahs, vp-federal government relations for Des Moines, Iowa-based The Principal Financial Group. "It is an ongoing process." BI



Expertise honed on the Hill aids Gradison at HIAA helm

Agents are better lobbyists than insurers, House veteran says

WASHINGTON—Willis D. Gradison bucked the anti-Republican tide of 1974 by defeating a Democratic incumbent to win election to Congress to represent much of the area around Cincinnati.

While in the House of Representatives, Rep. Gradison served as—among other things—the ranking Republican on the House Budget Committee.



The congressman was also co-sponsor of the Catastrophic Health Care Act of 1988, which won overwhelming approval but was repealed a year later in the wake of widespread protests from senior citizens.

Early this year, less than three months after handily winning re-election, Rep. Gradison surprised his constituents and others by accepting the presidency of the Health Insurance Assn. of America.

Business Insurance Associate Editor Mark A. Hofmann recently spoke with Mr. Gradison about his assessment, as a former congressman, of the insurance industry's standing on Capitol Hill and the role lobbyists play in shaping public policy.

* * *

During your nearly 20 years in Congress, what did you think of insurance industry lobbying? How did it stack up against the efforts of other interest groups, such as banking and agriculture?

I thought some of the other industries were more effective than the insurance industry itself. A part of it is that there were clearly—from a congressional point of view—internal divisions in some parts of the insurance industry which made it harder for them in attaining their goals. Probably the clearest example was the split between the stocks and the mutuals in the life insurance field.

In other words, the insurance industry didn't always speak with one voice on the issues that were being confronted.

It was my feeling as a member of the House that, in general, agents were more effective than their companies as far as lobbying. There were several reasons for this.

One is that, geographically, the companies don't have the spread all over the country that the agents have. The companies are concentrated in certain areas and thin in others.

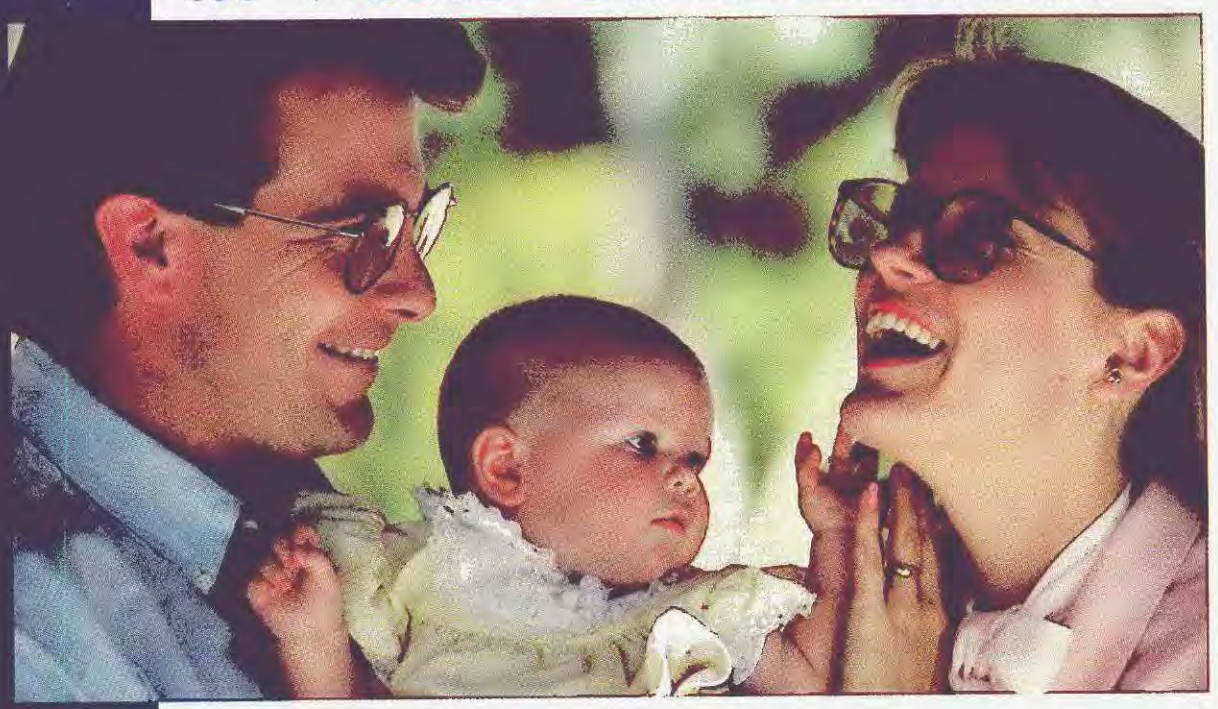
Beyond that, the agents tend to be people who are the ongoing leaders in their communities throughout their professional career. They are people who are active in the Rotary and Kiwanis, coach the Little League team, who sit across the kitchen table and help families develop their long-range financial plans. There's a personal relationship that agents have with individuals which is just different than the relationship with companies.

It's not just insurance companies. I'd say the same thing about the relationships with other large companies in my own district. I got along fine with the people who ran General Electric Co. and Procter & Gamble Co., but my insurance agent was somebody who sold me policies when I just got married and I was in my 20s. It was a personal relationship.

I don't think it takes anything away from the companies to say that I felt the agents were a far more effective force. They were the kind of folks who would have known the member of Congress and often participated in their early political office.

Continued on page 32D

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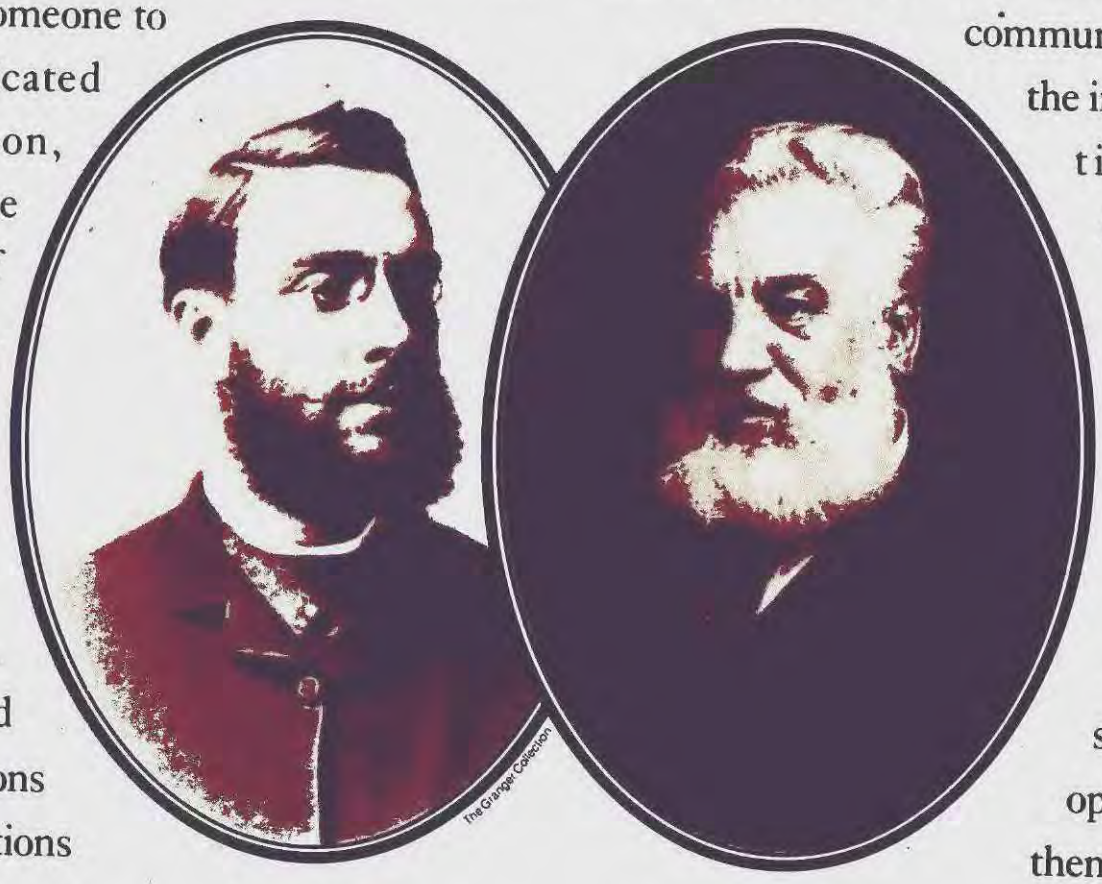
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Insurer Topics

Willis Gradison

Continued from page 32E

What was the biggest mistake the insurance industry made during your tenure on the Hill?

I can't think of anything I would put down as a mistake, but I would say that recognizing how intractable the differences are between stock and mutual life companies and the inability to work those differences out substantially weakened the influence of the companies in dealing with life insurance tax legislation.

I don't think there s any question that the existence of that division weakened the effectiveness of the industry.

During your time on the Hill, which insurance lobbyists had the best or worst reputations among you and your colleagues?

Our door was open to them all. I'm one who felt very strongly that if lobbyists didn't exist in our society, we'd have to invent them. A lobbyist who does the job well will alert elected officials to the likely impact of proposed legislation on their industry. It's important for legislators to know this. They may decide to go ahead or not go ahead with a particular proposal, but at least they do so with confidence about what the impact is going to be.

An effective lobbyist's stock in trade is just to lay out the facts, and facts are critical. A lobbyist who provides information that turns out to be purposely inaccurate will never be invited back to any member's office.

'If lobbyists didn't exist in our society, we'd have to invent them,' says Willis Gradison.

Did that ever happen to you?

No, I don't recall a case where that happened. My staff, which often would meet with outside groups when I was in a committee or busy on the floor, might have had different experiences, but mine were very positive.

You came in shortly after the era of lobbying scandals on Capitol Hill. How did lobbying change during your time on the Hill?

I didn't see much change except in one respect: Over the 18 years I served in the House, I saw more and more signs of the difficulty of umbrella organizations representing all of the diverse interests of a single industry.

My first experience was on the Banking Committee, and on the Banking Committee it became very clear that no single organization could speak for all the commercial banks in America, no single organization could speak for all the thrift institutions in America.

As I got involved in the health care field, I saw that in a very dramatic way. There must be literally dozens of national hospital associations.

For example, the American Hospital Assn. is an outstanding group, but there also are groups representing the public hospitals, the for-profit hospitals, the teaching hospitals, the Catholic hospitals, the hospitals that have a particularly high portion of their revenues coming from the Medicare program and so forth, to say nothing of the state associations of hospitals. And some states have more than one association.

The same thing has been true in parts of the insurance business as well. Even today, in the health insurance field, while the HIAA represents up to 70% of the commercial health insurance that's written in this country, the Blues have a separate organization.

The so-called "G-5" have a separate organization, which includes Prudential, which is also a member of our association. It also includes Travelers, Metropolitan, CIGNA and Aetna, which are former members of our association.

So even in the field in which I'm now involved, there's some splintering of the national effort to influence legislation. There's nothing wrong with that; there's not always a common interest. In a sense, the development of separate groups if there is a significant policy disagreement helps to pinpoint what that disagreement is and may be useful to policymakers.

How long was it after you left Congress before you were back in one of your former colleagues' offices representing the health insurance industry?

Well, I'm not permitted for one year to contact any member of the House or the Senate or their staffs with the intent to influence official action.

So, to be frank, when I'm described in the newspapers as a "congressman-turned-lobbyist" I sort of smile, because if that's what this association had in mind in hiring me, they're going to have to wait 'til Feb. 1, 1994, before I can perform that function.

My job does have implications as far as lobbying is concerned. We have some very able people to assist us in that area. But as far as active lobbying of members of Congress or staffs, I'm not permitted to do so.

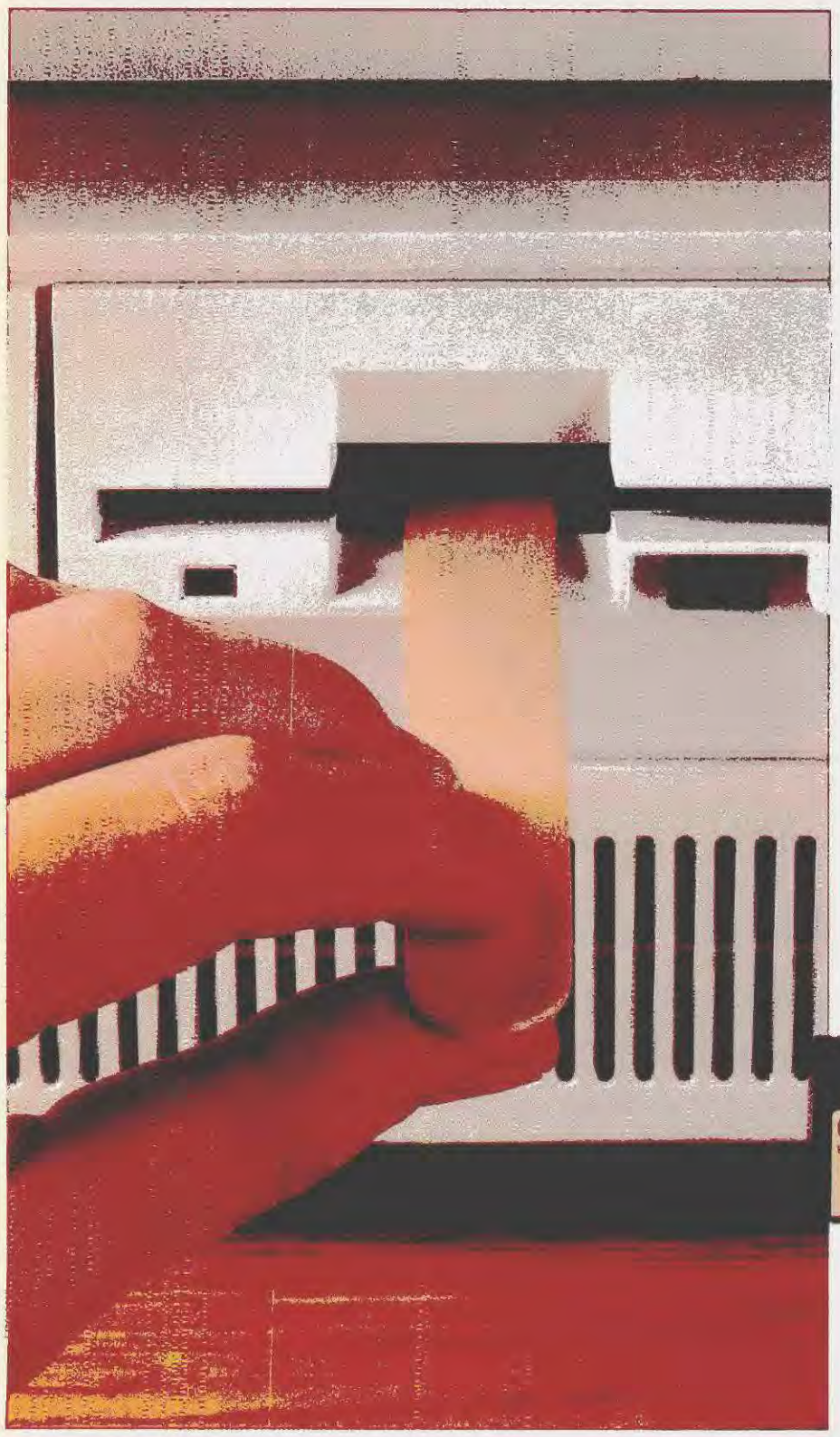
I am specifically permitted under law to help develop a strategy within our organization for (lobbying), and I'm trying to do just that. I am permitted to contact members of the executive branch and people at the state and local level, and I have had numerous contacts and frequent, lengthy meetings with members of the First Lady's health care task force with regard to the urgent matter of health care reform in this country.

What do people such as yourself who have served on the Hill bring to the table that a lawyer or a former regulator doesn't bring?

I served in elected office for over 30 years. And at the time, I never thought that I had any special insights into the way government operates or how decisions are made. But now that I'm on the outside, I think that I

Continued on page 32F

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Insurer Topics

Postal service, for one, cheering new regs

California rules to benefit policyholders at high cost to insurers

By Louis H. Castoria

MAILBAGS headed for California will be bulging with letters from insurers to their policyholders under new California regulations that took effect in April.

California Insurance Commissioner John Garamendi's new regulations seek to outlaw certain "unfair claims practices" and to require prompt insurer responses to communications regarding claims. Here are some of the regulations:

- Within 15 days of any "notice of claim," the insurer must acknowledge receiving the notice. The insurer must also commence its investigation within 15 days of receiving a "notice of claim."
- Within 40 days of receiving "proof of claim," the insurer must affirm or deny the claim and affirm or deny liability.
- If 40 days isn't sufficient time, the insurer must write to the claimant (who may be its own policyholder) and specify why more time is needed, and what further information the insurer needs.
- A denial of a policyholder's claim, in whole or in part, must be accompanied by a letter to the policyholder that spells out the policy provisions and factors on which the insurer is relying. All written denials must include a notice that the insurer's decision can be reviewed by the Insurance Department, and must provide the department's address and phone number.
- Insurers must disclose to their policyholders all benefits, coverage, time limits or other relevant provisions of any policy the insurer has issued that may apply to the claim at hand.
- "Any other communication" that "reasonably suggests that a response is expected," and that regards a claim not in litigation, must be responded to within 15 days of receipt.

Some of the time limits do not apply after a suit has been filed and served against the insurer or the policyholder.

The regulations also impose new requirements in the training, adoption of claims standards, file documentation and settlement practices.

Does this apply to you?

The new regulations apply generally to all insurers, whether or not they are admitted in California, "to the extent that they transact the business of insurance in California."

Risk-retention groups are treated as insurers and are subject to all the regulations' requirements. Managing general agents apparently will also be treated as insurers, though self-insurers and reinsurers will not.

Insurance adjusters, agents, brokers, surplus line agents, and special surplus line agents who hold California licenses are affected by other regulations. They are required to immediately transmit any notice of claim to the insurer, and their failure to do so can subject them to penalties if they have received written claims-handling instructions from the insurers. Moreover, they must maintain all documents, notes and work papers regarding each claim, so that the commissioner can monitor their compliance.

The California regulations are loosely patterned after model standards adopted in 1991 by the National Assn. of Insurance Commissioners, and their success or failure in California may influence other states' treatment of similar standards.

Departures from prior practices

One of the California edict's main departures from the NAIC proposals is in the term "proof of claim."

Although "proofs of loss" are commonplace in first-party coverage, such as death certificates in the life insurance context, the commissioner has modified this term to apply it in liability insurance contexts as well.

A "proof of claim" is any "reasonable evidence of the claim and any material or relevant documentation in the claimant's provision that supports the magnitude or the amount of the claimed loss, or the assertion of liability by a third party if applicable."

Examples given in the regulations include claims forms and medical bills. Receipt of a "proof of claim" triggers the 40-day period for affirmation or denial of coverage, or notice that more time is needed. This imposes more than a time crunch: Upon an affirmation of liability and coverage, a new 30-day clock starts to tick, at the end of which the insurers must tender payment of any undisputed amounts.

Other substantive changes mandated by the regulations are expressly designed to protect claimants not represented by counsel. Such claimants must be notified of an approaching statute of limitations deadline, including a deadline for filing suit under an insurance policy, at least 60 days before the deadline under most policies. Releases cannot contain language waiving all "known or unknown" claims, unless the effect is clearly explained to the unrepresented claimant in writing.

Some of the standards in the new regulations are designed to prevent overly intrusive investigations. An insurer may not "persist in seeking information not reasonably required for or material to the resolution of a claim dispute," and may not require a polygraph test unless the insurance policy and the applicable law allow. An insurer that provides medical benefits may only require an independent medical exam if it has a "good faith" belief that the exam is needed to determine the reasonableness of treatment.

A mixed blessing

If all this sounds like user-friendly insurance, it is no accident. Commissioner Garamendi is the first elected insurance commissioner in the state's history, and he campaigned on a consumer-oriented platform.

However, the regulations offer the insurance industry a carrot, if followed, as well as a stick, if violated. By taking "unfair" claims practices into the regulatory realm, the industry probably will avoid the nightmare of direct third-party "bad faith" actions against insurers, as had been allowed in California from 1979 to 1988.

In ruling in 1988 that direct third-party actions would no longer be allowed (*BI*, Aug. 22, 1988), the state Supreme Court commented: "We caution, however, that our decision is not an invitation to the insurance industry to commit the unfair practices proscribed by the insurance code. We urge the insurance commissioner and the courts to continue to enforce the laws forbidding such practices to the full extent consistent with our opinion."

The commissioner has now taken up the court's challenge, and in doing so has presented insurers with directives on how to conduct claims in California. At the cost of increased regulatory scrutiny, insurers may be able to breathe easier that the California Legislature and the ever-watchful electorate (remember Proposition 103?) will not feel the need to again authorize third-party actions against insurers.

The cost of such security may be substantial. In 1990, according to the Commissioner's Annual Report, his department opened 20,410 complaints regarding claims handling. The Insurance Department charges an insurer $198 for each complaint against it, regardless of the outcome.

The number of reported disputes is likely to skyrocket, once insurers drop the commissioner's business card into every denial letter. If a violation is found, the penalty is $5,000 for each "unfair act," or $10,000 if the act is "willful." Repeated violations can result in the revocation or suspension of California licenses, or orders that surplus line brokers cease writing business with non-licensed insurers.

There are also less obvious, and perhaps greater, costs. One California-based auto insurer has estimated that an additional 10,000 to 15,000 letters will need to be sent each month as a result of the regulations, at a yearly cost of $1 million.

Under the regulations, insurers (whether admitted or not) must adopt and communicate to their claims agents written standards for the prompt investigation and processing of claims. Without such standards, the agent's delays in responding to claims will be imputed to the insurer.

When 'fair' may not be

One of the stated purposes of the new regulations is to remove some of the subjectivity from a determination of an "unfair" settlement offer. As originally drafted, the regulations contained a 15% rule: if the verdict was more than 15% above the offer, the offer was considered low. This provision was replaced by more flexible language.

However, the commissioner may, with benefit of hindsight, determine a settlement offer to have been unreasonably low, and assess fines for the "unfair" conduct.

It remains unclear how such administrative determinations may affect subsequent litigation between insurers and their policyholders. While the new rules do not purport to create new theories of civil liability, it is always possible that creative minds will try to turn them from plowshares into swords.

Reality check

The regulations were derived from model standards geared toward routine life, health and accident claims, which have traditionally created the highest volume of complaints to the department and some of the landmark court decisions in the "bad faith" arena. However, the commissioner's new code of insurance etiquette applies with equal force in complex fields such as professional liability (other than medical malpractice), environmental losses and commercial disputes, to the extent that they result in claims under insurance policies.

How will the commissioner's new rules work in practice?

To some, they may be tools for administrative harassment in inflated or questionable claims; for others, a useful tool to redress genuine cases of foot-dragging. For the conscientious risk manager, they are a protocol for better communication with insurers.

On the positive side, the regulations may remove some of the guesswork from claims administration, particularly where litigation has not yet commenced. What information does the insurer need to assess liability? What coverages might apply to this loss? When can I expect an answer?

The regulations are lengthy and detailed. Their impact probably cannot be assessed until they have had months of real-world practice, but in some form, they are likely to remain a fact of life in the handling of California claims. BI

Louis H. Castoria is a partner in the San Francisco office of Wilson, Elser, Moskowitz, Edelman & Dicker, an international law firm which specializes in insurance defense, coverage litigation and regulatory matters.



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and others who have the same experience I had do develop a sixth sense about how the process works and also about the rhythm of the legislative process.

That is not well-appreciated on the outside.

Indeed, that rhythm has a lot to do with when we will see the president's health plan, because it gets down to what the Congress may be able to complete before the Fourth of July recess. And then what will happen before the August recess. The August recess is important because members can be with their families for more than a few days.

I'm no expert at this, but my sense is that the administration, at least up until now, feels that it has involved Congress, particularly the Democratic members, in the development of the health care reform plan because a large number of congressional staffers were part of the task force. My congressional experience says that while that's very nice, from a member's point of view, the involvement of their staff doesn't count for very much.

Members would want to be directly involved. Without personal participation, it isn't their plan.

That would be a small example of what I think I learned from being up there. I have no doubt that the involvement of so many able staff members helped in the development of the president's plan. But I doubt that it significantly, if at all, will improve the prospects of legislative success of that plan.

Does your sixth sense give you any indication of when the president will unveil this plan?

I have no way of judging, but I would guess that September is the most likely date. I arrived at that by thinking that the Senate will do well to complete action on its version of the budget reconciliation package before the Fourth of July break, therefore the conference between House and Senate would take place in July and that it would not be an easy conference because of substantial differences in the two versions.

The White House would not want to submit the health plan until the conference was completed and both houses had approved the plan.

The chances are, therefore, that the timetable would be to seek approval of the plan just before the August recess. The pressure of that recess will help him get votes.

My hunch is August is not a great time to release a plan. It's really a down time. It would seem to me, and this is pure hunch, that a better thing would be to get the budget totally out of the way and approved.

The president and his supporters could then gear up their grass-roots and advertising efforts and maybe kick it off in a Labor Day speech in Detroit, emphasizing the need for health care security for all Americans, and then go from there. I hate to be so specific and I might be dead wrong, but that's my political judgment. BI

Insurer Topics

Anti-fraud coalition finds strength in diversity

By MARK A. HOFMANN

WASHINGTON—Spurred by a recognition that insurance fraud picks the pockets of consumers and insurers alike, an unusual alliance of insurers, consumer activists and government agencies has joined together in the Coalition Against Insurance Fraud.

"We want to make this as American as motherhood and apple pie," said Adrian Tocklin, executive vp of Continental Corp. in New York and one of the coalition's co-chairs.

Ms. Tocklin is not fazed by the fact that insurance fraud has been the target of previous industry-directed efforts.

"It's true there have been a lot of efforts—but the problem is they've all been very narrowly focused," she said.

Lawmakers have tended to view insurance fraud as a "special interest" issue when the only entity clamoring for action was the insurance industry, Ms. Tocklin said. As a result, "there's no way an individual company or trade association" could have put together such a coalition, she said.

The new coalition represents an effort to get "everybody who's conceivably interested in the subject to sit down at the table," she said.

"*I* am even impressed by the breadth of this coalition. It's potentially a very powerful coalition," said Stephen Brobeck, executive director of the Washington-based Consumer Federation of America and the coalition's other co-chair.

Mr. Brobeck said that consumer organizations have signed on to the effort for a very practical reason: "Over time, it will curb insurer losses, allowing insurers to restrain rates."

The coalition began to take shape about a year ago, when the CFA, the American Insurance Assn. and some AIA member companies began informally discussing the possibility of a united anti-fraud effort, said Dennis Jay, the coalition's executive director. The groups began formal discussions last fall.

Coalition proponents looked to Washington-based Advocates for Highway & Auto Safety as an example of how best to proceed, he said. Advocates is structured so that insurers fund the organization and receive one board seat for every seat held by a consumer or other non-insurance representative (*IT*, Jan. 20, 1992).

The Coalition against Insurance Fraud has a first-year budget of $500,000, said Mr. Jay, who was hired this spring to head the new effort. He is a former vp-communications for the National Assn. of Professional Insurance Agents in Alexandria, Va.

Although currently the coalition's only employee, Mr. Jay hopes to add a lobbyist, communications manager and office manager later this summer. The coalition, which currently maintains offices at the AIA's Washington headquarters, also plans to move into its own offices.

On the federal level, the coalition will seek enactment of anti-fraud legislation, such as the Insurance Fraud Protection Act of 1993, which was introduced early this year by House Energy and Commerce Committee Chairman John D. Dingell, D-Mich., and House Judiciary Chairman Jack Brooks, D-Texas.

H.R. 665 would impose "tough new penalties for plundering insurance companies," said Mr. Jay.

The bill contains the insurance fraud provisions of an omnibus crime bill that died in the 102nd Congress after then-President Bush threatened to veto it for reasons that had nothing to do with insurance fraud. H.R. 665 would, among other things, make it a federal crime to misrepresent the financial condition of an insurer to regulators.

In addition, the coalition intends to target four to six states for action on such matters as requiring pre-inspection of autos as a condition for issuing insurance, Mr. Jay said. The states should be announced early next year, he said.

The coalition's leaders stress that they take insurer-perpetrated fraud as seriously as that committed by consumers.

"There are far too many fly-by-night poorly capitalized insurers feeding off the good faith of honest citizens," according to Ms. Tocklin.

Mr. Jay noted that this type of fraud was underscored in the aftermath of last year's riots in Los Angeles, when policyholders found that in many cases, their insurance policies were worthless.

In addition to the AIA and the CFA, the coalition's initial members are: Consumer Fraud Watch, the International Assn. of Insurance Fraud Agencies, the National Assn. of Consumer Agency Administrators, the National Assn. of Insurance Commissioners, the National District Attorneys Assn., the National Insurance Crime Bureau, the National Urban League, and the Office of the Attorney General of Minnesota.

Insurer members are: Aetna Life & Casualty Co., Continental Corp., Fireman's Fund Insurance Co., ITT Hartford Group Inc., Nationwide Insurance Co., State Farm Group and Travelers Corp.

The anti-fraud crusaders think that they may need the rest of the decade to have a significant impact on insurance fraud, because even with tougher legislation in place, public attitudes are notoriously slow to shift.

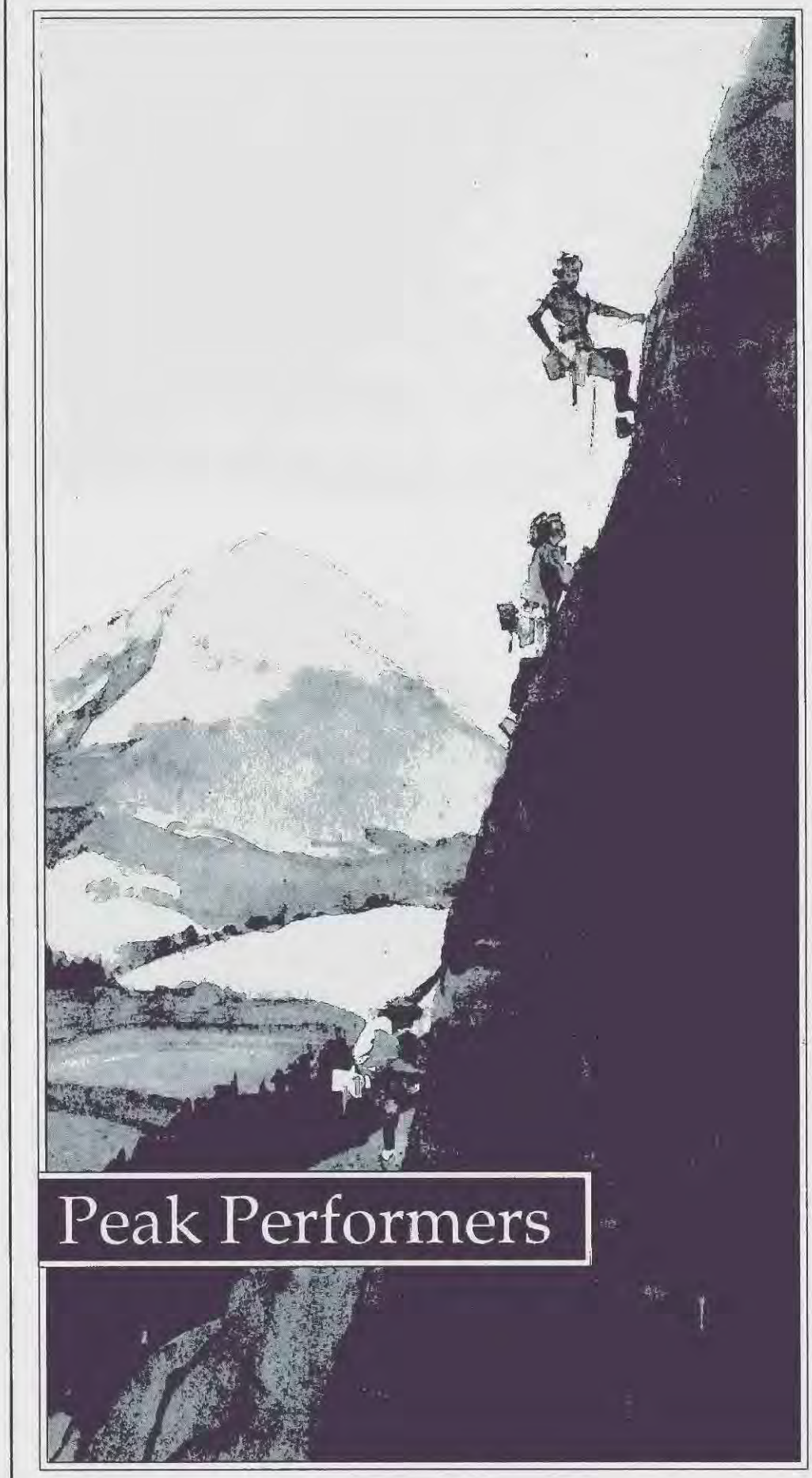
"Nobody has expectations that this is going to happen overnight," said Mr. Jay.

In addition, said Mr. Brobeck, "There are very skillful people who are working full time trying to defraud the system."

Still, Mr. Jay remains optimistic that the coalition will eventually meet its goals.

"We have the best shot because we have the consumer organizations behind us," he said.

For further information contact Dennis Jay, Executive Director, Coalition Against Insurance Fraud, 1130 Connecticut Ave. N.W., Suite 1000, Washington, D.C. 20036; 202-828-7105. BI



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Insurer Topics

Iowa's insurance initiative

Regulatory changes are part of the state's effort to attract insurers

By EILEEN P. GUNN

DES MOINES, Iowa—The Iowa Department of Economic Development is taking a cue from Horace Greeley, telling East Coast insurers to "Go West"—Midwest, that is.

The IDED—with Gov. Terry Branstad, the Iowa Department of Insurance and local business groups—is in the fifth year of its Insurance Development Initiative, a campaign to make Iowa the U.S. insurance capital by the year 2000.

Iowa launched the initiative in 1988 in an effort to diversify its economy in light of the late-1980s farm crisis. Using various marketing techniques to draw attention to the state's accreditation by the National Assn. of Insurance Commissioners, low overhead, and favorable port-of-entry and redomestication laws, the IDED intends to double the number of in-state insurance jobs and spread the industry's presence beyond Des Moines, said Dan Doudna, chairman of the insurance development board.

The IDED chose to focus on insurance because the industry building blocks were there. Iowans date their insurance industry back to the 1867 founding of The Equitable Life Insurance Co. of Iowa. More recently, Des Moines has become one of the country's five largest insurance cities based on concentration of insurers per capita.

"Des Moines is up there. We're already in a somewhat select company," said Paul Larson, chief financial officer and senior vp at The Equitable. "But it is important for the state of Iowa to get out there and let people know what Iowa is all about."

Since the project was launched, a team led by Gov. Branstad has toured the East Coast insurance hubs to talk to companies about expanding or relocating. They have also traveled to Frankfurt, Germany; Hong Kong; and Tokyo to tell multinationals about the option of entering the U.S. market through Iowa.

The state has also made regulatory changes to strengthen its marketing pitches.

In early 1988, the state government repealed an annuities tax that had to be paid by insurers doing business in the state and by resident companies doing out-of-state business because of reciprocity laws.

Iowa earned NAIC accreditation in December 1991. The NAIC reviewed the state's budget allocation for the Insurance Department, as well at the department's staffing, resources and computer capabilities.

"We were very interested in that accreditation," said David Hurd, chairman and chief executive officer of The Principal Financial Group, based in Des Moines. "If the atmosphere had not been what it was, (state officials) might have seen giving money to the Insurance Department as an expense rather than as an investment."

Other regulatory changes included new redomestication laws, a port-of-entry law and a so-called "shell law." The shell law allows a company to buy the charter and licenses—the "shell"—of a defunct company, provided the buyer has a "good resume" and $5 million in assets to back the revived entity, according to William Demuth, insurance development director at IDED.

The original law was intended to apply only to defunct Iowa entities, but was broadened to allow companies to purchase shells out of state and redomesticate them in Iowa.

Toyota Motor Credit Corp., a division of Toyota Motor Corp. in Torrance, Calif., has done both. In 1992, it bought a Maryland life insurance shell from AEGON and redomesticated it to Iowa, though it has not resuscitated it yet. And in 1990 it bought the shell of Iowa National Mutual Insurance, which had failed in 1985. That shell became Toyota Motor Insurance Corp., and was able to accumulate a charter and 38 licenses in six months.

According to Mr. Demuth, it takes three to five years to get 40 licenses without buying a shell.

Toyota paid about $1.5 million for the acquisition and had to promise to keep the operation's core in Cedar Rapids, Iowa, though as a Toyota subsidiary it is run from California. The Iowa operation now employs 100 people and will employ about 120 by year end.

"(Toyota) moved there because there was a specific opportunity that filled a specific need," said Michael Deaderick, vp and general manager of insurance operations at Toyota.

Nippon Life Insurance, the world's largest life insurer, came into the United States in December 1991 by redomesticating in Des Moines the shell of New England General, a former unit of Delaware-based New England Mutual Life Insurance Co. Nippon is doing business in Des Moines, the eventual site of its U.S. headquarters, through an administrative agreement with The Principal. Though Nippon has so far created only 13 new jobs in Iowa—all at The Principal—vs. 40 in New York, the state is confident the potential is there.

"We make it clear we want active companies that are going to contribute to the state," said Robert L. Howe, chief examiner at the Insurance Department.

Other lures the state has put out include the New Jobs Training Program, which allows companies moving into the state or expanding to design state-financed training programs at area colleges. And a model office in Cedar Rapids highlights Iowa's bottom-line advantages for businesses: low wages, low rents and a low cost of living.

"We have claims offices around the country ranked by wage, and Iowa is one of the lowest," said Mr. Hurd.

One attribute of Iowa's business climate that is less tangible, but staunchly supported by resident executives, is the Iowans themselves, which Mr. Larson described as "reliable and hard-working."

"There is a work ethic that all agricultural states have," said Mr. Hurd. "Though Des Moines is not an agricultural place at all, that work ethic is part of the culture."

The initiative has had an impact, though the degree of its success is hard to gauge.

Australian Mutual Provident Society, which is setting up its North American headquarters in Iowa because of the port-of-entry law, signed an administrative agreement with Central Life Assurance in Des Moines in 1992.

As with Nippon, it is still too early to know exactly what AMP will be worth to Iowa in terms of employment and business volume. The company is planning its course of action from Australia, and is expected to turn its $20-million investment into a major life and annuity provider, according to D.T. Doan, president of insurance operations at Central Life.

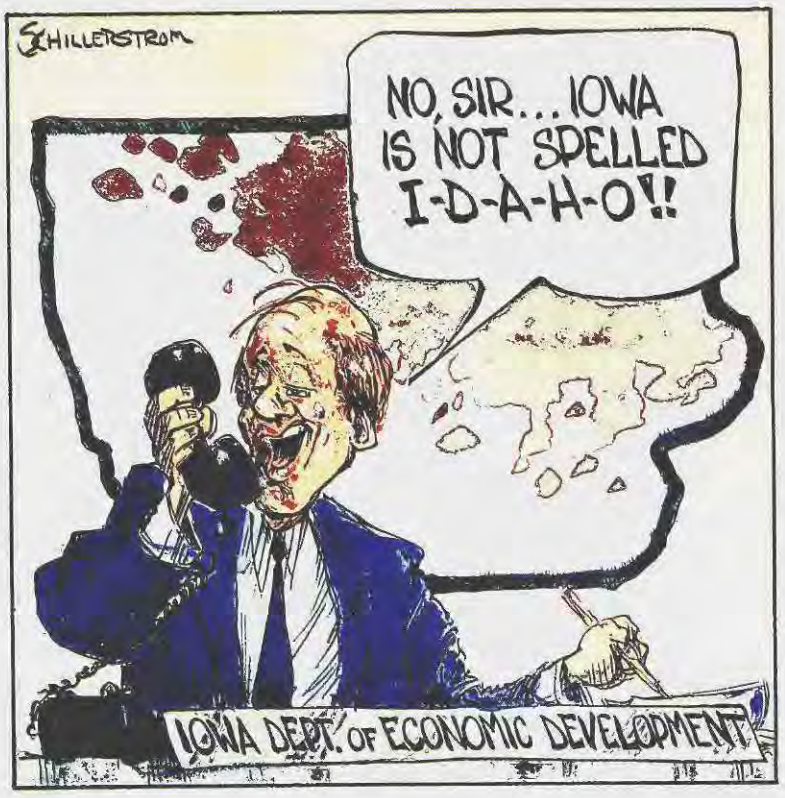
The IDI's Mr. Doudna believes about 6,000 jobs have been created already through the initiative, half by resident companies and half by newcomers.

Statistics from Iowa's Department of Employment Services show that the number of insurance industry jobs grew by a little more than 1,000 a year to 32,900 in 1992 from 27,300 in 1987. But a similar survey by the Alliance of American Insurers, based on federal sources, shows that there were already 35,800 insurance jobs in 1988 which dropped to 34,900 in 1992.

"I would have to dispute their statistics," said Mr. Demuth. "I am very comfortable in saying that the insurance industry here is growing."

The Equitable of Iowa started its subsidiary in 1988 by redomesticating the USG Annuity & Life Co., a former unit of Arlington, Va.-based United Services Life Insurance Co. The unit, which has $3 million in assets and employs 75 people, was given a boost by the annuities tax repeal, Mr. Larson said.

Resident companies that have not expanded or branched out have benefited indirectly from the initiative. "You get an interested and informed ear at the insurance commissioner's office, or in the (state) senate when a new law or regulation comes along that you want passed," said Mr. Hurd. "The laws stay up to date and the Insurance Department remains a resource." BI



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Continued from previous page

Specialties: Mental health/health facilities, police, firemen.
Service area: New York City.
Officers: Dr. Joel Straussner, Dr. Lola Straussner.
Contact: Dr. Lola Straussner.

T

Take Control Inc.

401 W. Michigan St., Milwaukee 53203; 414-226-5385; fax: 414-226-5109

Services began: 1990.
Parent: Blue Cross & Blue Shield United of Wisconsin.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns. Occasional: suicide, financial concerns, adolescent treatment, parenting, emotional/mental health, depression.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, patient education.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: Seven, all clinical staff members, including one CEAP, two MSW, one CAC, four RN, four Ph.D. designations. On-site: two psychologists, two social workers. Contracted: two psychiatrists, two psychologists.
Service area: Nationwide.
Clients: Nine. Lives covered at year-end 1992: 14,719 total, including 6,133 employees and 8,586 dependents.
1992 revenues: $4,280,000; 2% from EAP services.
Officers: Thomas Hefty, president/CEO-United Wisconsin Services; Roger Formisano, president/COO-Special Markets; Dr. Richard Christenson, medical director.
Contact: Brenda Northern.

U

United Charities Employee Assistance Network

14 E. Jackson, Chicago 60604; 312-663-5600; fax: 312-461-0104

Services began: 1979.
Parent: United Charities.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: elder care/child care, other addictions (i.e. gambling), eating disorders.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Seven; five clinical staff members, including four MSW, two CAC designations. On-site: social workers, marriage/family/child counselors, part-time attorneys, consumer credit counselors.
Specialties: Small/medium-sized businesses, other non-profits.
Service area: Cook, Du Page and Lake counties in Illinois.
Clients: 60. Lives covered at year-end 1992: 25,000 employees.
1992 revenues: $340,000; 95% from EAP services, 5% managed mental health services.
Officers: Ivy Spataro, manager; Alan Wertheimer, program supervisor.
Contact: Ivy Spataro.

United Labor Agency of Essex-West Hudson Inc.

10 Park Place, 6th Floor, Newark, N.J. 07102; 201-623-7878; fax: 201-623-6536

Services began: 1988.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, advocacy-consumer problems, social security, etc. Occasional: suicide, adolescent treatment.
Health promotion services: Frequent: alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, stress management, AIDS awareness, elder care, cancer prevention.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Seven; four clinical staff members, including one CEAP, two MSW, three CAC designations. On-site: social workers, alcohol/drug counselors. Contracted: social workers.
Specialties: Unions and businesses with unions.
Service area: New Jersey; Rockland and Orange, N.Y.
Clients: 20. Lives covered at year-end 1992: 50,000 total, including 20,000 employees and 30,000 dependents.
1992 revenues: $348,270; 75% from EAP services.
Officers: Patricia Burroughs, president; Richard Outlaw, executive vp; Carl Weininger, vp; Pat Tully, secretary/treasurer; David Balk, trustee.
Contact: Nancy Miller, EAP director.

V

VMC Behavioral Healthcare Services

100 S. Greenleaf, Gurnee, Ill. 60031; 708-249-1900; fax: 708-249-2772

Services began: 1976.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incident debriefing.
Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.
Staff: 60; 2,100 clinical staff members.
Service area: Nationwide, Canada, international.
Clients: 150. Lives covered at year-end 1992: 500,000 total, including 200,000 employees and 300,000 dependents.
1992 revenues: 80% from EAP services, 20% from managed mental health services.
Officers: Mary Vasquez, president; Dr. Luis Vasquez, CFO; Peter Jacobs, vp-marketing/sales; Pat McCluskey, director-operations; Dolores Salata, director-national accounts.
Contact: Peter Jacobs.

Veterans Memorial Medical Center

1 King Place, P.O. Box 1009, Meriden, Conn. 06450-1009; 203-630-5358 or 800-526-3485; fax: 203-634-7696

Services began: 1980.

Continued on page 35

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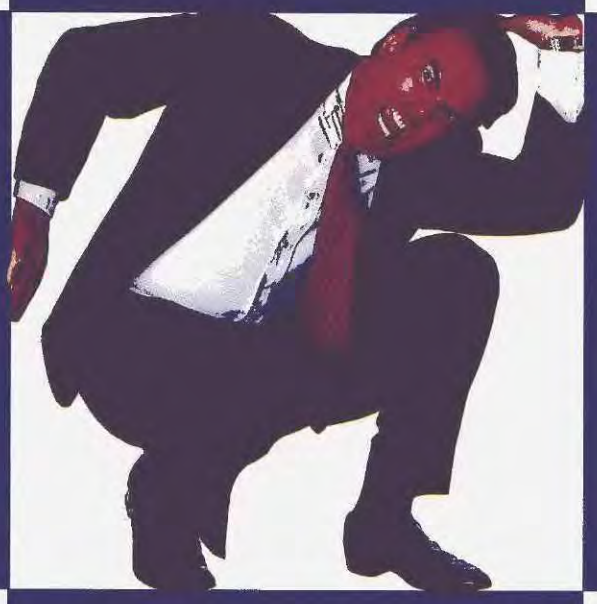
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Continued from page 33

Parent: Meriden Wallingford Community Corp.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns. Occasional: suicide, legal problems, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care, health risk appraisal, cholesterol/blood pressure screening, health fair.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review.
Counseling sites: Selected worksites, EAP/mental health care facilities.
Staff: Three; 2.5 clinical staff members, including one CEAP, one MSW, one CAC, one MD designations. On-site: one psychiatrist. Contracted: social workers, professional/mental health counselors.
Specialties: Health care organizations.
Service area: Connecticut.
Clients: 21. Lives covered at year-end 1992: 7,000 employees.
1992 revenues: $115,000; 100% from EAP services.
Officers: Dr. Louis Meyer, chairman; Theodore Horwitz, president/CEO; Tom Grimshaw, executive vp/COO; Fred Morrison, vp-mental health; Clark Kearny, senior vp.
Contact: George Wassell, director-employee assistance programs.

W

Gary L. Wood & Associates P.A.

4700 N. Habana Ave., Suite 300, Tampa, Fla. 33614; 813-870-0392

Services began: 1982.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems. Occasional: occupational problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Occasional: smoking cessation, stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Four; three clinical staff members, including two Ph.D. designations. On-site: psychologists, marriage/family/child counselors, professional/mental health counselors.
Service area: Hardee, Hillsborough, Pasco, Pinellas and Polk, Fla.; Georgia; Illinois; Kentucky; Louisiana; New York.
Clients: 31. Lives covered at year-end 1992: 30,000 employees.
1992 revenues: $620,835; 70% from EAP services, 17% from managed mental health services.
Officers: Gary L. Wood, president; Stephen F. Russell.
Contact: Gary L. Wood. BI

BI's annual directory of managed mental health care providers

A

AccessCare Inc.

2203 N. Lois Ave., Suite 1150, Tampa, Fla. 33607; 813-876-5036; fax: 813-872-8666

Services began: 1979.
Parent: Comprehensive Care Corp.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment, psychiatric disorders. Occasional: suicide, legal problems, financial concerns.
Health promotion services: Frequent: nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, elder care, education. Occasional: smoking cessation, physical fitness/exercise, AIDS awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 29; three clinical staff members, including one CEAP, one RN designations. On-site: one psychiatrist, two professional/mental health counselors. Contracted: 200 psychiatrists, 125 psychologists, 300 social workers, 100 marriage/family/child counselors, 175 professional/mental health counselors, 50 psychiatric nurses.
Facilities: 187.
Specialties: Insurers, self-funded health plans, services.
Service area: Alabama, Arizona, California, Florida, Georgia, Illinois, Kentucky, Nevada, New Mexico, New York, Ohio, Pennsylvania, Texas, Virginia, West Virginia.
Clients: Lives covered at year-end 1992; 2,969,000 total.
Officers: Richard Peters, president/CEO; Carol Stith, COO; Greg Pilkington, vp-finance; Dr. Sam Toney, medical director; Russ Crumley, vp-sales/marketing.
Contact: Gretchen Scinta, marketing coordinator.

ACORN Behavioral Health Care Management Corp.

134 N. Narberth Ave., Narberth, Pa. 19072-2299; 800-223-7050; fax: 215-664-8373

Services began: 1975.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment, face-to-face precertification. Occasional: legal problems, financial concerns.
Health promotion services: Frequent: smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, private practitioners' offices.
Staff: 35; 10 clinical staff members, including two CEAP, five MSW, three CAC, three Ph.D. designations. Contracted: 143 psychiatrists, 1,460 psychologists, 609 social workers, 82 marriage/family/child counselors, 100 professional/mental health counselors.
Facilities: 450.
Service area: Nationwide including Puerto Rico and Virgin Islands.
Clients: Lives covered at year-end 1992: 700,000 total.
1992 revenues: $5 million; 100% from managed mental health care services.
Officers: Mel Goldsmith, president/CEO; Mel Wondolowski, senior vp-corporate relations; Dorothy Harrison, senior vp-clinical operations; Arlette McGlade, vp-MIS.
Contact: Mel Wondolowski.

AcurCare Group L.L.P.

420 Decker Drive, Suite 191, Irving, Texas 75062; 214-650-0838; fax: 214-650-1323

Services began: 1991.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child/elder care, abuse/violence, medical/physical.
Health promotion services: Frequent: 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 adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Four; all clinical staff members, including three MSW, one RN designations. On-site: one psychiatrist, four social workers. Contracted: 74 psychiatrists, 87 psychologists, 250 social workers, 148 marriage/family/child counselors.
Facilities: 125.
Service area: Arizona, Arkansas, California, Colorado, Florida, Kentucky, Louisiana, Mississippi, Montana, New Mexico, Ohio, Oklahoma, Texas, Washington.
Clients: 48. Lives covered at year-end 1992: 85,000 total, including 60,000 employees and 25,000 dependents.
Officers: Marilyn J. Gerald, CEO; Patrick M. Tiner, director-clinical services; Jill A. Curtis, provider relations manager; Ollie E. Jacksons, manager-administration.
Contact: Marilyn J. Gerald.

AEGIS

10727 White Oak Ave., Suite 202, Granada Hills, Calif. 91344; 818-368-0079; fax: 818-360-5292

Services began: 1991.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: legal problems, traumatic accident.
Health promotion services: Frequent: alcohol awareness, drug/chemical awareness, AIDS awareness. Occasional: smoking cessation, nutrition/weight control, stress management.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Five; all clinical staff members, including one CEAP, two MSW, one MD, two Ph.D. designations. On-site: one psychiatrist, two psychologists, one social worker, one marriage/family/child counselor. Contracted: one social worker.
Facilities: 13.
Specialties: Small business consortium.
Service area: Los Angeles, Calif.
Clients: One. Lives covered at year-end 1992: 4,000 total, including 2,000 employees and 2,000 dependents.
1992 revenues: $400,000; 100% from EAP/managed mental health care services.
Officers: Dr. Gail Schaper, Nancy A. Petenbrink, partners.

The Allen Group

2965 W. State Road 434, Suite 100, Orlando, Fla. 32779; 800-272-7252; fax: 407-862-1477

Services began: 1979.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: suicide, legal problems, critical incident debriefing, fitness for duty evaluation.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: 22; 246 clinical staff members, including four CEAP, two MSW, two CAC, one MD, one Ph.D. designations. On-site: one psychiatrist, one psychologist, two social workers, 15 professional/mental health counselors, one attorney. Contracted: six psychiatrists, 62 psychologists, 98 social workers, 31 marriage/family/child counselors, 86 professional/mental health counselors, four physicians, two attorneys.
Facilities: 71.
Specialties: Service industries, retail distribution, engineering and consulting.
Service area: Nationwide.
Clients: 130. Lives covered at year-end 1992: 686,000 total, including 296,000 employees and 390,000 dependents.
1992 revenues: $2.9 million; 80% from EAP services, 20% from managed mental health care services.
Officers: Dr. J.D. Allen, president; Barbara Elkes, Linda Allen, vps.
Contact: Bob S. Hinds, director-business development.

Alternatives

3100 Broadway, Suite 204, Kansas City, Mo. 64111; 816-753-8282; fax: 816-531-5709

Services began: 1982.
Parent: Occupational Health Services Inc.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, alcohol abuse. Occasional: occupational problems, suicide, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incident debriefings.
Health promotion services: Occasional: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, pre-employment evaluations, career development.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: Two; three clinical staff members, including one CEAP, one MD, one Ph.D. designations. On-site: two professional/mental health counselors, one physician. Contracted: one psychologist.
Facilities: 15.
Specialties: Emergency services providers.
Service area: Cass, Clay, Jackson, Johnson and Wyondotte, Mo.; Tarrant, Texas; available nationwide.
Clients: 28. Lives covered at year-end 1992: 21,338 total, including 8,891 employees and 12,447 dependents.
Officers: Katherine White, director; Kimberly Lawson, office manager.
Contact: Kimberly Lawson.

American PsychManagement Inc.

3110 Fairview Park Drive, Falls Church, Va. 22042; 703-205-7000; fax: 703-205-6646

Services began: 1980.
Parent: Value Health Inc.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: suicide, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 727; 181 clinical staff members, including 31 MSW, 36 MD, 77 RN, 11 Ph.D. designations. On-site: 36 psychiatrists, 11 psychologists, 40 social workers, 77 psychiatric related professionals. Contracted: 3,981 psychiatrists, 9,311 psychologists, 7,835 social workers, 1,729 marriage/family/child/professional/mental health counselors.
Facilities: 1,376.
Specialties: Financial and oil industry.
Service area: Nationwide.
Clients: 157. Lives covered at year-end 1992: 3,600,000 total, including 1,575,000 employees and 2,025,000 dependents.
1992 revenues: $61.12 million; 2% from EAP services, 90% from managed mental health care services, 8% from combined EAP/managed mental health programs.
Officers: Steve Linehan, CEO/president; John Crisan, CFO; Ian Shaffer, vp-medical affairs; Jack Dolan, vp-marketing/sales; Patrick Sager, vp-information services/CIO.
Contact: Jack Dolan.

Kersey H. Antia Ph.D. & Associates

8318 W. 138th Place, Orland Park, Ill. 60462; 708-460-6060; fax: 708-460-6060

Services began: 1991.
Parent: Professional Health Associates.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: occupational problems.
Health promotion services: Frequent: smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: elder care.
Educational/general services: Employee education, supervisor training, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Four, including one MSW, two MD, one Ph.D. designations. Contracted: two psychiatrists, one psychologist, one social worker, one marriage/family/child counselor, one physician.
Facilities: Two.
Specialties: Small companies.
Service area: Cook, Grundy and Will counties in Illinois.
1992 revenues: $140,000; 25% from EAP services, 25% from managed mental health care services.
Officers: Dr. Kersey Antia, director.

B

Behavioral Health Inc.

2431 S. Acadian Thruway, Suite 550, Baton Rouge, La. 70808; 504-926-0195; fax: 504-926-0362

Services began: 1986.
Parent: General Health Inc.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: legal problems, financial concerns.
Health promotion services: Occasional: smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities.
Staff: 30; 19 clinical staff members, including three CEAP, 14 MSW, two CAC, two MD, three Ph.D. designations. On-site: one psychiatrist, three psychologists, 14 social workers, two marriage/family/child counselors, two professional/mental health counselors, one physician. Contracted: 146 psychiatrists, 183 psychologists, 321 social workers, 28 marriage/family/child counselors, 43 professional/mental health counselors, 10 physicians.
Facilities: 35.
Service area: Alabama, Arkansas, Florida, Georgia, Louisiana, Mississippi, Oklahoma, Texas.
Clients: 293. Lives covered at year-end 1992: 178,712 total, including 73,544 employees and 105,168 dependents.
1992 revenues: $1.8 million; 7% from EAP services, 93% from managed mental health care services.
Officers: Dr. Jack Lord, president; Henry Yennie, vp; Dr. Stan Granberry, director-clinical services; Gary Bell, marketing director; Scott Fruchter, director-market development.
Contact: Scott Fruchter.

Behavioral Health Systems Inc.

485 S. Frontage Road, Suite 305, Burr Ridge, Ill. 60521-7110; 708-655-4440; fax: 708-655-4558

Services began: 1985.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, suicide, alcohol abuse, drug/chemical abuse, child and adolescent treatment, eating disorders. Occasional: Family/marital problems, legal problems, financial concerns.
Health promotion services: Occasional: Nutrition/weight control, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, physician care review.
Counseling sites: EAP/mental health care facilities, professional offices.
Staff: Five; 16 clinical staff members, including 14 MD, two RN. Contracted: 85 psychiatrists, 40 psychologists, 65 social workers, 10 certified addiction counselors.
Facilities: 30.
Specialties: Self-funded employer groups, health care facilities, HMOs, PPOs, religious organizations.
Service area: Boone, Cook, Du Page, Grundy, Kane, Kankakee, Lake, La Salle, Livingston, McHenry, Will and Winnebago counties in Illinois; Jasper, Lake, La Porte, Newton and Porter, Ind.
Clients: Eight. Lives covered at year-end 1992: 40,000 total.
1992 revenues: 100% from managed mental health care services.
Officers: Edward W. Hatch, president/CEO; Dr. Anthony M. D'Agostino, chairman/medical director; Dr. Cullen R. Schwemer, vp; Dr. Harold F. McGrath, secretary/treasurer.
Contact: Robert L. Rogers, director-client marketing.
EAP services are not available.

Behavioral Healthcare Options Inc.

2801 S. Valley View Blvd., Suite 10, Las Vegas, Nev. 89102; 702-364-1484; fax: 702-364-0843

Services began: 1991.
Parent: Sierra Health Services.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: occupational problems, legal problems, financial concerns.
Health promotion services: Occasional:

Continued on next page

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Continued from previous page

smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, health education, parenting services.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities, phone counseling.

Staff: 32; 13 clinical staff members, including four MSW, two CAC, four MD, two Ph.D. designations. On-site: four psychiatrists, two psychologists, four social workers, one addictions counselor. Contracted: 55 psychiatrists, 194 psychologists, 119 social workers, 20 marriage/family/child counselors, 46 professional/mental health counselors, three addictions counselors.

Facilities: 30.

Specialties: Self-insured companies.

Service area: Arizona, Colorado, Georgia, Louisiana, Nevada, New Mexico.

Clients: Lives covered at year-end 1992: 236,260 total, including 112,504 employees and 123,756 dependents.

1992 revenues: $3.8 million; 3% from EAP services, 97% from managed mental health care services.

Officers: Stuart J. Ghertner, president/CEO; Michael R. Adams, clinical operations; Lynn Rosenbach, director-business development; Lynette Brand, director-finance/administration.

Contact: Lynn Rosenbach.

Behavioral Partnership Inc.

P.O. Box 1603, Barrington, Ill. 60010; 800-882-0019; fax: 708-382-2513

Services began: 1990.
Parent: Managed Care Options Inc.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, adolescent treatment.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities.

Staff: Four; two clinical staff members, including one MD, one Ph.D. designations. Contracted: 19 psychiatrists, 37 psychologists, 36 social workers, 29 marriage/family/child counselors and professional/mental health counselors.

Facilities: Four.

Service area: Cook, DuPage, Kane, Lake and McHenry counties in Illinois.

1992 revenues: $90,770; 100% from managed mental health care services.

Officers: Dr. William Bradley, president/owner.

EAP services are not available.

Benesys

1775 St. James Place, Suite 200, Houston, Texas 77056; 713-871-0821; fax: 713-871-6301

Services began: 1979.
Parent: Group Plan Clinic Inc.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, parenting, grief, emotional counseling. Occasional: suicide.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Six; 1,000 clinical staff members. Contracted: 145 psychiatrists, 252 psychologists, 608 social workers, 40 marriage/family/child counselors, 160 professional/mental health counselors, one physician, 10 certified alcohol and drug abuse counselors.

Facilities: 69.

Service area: Nationwide.

Clients: 70. Lives covered at year end 1992: 50,000.

1992 revenues: 10% from EAP services, 90% from managed mental health care services.

Officers: Dr. James F. Considine, chairman/president; Joseph V. Smith, executive vp; Dorothy W. O'Shea, senior vp; Donna Stell, vp; Shirley W. Haeckel, controller.

Contact: Dorothy W. O'Shea.

Bethesda CONCERN: EAP/Managed Care Services

8280 Montgomery Road, Suite 110, Cincinnati, Ohio 45236; 800-642-9794; fax: 513-891-4263

Services began: 1984.
Parent: Bethesda Healthcare Inc.
Not for profit.

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

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

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 75; 47 clinical staff members, including 12 CEAP, 31 MSW, six CAC, two MD, three RN, one Ph.D. designations. On-site: one psychiatrist, one psychologist, 31 social workers, 11 professional/mental health counselors. Contracted: 7,650 clinical staff nationwide.

Facilities: 650.

Service area: Canada, Puerto Rico, U.S.

Clients: 140. Lives covered at year-end

Continued on page 38

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1992: 280,800 total, including 108,000 employees and 172,800 dependents.

1992 revenues: $3.5 million; 70% from EAP services, 30% from managed mental health care services.

Officers: Daniel E. Ansel, vp-behavioral health; Mark Self, manager-CONCERN counseling services; Mary Monfils, national program supervisor; Lois Jones, managed care supervisor.

Contact: Jim Mueller, corporate coordinator.

Bethesda Employee Assistance Service/ Bethesda Provider Network

3801 E. Florida Ave., Suite 502, Denver, Colo. 80120; 303-691-2374

Services began: 1980.
Parent: Bethesda PsycHealth System.
Not for profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities, phone counseling.

Staff: 11; seven clinical staff members, including three MSW, one RN designations. On-site: three social workers, three professional/mental health counselors, one RN/CS. Contracted: 27 psychiatrists, 41 psychologists, 29 social workers, seven RN/CS.

Facilities: Eight.
Service area: Colorado.
Clients: 78. Lives covered at year-end 1992: 125,000 total, including 50,000 employees and 75,000 dependents.
Officers: Suzanne M. Seevers, managed care administrator; Wayne Lictenberger, director-employee assistance services.

Blue Cross of California

21555 Oxnard St., Woodland Hills, Calif. 91367; 310-575-5400 or 510-277-4800

Services began: 1989.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, drug/chemical abuse, psychiatric services.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: MSW, MD, Ph.D. designations. Contracted: 225 psychiatrists, 483 psychologists, 337 social workers, 274 marriage/family/child counselors.

Facilities: 118.
Service area: California.
Clients: Lives covered at year-end 1992: 97,950 total, including 40,514 employees and 57,436 dependents.
Officers: Leonard D. Schaeffer, chairman; Alethea Coldwell, Ron Williams, Mark Weinberg, Marvin Rich, executive vps.
Contact: H.W. Marston, executive vp/general manager.

Bradman Therapy Centers

7951 S.W. Sixth St., Suite 100, Plantation, Fla. 33324; 305-474-8727; fax: 305-474-1351

Services began: 1986.
Parent: UniPsych Corp.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, nutrition/weight control, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 20; 120 clinical staff members, including 35 MSW, 10 CAC, 35 MD, three RN, 35 Ph.D. designations.

Facilities: 50.

Service area: Florida; other states available.

Clients: Lives covered at year-end 1992: 400,000.

Officers: Dr. Leo Bradman, chairman; Ronald Harshman, president/CEO; Dr. Ernest Cohen, psychiatric director; James Kaplan, director-finance; Anke Stimpson, clinical services manager.

Contact: Dr. Leo Bradman.

Burke-Taylor Associates Inc.

2301 W. Meadowview Road, Suite 114, Greensboro, N.C. 27407; 919-292-5301; fax: 919-292-0312

Services began: 1981.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 50; 34 clinical staff members, including 20 CEAP, 13 MSW, 10 CAC designations.

Specialties: Textiles, banks, health care providers.

Service area: Alabama, Georgia, North Carolina, South Carolina.

Clients: 200.

Officers: John Burke, president; Larry Earle, senior vp/COO; Chuck Taylor, vp-service development; Mark Miller, director-marketing.

Contact: Mark Miller.

C

California Psychological Health Plan

5750 Wilshire Blvd., Suite 490, Los Angeles, Calif. 90036-3016; 213-965-4870; fax: 213-937-9688

Services began: 1973.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: Suicide.

Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, dependent care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities, selected worksites, phone counseling, treatment providers' offices.

Staff: 30; eight clinical staff members, including three MSW, one MD, four Ph.D. designations. On-site: one psychiatrist, four psychologists, three marriage/family/child counselors. Contracted: 70 psychiatrists, 910 psychologists, 210 social workers, 210 marriage/family/child counselors.

Facilities: 160.
Service area: 31 states.
1992 revenues: $3.2 million; 10% from EAP services, 80% from managed mental health care services.

Officers: David Auchterlonie, CEO; Tom Rochefort, CFO; Pam Pile, director-client services; Dan Fulton, director-operations; Tim Bauler, director-marketing.

Contact: Tim Bauler.

CareNet

100 Central St., Worcester, Mass. 01608; 508-795-7967; fax: 508-793-0908

Services began: 1992.
Parent: Fallon Clinic.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care. Occasional: smoking cessation, nutrition/weight control.

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

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It's hard to get through to some group LTD claims handlers.

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Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities, selected worksites, phone counseling, mobile teams for off-site emergency.

Staff: Eight; 29 clinical staff members, including two CEAP, 15 MSW, two CAC, six MD, four RN, eight Ph.D. designations. On-site: six psychiatrists, eight psychologists, 15 social workers, six administrative staff/RNs.

Facilities: 15.

Service area: Massachusetts.

Clients: One. Lives covered at year-end 1992: 155,000 total, including 70,000 employees and 85,000 dependents.

1992 revenues: 100% from managed mental health care services.

Officers: David Zarchan, president; Denise A. Moretti, vp; Robert Anderson, director-marketing.

Contact: David Zarchan.

EAP services are not available.

Carrier Foundation

Route 601, Belle Mead, N.J. 08502; 908-281-1000; fax: 908-874-4818

Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment, trauma and dissociative disorder program.

Health promotion services: Frequent: smoking cessation. Occasional: stress management, alcohol awareness, drug/chemical awareness, elder care.

Educational/general services: Employee education, workplace problem identification, psychiatric disability review, safety, confidentiality, personal growth and coping skills, psychiatric issues, CPR and first aid, health prevention and wellness issues, English as a second language.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review.

Staff: 640.5; 199 clinical staff members, including 35 MSW, nine CAC, 120 RN designations. On-site: 27 psychiatrists, 18 social workers, 47 professional/mental health counselors, one physician.

Facilities: Three.

Service area: New Jersey, New York, Pennsylvania.

1992 revenues: $54.8 million.

Officers: Stanley J. Birch, CEO; John J. Bilik, senior vp-administration; Dr. William L. Han, senior vp/medical director; Harvey J. Pyser, senior vp-finance; Dr. Alan Tipermas, vp-medical.

Contact: Kelly Griffin, 908-281-1516 or Sharon Campbell, 908-281-1513.

EAP services are not available.

Center for Health Promotion

576 St. John St., Portland, Maine 04102; 207-774-7751; fax: 207-828-5140

Services began: 1981.

For profit.

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

Health promotion services: Frequent: smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: physical fitness/exercise, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Four; 74 clinical staff members, including 12 CEAP, 34 MSW, 14 CAC, four RN, six Ph.D. designations. Contracted: six psychologists, 34 social workers, five marriage/family/child counselors, 12 professional/mental health counselors.

Service area: New England, New York, Northeastern Canada.

Clients: 18. Lives covered at year-end 1992: 28,000 total, including 8,000 employees and 20,000 dependents.

Officers: Theodore K. Rice Jr., clinical director; Mary Kenney, executive director; Denise Gay, program director; Diane McIlhinney, program coordinator.

Contact: Mary Kenney or Denise Gay.

Ciminero & Associates, P.A.

9130 S. Dadeland Blvd., Suite 1901, Miami, Fla. 33156; 305-666-8000

Services began: 1985.

For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 22, all clinical staff members, including three MSW, one MD, 13 Ph.D. designations. On-site: one psychiatrist, 13 psychologists, three social workers, two marriage/family/child counselors, four professional/mental health counselors. Contracted: 120 psychologists, 30 social workers, 12 marriage/family/child counselors, 12 professional/mental health counselors.

Facilities: Five.

Service area: Broward, Dade and Palm Beach , Fla.

Clients: 22. Lives covered at year-end 1992: 79,000 total, including 32,000 employees and 47,000 dependents.

1992 revenues: $1,250,000; 70% from EAP services, 30% from managed mental health services.

Officers: Anthony R. Ciminero, president; Joanne Bauling, vp.

Comprehensive EAP Inc.

11 Independence Court, Concord, Mass. 01742; 508-371-7565

For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: suicide, legal problems, financial concerns, workers comp.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Outpatient precertification, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: Two, both clinical staff members, including two CEAP, one Ph.D. designations. On-site: one psychologist, one professional/mental health counselor.

Service area: Massachusetts.

Clients: 560. Lives covered at year-end 1992: 17,500, including 7,000 employees and 10,500 dependents.

Officers: Mark Sagor, president; Bob Kagey, treasurer.

Compsych

515 N. State St., Suite 2310, Chicago, Ill. 60610; 312-245-2699; fax: 312-245-2767

Services began: 1981.

For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child and elder care. Occasional: suicide.

Health promotion services: Frequent: smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care. Occasional: nutrition/weight control.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, benefit plan review, claims review.

Counseling sites: Selected worksites, EAP/mental health care facilities.

Staff: 46; 32 clinical staff members, including five CEAP, 14 MSW, five CAC, four MD, two RN, seven Ph.D. designations. On-site: four psychiatrists, seven psychologists, 14 social workers. Contracted: 93 psychiatrists, 1,245 psychologists, 486 social workers, 15 marriage/family/child counselors, 14 physicians.

Facilities: 486.

Service area: North America and Puerto Rico.

Clients: 221. Lives covered at year-end 1992: 503,000 total, including 284,000 employees and 219,000 dependents.

Officers: Dr. Richard A. Chaifetz, president/CEO; Michael B. Garfield, vp; Sewell Gelberd, vp-product design; Jill Chaifetz, vp-finance; Dr. Ralph Newman, director-medical services.

Contact: Michael B. Garfield.

CONTACT

1400 E. Southern, Suite 225, Tempe, Ariz. 85282; 602-730-3023; fax: 602-730-5528

Services began: 1979.

Parent: Unified Health Inc.

For profit.

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

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But benefits managers praise CNA's Brian Terry for his responsiveness.

Brian's service level is outstanding! He is always on top of things and always follows through on each disability case. Each time I call on him, he is very professional and accommodating. It is a pleasure to work with Brian.

Regards,

Mary Pesch-Holevas

Mary Pesch-Holevas
Benefits and Compensation Supervisor
Baxter Healthcare Corporation

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Continued from previous page

Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities, phone counseling.

Staff: 60; 35 clinical staff members, including one CEAP, four MSWs, one CAC, one M.D., one R.N., seven Ph.D.s. On-site: one psychiatrist, seven psychologists, four social workers, 35 marriage/family/child counselors, 10 professional/mental health counselors. Contracted: 20 psychologists, 14 social workers, 34 marriage/family/child counselors, 20 professional/mental health counselors.

Facilities: 18.
Service area: Arizona.
Clients: 88.
1992 revenues: $2.1 million; 98.3% from EAP/managed mental health care services.

CORPHEALTH Inc.

1300 Summit Ave., Fort Worth, Texas 76102-4022; 817-654-2440; fax: 817-335-9100

Services began: 1989.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: EAP/mental health care facilities, selected worksites, phone counseling.
Staff: 40; 17 clinical staff members, including one CEAP, 14 MSWs, two M.D., four Ph.D.s. Contracted: four psychologists, 10 social workers.
Facilities: 145.
Clients: Lives covered at year-end 1992: 525,000, including 210,000 employees and 315,000 dependents.
Officers: Patrick D. Gotcher, president and CEO; David L. Redfield, vp and COO; J. Kent Boynton, clinical director; Dr. Barry J. Fenton, medical director; Anita L. Poole, account services director; Faye Wright, customer service manager.

Corporate Counseling Associates Inc.

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

Services began: 1985.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse. Occasional: legal problems, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care. Occasional: smoking cessation.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 16; 12 clinical staff members, including two CEAPs, 12 MSWs, two CACs. On-site: 12 social workers. Contracted: 10 psychiatrists, 85 psychologists, 85 social workers, 20 marriage/family/child counselors.
Facilities: 20.
Specialties: Publishing/communications, banking/finance.
Service area: Nationwide.
Clients: 40. Lives covered at year-end 1992: 225,000, including 75,000 employees and 150,000 dependents.
Officers: Robert Levy, Gene Cooper, principals.
Contact: Georgia Critsimilios.

Corporate Health-Confidential Advisory Program

253 Witherspoon St., Princeton, N.J. 08540; 609-497-4210 or 609-497-4201; fax: 609-497-4990

Services began: 1984.
Parent: The Medical Center of Princeton.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment, mental health related problems. Occasional: suicide, legal problems, financial concerns, adolescent treatment.
Health promotion services: Frequent: smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, breast cancer awareness, cholesterol, critical incident stress management.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, drug screens, fitness for work review.
Utilization review services: Inpatient precertification, outpatient precertification, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling, affiliate office network.
Staff: 10; seven clinical staff members, including two CEAPs, three MSWs, two M.D.s, one R.N. On-site: one psychiatrist, one psychologist, three social workers, one professional/mental health counselor, 1.5 physicians, one nurse.
Facilities: Six.
Service area: 20 states.
Clients: 31. Lives covered at year-end 1992: 20,000 employees and 35,000 dependents.
1992 revenues: $500,000; 50% from EAP/managed mental health care services.
Officers: Richard Wohl, vp; Carl Amenhauser, director.
Contact: Carl Amenhauser.

Creative Care Management Ltd.

1440 Hicks Road, Suite D, Rolling Meadows, Ill. 60008; 708-590-5973; fax: 708-590-5908

Services began: 1981.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: suicide, legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, on-site review.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling, establish area offices.
Staff: 17.5; 12.5 clinical staff members, including 11 MSWs, six CACs, two M.D.s, two Ph.D.s. On-site: one psychologist, 11 social workers. Contracted: two psychiatrists, four psychologists, 3.5 social workers, two professional/mental health counselors.
Facilities: 16.
Specialties: Hospitals, educational institutions, unions, governmental agencies, manufacturing businesses.
Service area: Selected areas in Indiana; Wisconsin; Florida; Ohio; Texas; Connecticut; Minnesota; Michigan; New York; California; Georgia; Missouri; Kansas; Tennessee; Oklahoma; Illinois.
Clients: 37. Lives covered at year-end 1992: 50,000 employees and 25,000 dependents.

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Continued from previous page

1992 revenues: $950,000; 40% from EAP services, 60% from managed mental health care services.

Officers: Fred Vojtsek, president; Rick D. Kronberg, vp-clinical operations; Jon Phillips, vp-finance/administration.

Contact: Rick Kronberg.

Crestway-Wentworth Insurance Services

6101 W. Centinela Ave., Suite 345, Culver City, Calif. 90230; 800-468-6900; fax: 310-216-7913

Parent: United HealthCare Corp.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, violence in the workplace, sexual harassment, grief and loss. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 125; 3,001 clinical staff members, including 63 MSW, 12 RN, 40 Ph.D. designations. On-site: 58 psychologists, 49 social workers, 11 marriage/family/child counselors, seven professional/mental health counselors. Contracted: 242 psychiatrists, 1,156 psychologists, 1,025 social workers, 406 marriage/family/child counselors, 25 professional/mental health counselors, 242 physicians.

Facilities: 46.
Service area: Nationwide.
1992 revenues: $7.4 million.
Officers: Dr. John Tillotson, CEO (Crestway); R. Edward Bergmark, CEO (IHR); William McGuire, CEO (United Healthcare Corp.).
Contact: Craig J. Kleeger, director-sales.

E

EAP Works Inc.

2705 Riverside Ave., Suite 2, Jacksonville, Fla. 32205; 904-384-9436

Services began: 1989.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns. Occasional: suicide.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, nutrition/weight control, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities.

Staff: Six; five clinical staff members, including CEAP, MSW, MD, Ph.D. designations. On-site: social workers, marriage/family/child counselors, professional/mental health counselors. Contracted: psychiatrists, psychologists, physicians.

Specialties: Health care facilities.
Service area: Nationwide.
Clients: 25.
Officers: Cynthia Persico, president; Bill Johns, vp; Debbie Pollard, secretary.
Contact: Cynthia Persico.

EAR—Employee Advisory Resource

8100 34th Ave. S., Minneapolis, Minn. 55425-1640; 612-853-2914; fax: 612-853-4810

Services began: 1977.
Parent: Ceridian Corp.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, workplace problems, management consultation, mental health. Occasional: suicide.

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

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, interface with customers and other managed care or utilization review firms.

Counseling sites: EAP/mental health care facilities, phone counseling.

Staff: 140; 530 clinical staff members, including 85 MSW, 10 CAC, five Ph.D. designations. On-site: psychologists, social workers, marriage/family/child counselors, professional/mental health counselors, attorneys, financial advisors. Contracted: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors, physicians, attorneys, financial advisors.

Facilities: 600.
Service area: Canada, Puerto Rico, U.S.
Clients: 650. Lives covered at year-end 1992: 900,000 total.
1992 revenues: $9 million; 100% from EAP/managed mental health care services.
Officers: Dave Robinson, general manager; Pat Sommers, president; Sylvia Reynolds, vp-marketing; George Klauser, vp-sales; Harry Benjamin, senior vp-services/development.
Contact: Susan Buzzotta.

ETP Inc.

7 Waterside Crossing, Suite 204, Windsor, Conn. 06095; 203-285-8585; fax: 203-285-8240

Services began: 1979.
Not for profit.

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

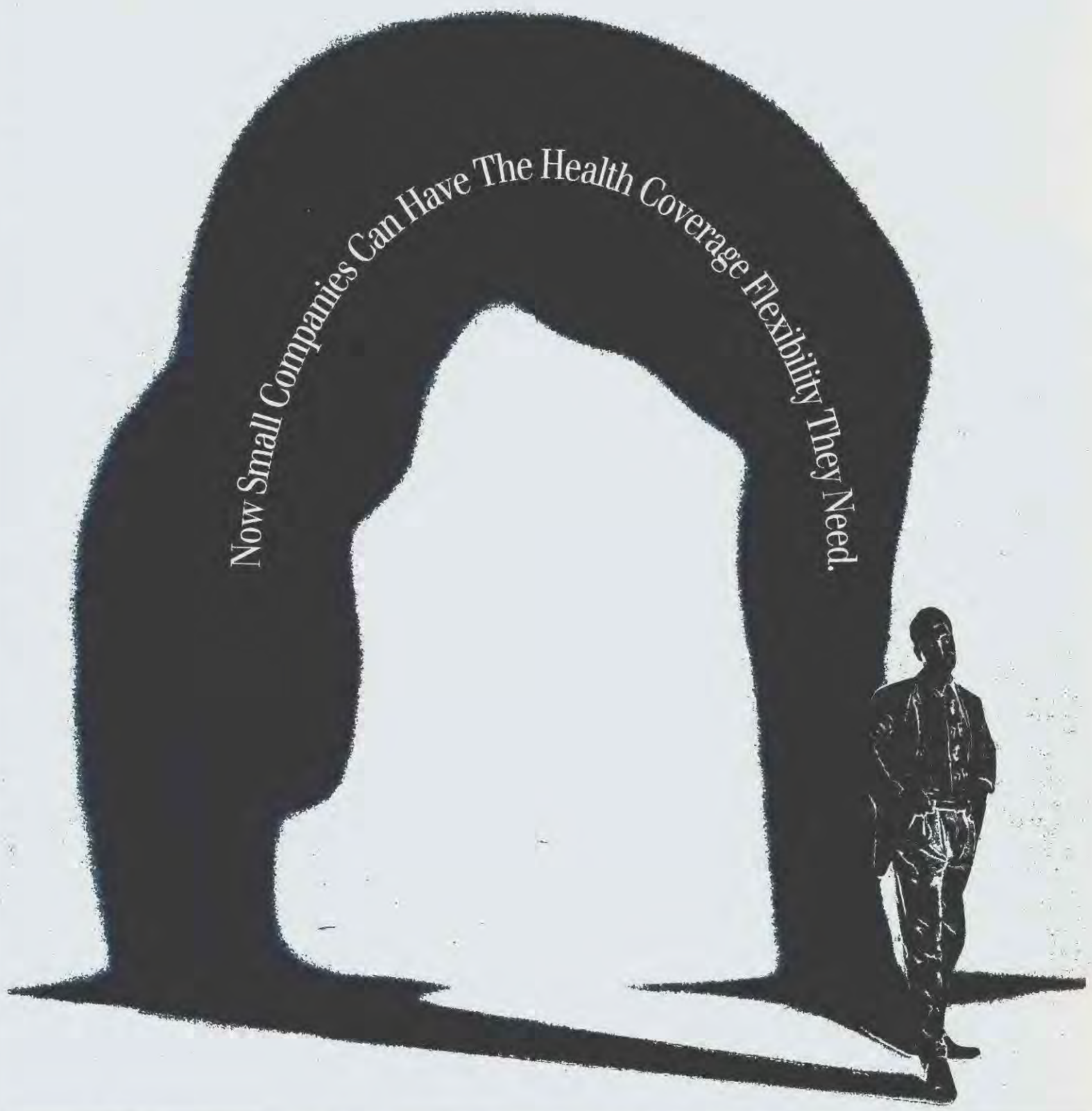
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, AIDS awareness, elder care.

Continued on next page

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47th ANNUAL FALL CONFERENCE
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Continued from previous page

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 16; 11 clinical staff members, including four CEAPs, two MSWs, three CACs, two R.N.s, two Ph.D.s. On-site: two psychologists, two social workers, one marriage/family/child counselor, four professional/mental health counselors, two nurses. Contracted: 10 psychiatrists, 106 psychologists, 220 social workers, 90 marriage/family/child counselors, 88 professional/mental health counselors, three physicians, 12 nurses.

Service area: Nationwide.

Clients: 42. Lives covered at year-end 1992: 70,000 employees and 110,000 dependents.

1992 revenues: $5.1 million; 28% from EAP services, 4% from managed mental health care services.

Officers: Ludwig Lankford, chairman; David J. Powell, president and CEO; Paul F. Crotty, senior vp; Stephen J. Szuchy, vp.

Contact: Paul R. Crotty.

Employee Assistance Associates Inc.

1580 Eisenhower Place, Ann Arbor, Mich. 48108; 313-973-0606; fax: 313-973-1513

Services began: 1981.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, case management.

Counseling sites: EAP/mental health care facilities.

Staff: 31, all clinical staff members, including 10 CEAPs, 31 MSWs. Contracted: one psychiatrist, one psychologist.

Service area: Michigan, Ohio.

Clients: 108. Lives covered at year-end 1992: 109,000.

Officers: Jesse Bernstein, president; Steven Posen, executive vp; Julie Witkowski, vp-account services; Margaret Cressman, vp-client services.

Contact: Julie Witkowski, 38705 Seven Mile Road, Suite 130, Livonia, Mich. 48152.

Employee Assistance Service Inc.

7918 Jones Branch Drive, Suite 230, McLean, Va. 22102; 703-448-8101; fax: 703-448-8674

Services began: 1984.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, conflict resolution, team management, communication skills. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 68; 250 clinical staff members, including 40 CEAPs, 105 MSWs, 50 CACs, 30 M.D.s, 70 R.N.s, 45 Ph.D.s. On-site: four psychiatrists, 20 psychologists, 30 social workers, five marriage/family/child counselors, three professional/mental health counselors, six psychiatric nurses. Contracted: 26 psychiatrists, 25 psychologists, 75 social workers, 30 marriage/family/child counselors, 44 professional/mental health counselors, 48 psychiatric nurses.

Facilities: 38.

Service area: Nationwide.

Clients: 162. Lives covered at year-end 1992: 180,000, including 55,000 employees and 125,000 dependents.

1992 revenues: 75% from EAP services, 25% from managed mental health care services.

Officers: Gail E. Gibson, president.

Employee Counseling Service

4455 Duncan, St. Louis, Mo. 63110; 314-533-3800; fax: 314-371-6510

Services began: 1979.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, adolescent treatment, workplace trauma. Occasional: financial concerns.

Health promotion services: Frequent: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 75; 50 clinical staff members, including eight CEAPs, 40 MSWs, five CACs, three M.D.s, seven R.N.s, nine Ph.D.s.

Facilities: 10.

Service area: Nationwide.

Clients: 50. Lives covered at year-end 1992: 45,000 employees.

Employee Health Plus

1661 Garden Highway, Sacramento, Calif. 95833; 916-929-1365; fax: 916-927-5368

Services began: 1990.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, critical incident debriefing. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control.

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

Utilization review services: Inpatient precertification, outpatient precertification, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: Four, including three CEAPs, one MSW. On-site: one social worker, one marriage/family/child counselor, two professional/mental health counselors. Contracted: 10 psychiatrists, 30 psychologists, 50 social workers, 50 marriage/family/child counselors, 20 professional/mental health counselors.

Facilities: 25.

Specialties: Banking industry.

Service area: California, Colorado, Florida, Georgia, Hawaii, Illinois, Michigan, Missouri, New Jersey, New York, Ohio.

Clients: Total lives covered at year-end 1992: 18,150, including 5,500 employees and 12,650 dependents.

1992 revenues: $225,000; 70% from EAP services, 20% from managed mental health care services.

Officers: Nancy Bailey, owner and executive director; Lisa Karkoski, Lorraine Gordon, L. Rana Muna, employee assistance specialists.

Contact: Nancy Bailey.

ETHIX Behavioral Services

12655 S.W. Center St., Suite 180, Beaverton, Ore. 97005; 800-537-9944; fax: 503-626-4466

Services began: 1989.
Parent: ETHIX National.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment.

Health promotion services: Frequent: nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care. Occasional: smoking cessation, physical fitness/exercise.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, telephone aftercare follow-up, post hospitalization.

Counseling sites: Clients' headquarters, EAP/mental health care facilities, phone counseling.

Staff: 10; eight clinical staff members, including one M.D., four R.N.s, one Ph.D. On-site: one psychiatrist, one psychologist, two marriage/family/child counselors, one professional/mental health counselor, one physician. Contracted: 2,969 psychiatrists, 7,734 psychologists, 8,126 social workers, marriage/family/child counselors and professional/mental health counselors.

Facilities: 1,183.

Specialties: Unions, self-funded employers.

Service area: Nationwide.

Clients: 450. Lives covered at year-end

Continued on next page

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Continued from previous page
1992: 437,000, including 190,000 employees and 247,000 dependents.

1992 revenues: $645,000; 100% from managed mental health care services.

Officers: Dale White, president (ETHIX National); Spencer R. Ward, senior vp (ETHIX National); Deb Smith, vp (ETHIX National).

Contact: Spencer R. Ward.

EAP services are not available.

F

Family & Youth Counseling Agency

127 S. Ryan St., Lake Charles, La. 70601; 318-436-9533; fax: 318-439-9600

Services began: 1971.

Not for profit.

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

Health promotion services: Frequent: stress management. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: Two; seven clinical staff members. On-site: five social workers, two master-level counselors.

Facilities: Two.

Service area: Allen, Beauregard, Calcasieu, Cameron and Jeff Davis, La.

Clients: 45. Lives covered at year-end 1992: 1,000, including 350 employees and 650 dependents.

Officers: Terry Sybrant, executive director.

Contact: Keri B. Forbess, director-EAP services.

Florida Psychiatric Management Inc.

1276 Minnesota Ave., Winter Park, Fla. 32789; 407-647-1781; fax: 407-647-0668

Services began: 1987.

For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 46; 20 clinical staff members, including two CEAPs, five MSWs, three M.D.s, three R.N.s, one Ph.D. On-site: three psychiatrists, five social workers, three professional/mental health counselors. Contracted: 50 psychiatrists, 42 psychologists, 85 professional/mental health counselors.

Facilities: 40.

Specialties: Public utilities, hospitals, entertainment/hospitality.

Service area: Florida.

Clients: Seven. Lives covered at year-end 1992: 320,000.

Officers: Dr. Martin Lazoritz, president and CEO; Dr. Robert W. Pollack, medical director; Dr. Bruce G. Henry, vp-partial hospitalization; I. Paul Mandelkern, senior vp.

Contact: I. Paul Mandelkern.

Foothills Psychological Association Inc.

715 N. Mountain, Suite G, Upland, Calif. 91786; 909-981-2938; fax: 909-949-0105

Services began: 1983.

For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, adolescent treatment.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.

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

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.

Staff: 11; four clinical staff members, including one M.D., 10 Ph.D.s. On-site: one psychiatrist, 10 psychologists, one marriage/family/child counselor.

Facilities: Two.

Service area: Los Angeles and San Bernardino, Calif.

Clients: 500. Lives covered at year-end 1992: 5,000, including 1,000 employees and 4,000 dependents.

1992 revenues: $1.3 million; 10% from EAP services, 50% from managed mental health care services.

Officers: Michael Geffen, president; Ray Barnett, treasurer; Susan Courtney, secretary.

Contact: Michael Geffen.

G

Ben Gordon Center

12 Health Services Drive, Dekalb, Ill. 60115; 815-756-4875

Continued on next page

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Services began: 1973.
Not for profit.
Assessments & treatments: Frequent: stress, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: occupational problems, legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: EAP/mental health care facilities, phone counseling.
Staff: Two; seven clinical staff members, including three MSW, two CAC, one RN designations. On-site: psychiatrists, social workers, marriage/family/child counselors, professional/mental health counselors. Contracted: psychologists.
Facilities: Four.
Service area: Dekalb, Kane and Ogle, Illinois.
Clients: Six.
1992 revenues: $2 million; 1% from EAP services, 1% from managed mental health care services.
Officers: James Grave, CEO; Merlin Wessel, mental health program director; Anne Pletsch, substance abuse program director; Lon Clark, CFO; Kris Poulson, volunteer/community education program director.
Contact: Anne Pletsch.

Green Spring Health Services Inc.

5565 Sterrett Place, Suite 500, Columbia, Md. 21044; 410-740-9501; fax: 410-740-8573

Services began: 1989.
Parent: BCWPA and BCBSBIL.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incidence management.
Health promotion services: Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, child care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, management consultation.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, catastrophic case management, discharge planning.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: 325; 125 clinical staff members, including one CEAP, 18 MSW, five CAC, eight MD, 35 RN, 14 Ph.D. designations. On-site: eight psychiatrists, 14 psychologists, 18 social workers, 81 pyschiatric nurses, certified addiction counselors, marriage/family/child counselors and professional mental health counselors. Contracted: 2,601 psychiatrists, 5,185 psychologists, 2,764 social workers, 1,568 psychiatric nurses, certified addiction counselors, marriage/family/child counselors, professional mental health counselors.
Facilities: 882.
Specialties: Employer groups, HMOs, large insurers.
Service area: Nationwide.
Clients: 20,000. Lives covered at year-end 1992: 5,000,000 total.
1992 revenues: $43 million; 2% from EAP services, 98% from managed mental health care services.
Officers: Paul Shoffeitt, president/CEO; Henry Harbin, executive vp/COO; Vincent Achillare, senior vp/chief administrative officer; Terrence Hardcastle, senior vp-business development; Clarissa Marques, senior vp/chief clinical officer.
Contact: Louise Kier, director-EAP services.

Kathleen Greer Associates

161 Worcester Road, Framingham, Mass. 01701; 508-879-2093; fax: 508-875-5574

Services began: 1980.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence.
Utilization review services: Inpatient precertification, outpatient precertification, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities.
Staff: Eight; three clinical staff members, including three CEAP, five MSW, one CAC designations. On-site: five social workers. Contracted: social workers.
Service area: Nationwide.
Clients: 20. Lives covered at year-end 1992: 10,000 employees and 10,000 dependents.
1992 revenues: $270,000; 75% from EAP services.
Officers: Kathleen Greer, president; Lynne Tracy Cooke, general manager; Ernest Kapopouloz, senior EAP consultant; Judy Wagner, counseling assistant.
Contact: Kathleen Greer.

H

Harmony: The Managed Mental Health Care Program

1831 Chestnut St., St. Louis, Mo. 63103; 800-524-7482; fax: 314-923-8542

Services began: 1993.
Parent: Blue Cross and Blue Shield of Missouri.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment, child treatment, affective disorders, anxiety disorders, personality disorders, phobias. Occasional: legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling, network providers office and facilities.
Staff: Eight, including one MSW, four RN, one Ph.D. designations. Contracted: 50 psychiatrists; 65 psychologists; 60 social workers, marriage/family/child counselors and professional/mental health counselors.
Facilities: 30.
Service area: Missouri and portions of Illinois and Kansas.
Clients: Lives covered at year-end 1992: 70,000 total, including 25,000 employees and 45,000 dependents.
1992 revenues: 100% from managed mental health care services.
Officers: Roy Heimberger, CEO/president; Peter Clay, senior vp; Ann Saladino, vp; Peter A. Ambrose Jr., director-mental health services.
Contact: Cheryl Ward.
EAP services are not available.

Health Direct

1011 E. Touhy Ave., Suite 500, Des Plaines, Ill. 60018; 708-391-9500; fax: 708-390-7715

Services began: 1981.
Parent: EHS Health Care/Lutheran General Health System.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: legal problems, financial concerns.
Health promotion services: Occasional: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, retrospective review.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 80; 320 clinical staff members, including 123 MSW, 76 MD, 121 Ph.D. designations. Contracted: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors, physicians.
Facilities: 15.
Service area: Northern Illinois, northwestern Indiana.
Clients: 72. Lives covered at year-end 1992: 216,000 total, including 86,214 employees and 129,786 dependents.
Officers: Charles Stark, president/CEO; Jenifer Cline, COO; Steve Tiwald, vp-networks/consulting; Kerry Finnegan, vp-marketing/sales; Jay Gore, vp-MIS.
Contact: Julie Barth.

Health Economics Corp.

1300 W. Mockingbird Lane, Dallas, Texas 75247; 214-905-4800; fax: 214-905-4412

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PRODUCTS & SERVICES LISTING

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Continued from previous page

Services began: 1991.
Parent: Equifax Inc.
For profit.
Assessments & treatments: Frequent: family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: stress, occupational problems, legal problems, financial concerns.
Educational/general services: Psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: EAP/mental health care facilities, phone counseling.
Staff: One; four clinical staff members, including two R.N.s, one Ph.D. Contracted: two psychiatrists, 28 psychologists, 18 social workers, 12 marriage/family/child counselors, 13 professional/mental health counselors, four chemical dependency counselors.
Facilities: 80.
Service area: Arapahoe, Colo.; Collin, Dallas, Denton, Fort Bend, Erath, Harris, Johnson, Kaufman, Montgomery, Rockwall, Somervell, Tarrant and Wharton, Texas; Erie, N.Y.; Fulton, Ga.; Jackson, Mo.; Kane, Ill.; Lukens, Ohio; Monroe, Mich.; Orange, Fla.; Ramsey and St. Louis, Minn.; San Joaquin, Calif.; Tulsa, Okla.
Clients: Nine. Lives covered at year-end 1992: 83,100, including 32,860 employees and 50,240 dependents.
1992 revenues: $26.8 million; 1% from managed mental health care services.
Officers: Dick Herrmann, president and CEO; Parks Houser, senior vp and COO; Nancy Coleman, senior vp-claims administration; James R. McPhail, vp-managed health care; Faith Glover, vp-health information.
Contact: Kathy K. Smith.
EAP services are not available.

Health & Human Resource Center

7798 Starling Drive, Suite 308; San Diego, Calif. 92123; 619-571-1698; fax: 619-571-1868

Services began: 1979.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care, child care. Occasional: smoking cessation, nutrition/weight control.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 35; 30 clinical staff members, including 25 MSWs, one M.D., one R.N., three Ph.D.s. On-site: two psychiatrists, five psychologists, 585 social workers, 195 marriage/family/child counselors. Contracted: 43 psychiatrists, 195 psychologists, 15 social workers, five marriage/family/child counselors.
Facilities: 50.
Service area: Nationwide.
Clients: 140. Lives covered at year-end 1992: 200,000, including 80,000 employees and 120,000 dependents.
1992 revenues: $2.5 million; 90% from EAP services, 10% from managed mental health care services.
Officers: Dr. Stephen Heidel, CEO; Dennis Senko, vp; Fawn Kimura, director-clinical services; Peggy Wagner, director-EAP services; Dr. Randall Hicks, medical director.
Contact: Linda Love, director-marketing.

Healthwise

203 South Ave. E., Westfield, N.J. 07090; 800-624-1696; fax: 908-654-0158

Services began: 1982.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: suicide.
Health promotion services: Frequent: drug/chemical awareness. Occasional: smoking cessation, stress management, alcohol awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: Five CEAPs, three MSWs, one M.D. On-site: social workers. Contracted: psychiatrists.
Specialties: Large welfare funds, chemical companies.
Service area: Nationwide.
Clients: Lives covered at year-end 1992: 100,000.
Contact: Jean R. Truitt, director.

The Holman Group

6900 Owensmouth Ave., Canoga Park, Calif. 91303; 818-704-1444

Services began: 1979.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment, childhood problems. Occasional: suicide, legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, critical incident debriefing, pre-strike counseling, downsizing, working women. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, death in the workplace.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, bill review.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: 120; 45 clinical staff members, including two CEAPs, five MSWs, five CACs, three M.D.s, one R.N., 10 Ph.D.s.Contracted: 265 psychiatrists, 360 psychologists, 445 social workers, 385 marriage/family/child counselors, 20 professional/mental health counselors.
Facilities: 420.
Service area: Nationwide.
Clients: Lives covered at year-end 1992: 500,000, including 150,000 employees and 350,000 dependents.
1992 revenues: $8 million; 20% from EAP services, 80% from managed mental health care services.
Officers: Ron Holman, president and CEO; Linda Holman, vp and CFO; Kim Scott, Denis Cortese, vps; Marylin Kingston, senior vp.
Contact: Susan Solis.

Human Affairs International

5801 S. Fashion Blvd., Suite 255, Salt Lake City, Utah 84107; 801-268-0553; fax: 801-268-9716

Services began: 1973.
Parent: Aetna.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, change management. Occasional: smoking cessation, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, PPO networks.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: 675; 261 clinical staff members, including 388 MSWs, three M.D.s, nine R.N.s, 26 Ph.D.s. Contracted: 3,161 psychiatrists, 2,967 psychologists, 1,938 social workers, 943 marriage/family/child counselors, 95 professional/mental health counselors.
Facilities: 800.
Service area: Nationwide.
Clients: 646. Lives covered at year-end 1992: 11 million, including 4.4 million employees and 6.6 million dependents.
1992 revenues: $58.8 million; 61% from EAP services, 33% from managed mental health care services.
Officers: Jim Plack, COO; David Levine, vp-sales/customer management; Jay Youell, vp-operations; Alan Savitz, vp-clinical policies and programs/medical director; Dave Harrington, vp-stategic planning; Betty Lynn Davis, director-quality management/training.
Contact: David Levine.

I

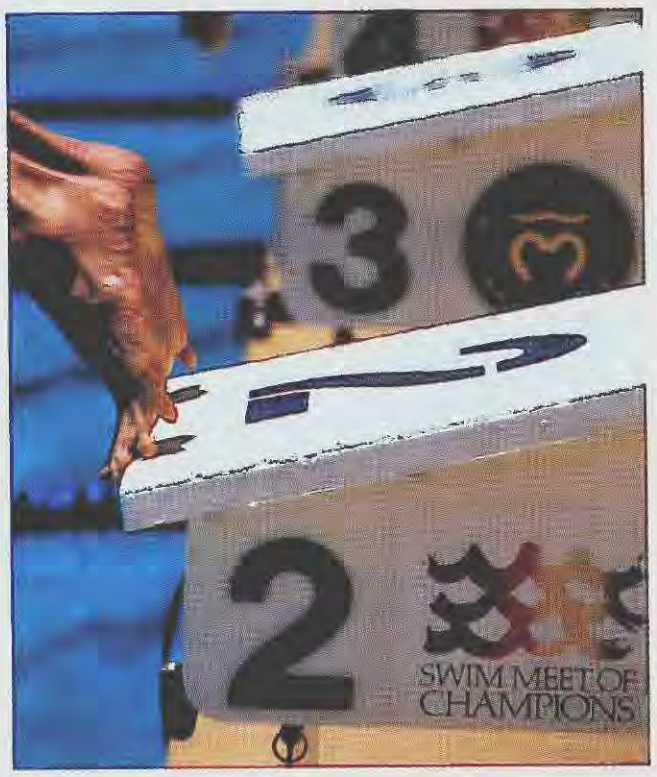
Institute of Behavioral Medicine/Comprehensive Employee Assistance

116 Ferguson Ave., Broomall, Pa. 19008; 215-331-7707 or 215-353-5118; fax: 215-331-7790 or 215-356-5412

Services began: 1988.
Parent: EAS Inc.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, adolescent treatment. Occasional: suicide, legal problems, drug/chemical abuse, financial concerns,

Continued on next page

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Benefits: Communicating With Employees

As health care continues to be one of the nation's top concerns, communicating health care and other employee benefit plans has never been more important. *BI* will detail the most successful methods and strategies used by companies to get the message across. Plus, this issue will contain *BI's* first Directory of Benefit Communication Systems.

Publishing: August 2
Ad Closing: July 21

Benefits: Pensions/Retirement Plans

Employers with pension and savings plans have a rapidly multiplying number of administrative options. *BI* will examine the choices, review the newest approaches and explore cost-saving alternatives.

Publishing: September 6
Ad Closing: August 25

International Benefits & Risk Management

Rising medical costs have forced U.S. employers to scrutinize their benefit plans, and now multinational employers are examining their plans for their overseas employees. *BI* will talk to experts from around the world about how benefit managers can get the most from their international benefit plans.

Publishing: October 4
Ad Closing: September 22

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Continued from previous page

pain management, biofeedback training, hypnotherapy.

Health promotion services: Frequent: smoking cessation, stress management, conflict resolution, effective communications, problem solving, cultural diversity training for conflict resolution. Occasional: nutrition/weight control, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.

Staff: 30; 250 clinical staff members, including 40 CEAPs, 45 MSWs, 30 CACs, 20 M.D.s, 30 R.N.s, 35 Ph.D.s. On-site: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors.

Facilities: 35.

Service area: Delaware, Maryland, New Jersey, Pennsylvania, Virginia.

Clients: 200. Lives covered at year-end 1992: 200,000, including 80,000 employees and 120,000 dependents.

1992 revenues: $2.3 million; 50% from EAP services, 50% from managed mental health care services.

Officers: Mark S. Wagner, Lynne DeCaprio, directors.

Integra Inc.

Radnor Plaza, 320 King of Prussia Road, Radnor, Pa. 19087; 215-688-2700; fax: 215-688-5399

Services began: 1979.
For profit.

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

Health promotion services: Occasional: 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 adherence, workplace problem identification, psychiatric disability review.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, outcomes measurements.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 42; 14 clinical staff members, including one CEAP, eight MSW, one CAC, one MD, three RN, four Ph.D. designations. On-site: one psychiatrist, six psychologists, seven social workers. Contracted: 2,400 psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors and physicians.

Facilities: 500.

Specialties: Pharmaceutical companies, professional services firms, oil companies.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 160,000 employees and 500,000 dependents.

Officers: Dr. Peter L. Brill, chairman; Daniel J. Malcolm, president.

Contact: Urquhart A. Wood, marketing, or Paul Kella, marketing.

Integrated Behavioral Health

95 Argonaut, Laguna Hills, Calif. 92656; 714-588-2688; fax: 714-588-0830

Services began: 1985.
Parent: Core Management.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: suicide, legal problems, team building, critical incident debriefing, downsizing support.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care, child care, balancing work and family life. Occasional: smoking cessation, nutrition/weight control, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 25; 12 clinical staff members, including two CEAPs, four MSWs, five CACs, one M.D., one R.N., five Ph.D.s. Contracted: 283 psychiatrists, 1,300 psychologists, 800 social workers, 500 marriage/family/child counselors.

Facilities: 220.

Specialties: Large self-insured employers, labor health plans.

Service area: Nationwide and Puerto Rico.

Clients: 50. Lives covered at year-end 1992: 1.2 million.

1992 revenues: $10 million.

Officers: Samuel L. Mayhugh, chairman and president; George Carpenter, CEO; Craig Hortor., COO; Greg Zobel, vp-marketing and sales; Robert Trotta, CFO.

Contact: Greg Zobel.

INTERACT Behavioral Healthcare Services Inc.

570 S. Dawson Ave., Columbus, Ohio 43209; 614-235-8548

Services began: 1978.
For profit.

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

Health promotion services: Frequent: smoking cessation, stress management, alcohol and drug/chemical awareness. Occasional: physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 50; 35 clinical staff members, including two CEAPs, 15 MSWs, four CACs, three M.D.s, one R.N., 12 Ph.D.s. On-site: two psychiatrists, 10 psychologists, 15 social workers, 10 marriage/family/child counselors, three professional/mental health counselors, one physician. Contracted: 15 psychiatrists, 25 psychologists, 30 social workers, 12 marriage/family/child counselors, 12 professional/mental health counselors, four physicians.

Facilities: 12.

Specialties: Government, schools, insurance, manufacturing, high-tech, sales, retail.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 100,000.

1992 revenues: $2.3 million; 25% from EAP services, 70% from managed mental health care services.

Officers: James Shulman, CEO and president; Jackie Shulman, director-business operations; Wayne Lindstrom, director-special services; Michael Brickey, director-mental health services; Jim Fidelibus, director-chemical dependency services; Dr. Judyth Box, director-psychiatric services.

Contact: Lynne Boerger, marketing/account manager.

InterPsych Associates

700 S. Henderson Road, Suite 302B, King of Prussia, Pa. 19406; 215-265-6464; fax: 215-265-0580

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CLAIMS
OVERLOAD
SYSTEMS

SETTING THE STANDARDS FOR TEMPORARY CLAIMS PERSONNEL

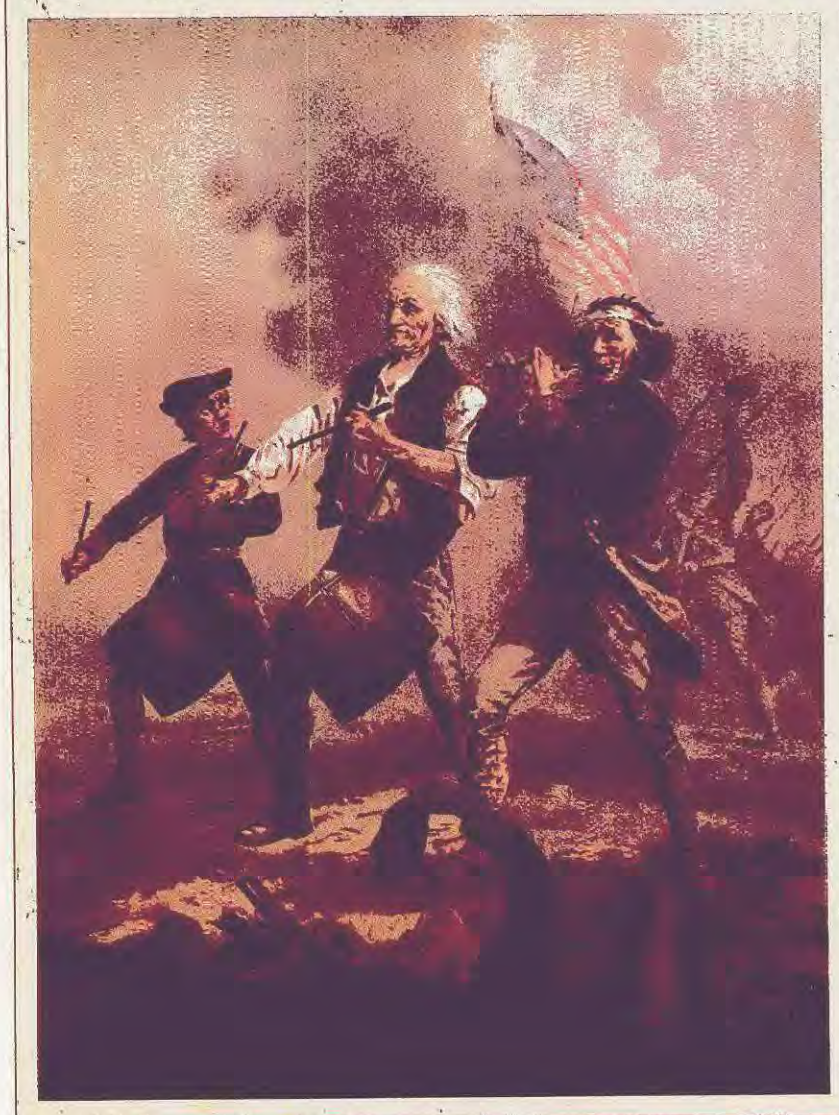
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Continued from previous page

Services began: 1986.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, adolescent treatment. Occasional: financial concerns.
Health promotion services: Frequent: smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: physical fitness/exercise, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, legal issues, crisis counseling.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 22; 30 clinical staff members, including two CEAPs, five MSWs, one CACs, five M.D.s, two R.N.s, five Ph.D.s. On-site: five psychiatrists, five psychologists, five social workers, three marriage/family/child counselors, four professional/mental health counselors.
Facilities: Six.
Service area: New Jersey, Pennsylvania.
Clients: 20. Lives covered at year-end 1992: 205,000, including 85,000 employees and 120,000 dependents.
Officers: Dr. Gary M. Glass, president; Richard Marcus, CEO; Maureen Duffy, vp; Jill Pundt, practice administrator.
Contact: Jill Pundt.

J

Jesko Associates Inc.

1521 N. Cooper, Suite 480, Arlington, Texas 76011; 817-265-5400; fax: 817-265-8219

Services began: 1979.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems. Occasional: suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management. Occasional: smoking cessation, physical fitness/exercise, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.
Staff: 18; 11 clinical staff members, including three CEAPs, six MSWs, four CACs, three Ph.D.s. On-site: one psychologist, six social workers, one marriage/family/child counselor, three professional/mental health counselors. Contracted: 45 psychiatrists, 60 psychologists, 75 social workers, 50 marriage/family/child counselors, 75 professional/mental health counselors, 10 R.N.s/Licensed Chemical Dependency Counselors/Certified Alcohol and Drug Abuse Counselors/Certified Chemical Dependency Specialists.
Facilities: 70.
Specialties: Utilities, petroleum companies, hospitals, municipalities.
Service area: Alabama, Alaska, Arkansas, Georgia, Illinois, Louisiana, Mississippi, New Mexico, Oklahoma, Ohio, South Carolina, Texas, Wisconsin.
Clients: Lives covered at year-end 1992: 227,500, including 65,000 employees and 162,500 dependents.
1992 revenues: 40% from EAP services, 60% from managed mental health care services.
Officers: Joe Jesko, president and CEO; Ginny Sprang, director-clinical services; William deHaas, director-operations.
Contact: Joe Jesko.

L

LifeCare Management Systems Inc.

P.O. Box 287, American House, Route 519, Hope, N.J. 07844; 908-459-4742; fax: 908-459-4714

Services began: 1988.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment. Occasional: suicide, legal problems, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, child management, couples communications.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: Eight; 3.5 clinical staff members, including 2.5 Ph.D.s. On-site: 2.5 psychologists, one L.P.N.
Facilities: 33.
Service area: Nationwide.
Clients: Lives covered at year-end 1992: including 11,800 employees and 30,000 dependents.
Officers: Nicholas P. Armenti, president; Robert Ericksen; Les Williams.
Contact: Nicholas Armenti.

LifeLink

23046 Avenida de La Carlota, Suite 700, Laguna Hills, Calif. 92653; 714-859-7971; fax: 714-859-9824

Services began: 1975.
Parent: PacifiCare Health Systems.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, AIDS awareness, elder care, wellness services.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, workers comp services.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 100; 37 clinical staff members, including four CEAPs, five MSWs, two CACs, one M.D., seven R.N.s, four Ph.D.s. On-site: one psychiatrist, four psychologists, five social workers, 114 marriage/family/child counselors. Contracted: 750 psychiatrists, 2,250 psychologists, 1,500 social workers, 1,500 marriage/family/child counselors.
Facilities: 508.
Specialties: Schools, government, manufacturing, retail, financial, transportation, defense.
Service area: Nationwide.
Clients: 350. Lives covered at year-end 1992: 400,000.
1992 revenues: 2% from EAP services, 98% from managed mental health care services.
Officers: Richard Lindstrom, president; Leonard Whyte, CFO; Colleen Crommett, vp-sales and marketing; Dr. Steven B. Conner, vp-clinical services.
Contact: Ronald Stock, director-sales and marketing, 714-859-7971, ext. 246.

M

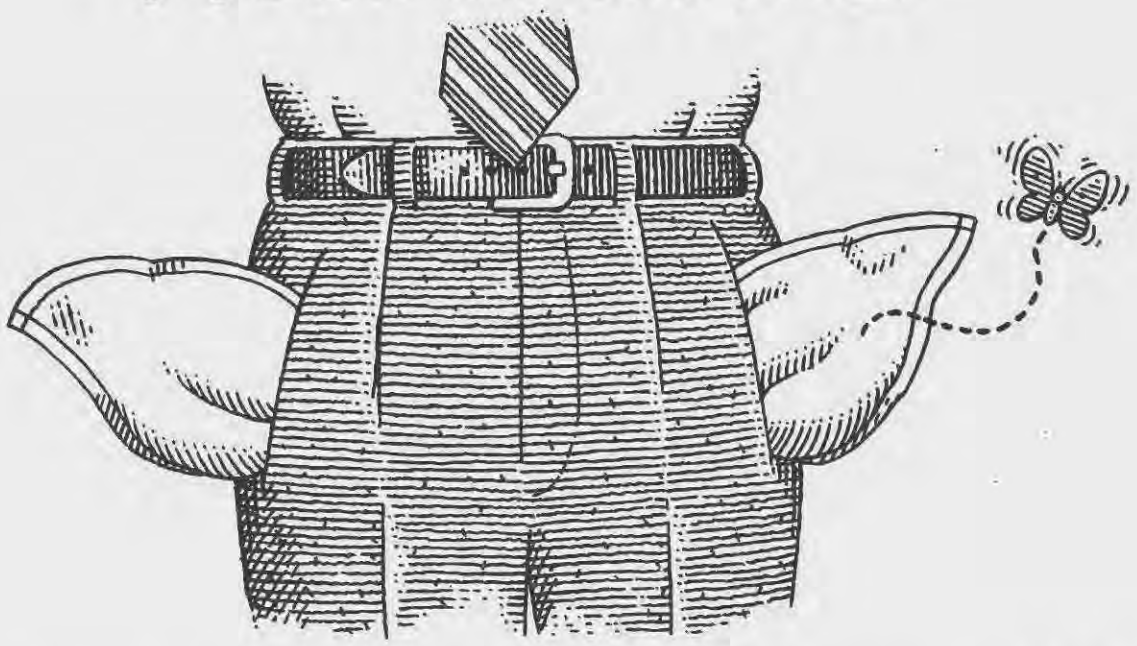
MCC Behavioral Care Inc.

11095 Viking Drive, Suite 300, Eden Prairie, Minn. 55344; 800-433-5768; fax: 612-943-9579

Services began: 1974.
Parent: CIGNA.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, child care, elder care.
Health promotion services: Frequent: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 1,100; 9,700 clinical staff members, including 118 CEAPs. On-site: 72 psychiatrists, 73 psychologists, 339 professional/mental health counselors, 118 EAP counselors. Contracted: 1,415 psychiatrists, 3,313 psychologists, 4,219 professional/mental health counselors, 1,330 EAP counselors.
Facilities: 1,000.
Service area: Belgium, Canada, Great Britain, Ireland, Puerto Rico, United States.
Clients: 300. Lives covered at year-end 1992: 5.1 million.
1992 revenues: 15% from EAP services, 85% from managed mental health care services.
Officers: Julian Cohen, president; Jerry Kreisler, vp-operations; Jean Walker, CFO; Lois Stevens, vp-marketing; Sheila Nelson, vp-sales.

Continued on next page

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1640 Powers Ferry Road, Bldg. 24, Suite 200, Marietta, GA 30067

Continued from previous page

Contact: Mark Caulfield, employer product manager.

Managed Care Programs Inc.

4830 W. Kennedy Blvd., Suite 450,
Tampa, Fla. 33609; 813-282-8424;
fax: 813-282-8034

Services began: 1991.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, elder care issues.
Health promotion services: Frequent: smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: physical fitness/exercise, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, workers comp, mental health review.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling, provider offices.
Staff: Two; 450 clinical staff members.
Service area: 29 states.
Clients: 25,000.
1992 revenues: 15% from EAP services, 85% from managed mental health care services.
Officers: Jim Kent, CEO; John Kelly, vp-operations; Patt Reed, director-marketing.
Contact: Patt Reed.

Managed Health Network Inc.

5100 W. Goldleaf Circle, Suite 300,
Los Angeles, Calif. 90056;
213-299-0999; fax: 213-298-2777

Services began: 1987.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, retroactive review.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling, provider offices.
Staff: 297; 65 clinical staff members, including four CEAPs, 41 MSWs, two CACs, two M.D.s, six R.N.s, 10 Ph.D.s. On-site: two psychiatrists, 10 psychologists, 33 social workers, eight marriage/family/child counselors, six professional/mental health counselors. Contracted: 848 psychiatrists, 2,452 psychologists, 2,101 social workers, 1,002 marriage/family/child counselors.
Facilities: 400.
Service area: Canada, Puerto Rico, United States.
Clients: 282. Lives covered at year-end 1992: 1.6 million, including 700,000 employees and 900,000 dependents.
1992 revenues: $34.1 million; 25% from EAP services, 75% from managed mental health care services.
Officers: Ron Moreland, president and CEO; Gary Velasquez, CFO; H.G. Whittington, vp and medical director; Nelson Kahn, vp-marketing.
Contact: Nelson Kahn.

Masi Research Consultants Inc.

2301 E St. N.W., Suite A209,
Washington, D.C. 20037;
202-223-2399; fax: 202-223-2392

Services began: 1984.
Assessments & treatments: Frequent: occupational problems, drug free workplace, AIDS in the workplace.
Health promotion services: Frequent: drug/chemical awareness, AIDS awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, residential program.
Service area: International.
Clients: Lives covered at year-end 1992: 1 million employees and 2 million dependents.
Officers: Dr. Dale Masi, president; Dr. Eric Masi, vp and treasurer.
Contact: Dr. Dale Masi.

Medco Behavioral Care Corp.

400 Oyster Point Blvd., Suite 306,
South San Francisco, Calif. 94080;
415-742-0980; fax: 415-742-0988

For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 1,648; 893 clinical staff members, including 12 CEAPs, 124 MSWs, 10 CACs, 77 M.D.s, 27 R.N.s, 214 Ph.D.s.
Facilities: 893.
Service area: Nationwide.
Clients: 936. Lives covered at year-end 1992: 10.5 million, including 4 million employees and 6.5 million dependents.
1992 revenues: 8% from EAP services, 92% from managed mental health care services.
Officers: Dr. Ron Geraty, executive vp; Albert S. Waxman, chairman and CEO; Shannon Kennedy, president (ABI); Carl Tisone, president (PPC); Tim Austin, president (MBCS).
Contact: Martin Alintuck, manager-corporate communications.

Medical Business Management Inc.

3490 Independence Drive,
Birmingham, Ala. 35209;
205-871-7814; fax: 205-868-4278

Services began: 1990.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: smoking cessation, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification,

Continued on next page

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concurrent review, case management, retrospective review.

Counseling sites: Worksites, phone counseling.

Staff: Five; 30 clinical staff members, including one CEAP, three MSW, two CAC, eight MD, 12 Ph.D. designations. Contracted: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors, physicians.

Facilities: 14.

Service area: Alabama, Florida, Georgia, Louisiana, Mississippi, Tennessee.

Clients: 10. Lives covered at year-end 1992: 25,000 total.

Officers: Allen S. Blackwell, president/CEO; H.E. Logue, vp/medical director; Richard D. Robins, secretary/treasurer.

Contact: Lita Clark, 205-879-7957.

Mental Health Consultants

1878 Sugar Bottom Road, Furlong, Pa. 18725; 215-345-7838; fax: 215-345-8488

Services began: 1980.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment, depression, chronic pain, psychiatric disorders. Occasional: legal problems, financial concerns.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, disability, workers comp.

Counseling sites: EAP/mental health care facilities.

Staff: Contracted: 50 psychiatrists, 150 psychologists, 25 social workers.

Facilities: 25.

Service area: Berks, Bucks, Chester, Delaware, Lancaster, Lehigh, Montgomery, Northampton, Philadelphia counties in Pennsylvania; Burlington, Camden, Glaustor, Hunterdon, Warren counties in New Jersey.

Clients: 35. Lives covered at year-end 1992: 120,000 total, including 77,000 employees and 43,000 dependents.

1992 revenues: 100% from managed mental health care services.

Officers: Edward J. Haaz, president; Cyndi L. Glauser, Gary Nightingale, vps.

Contact: Edward J. Haaz.

EAP services are not available.

Mental Health Network Inc.

2 Lakeway Center, Suite 1140, 3850 N. Causeway, Metairie, La. 70002; 504-830-7880; fax: 504-830-7888

Services began: 1981.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, retrospective review.

Counseling sites: Selected worksites, EAP/mental health care facilities.

Staff: 23; 1,500 clinical staff members, including CEAP, MSW, CAC, MD, RN, Ph.D. designations. Contracted: 200 psychiatrists, 500 psychologists, 600 social workers, 200 professional/mental health counselors.

Facilities: 170.

Service area: 48 states.

Clients: 350. Lives covered at year-end 1992: 370,000 total, including 160,000 employees and 210,000 dependents.

1992 revenues: $4 million; 10% from EAP services, 90% from managed mental health care services.

Officers: Wesley J. Brockhoeft, president/CEO; Ernie Sylvester, vp/COO; Mary Brown, director-quality review/utilization management; Angela Gardner, provider relations coordinator.

Contact: Ernie Sylvester.

Mental Health Provider Systems

1991 Lee Road, Cleveland Heights, Ohio 44118; 800-255-6339; fax: 216-932-9458

Services began: 1990.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems. Occasional: suicide, alcohol abuse, drug/chemical abuse, adolescent treatment.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Staff: Four; clinical staff members include one MSW, one MD, one Ph.D. designations. Contracted: 39 psychiatrists, 75 psychologists, 65 social workers, 10 marriage/family/child counselors, 10 professional/mental health counselors, 39 physicians.

Facilities: Seven.

Clients: Lives covered at year-end 1992: 5,000 employees and 8,000 dependents.

1992 revenues: $40,000; 100% from managed mental health care services.

Officers: Roger N. Hess, director-administrative services; David R. Lima; Dr. John B. Sawyer.

Contact: Roger N. Hess.

EAP services are not available.

Mental Health Solutions

1201 W. Peachtree St., Suite 3650, 1 Atlantic Center, Atlanta, Ga. 30309; 404-874-8500; fax: 404-875-8492

Services began: 1990.
Parent: Georgia Health Group.
For profit.

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

Health promotion services: Frequent: physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 20; 10 clinical staff members, including three MSW, two MD, five Ph.D. designations. On-site: psychologists, social workers, marriage/family/child counselors, professional/mental health counselors, physicians. Contracted: psychiatrists.

Facilities: 11.

Service area: Southeastern United States.

Clients: Lives covered at year-end 1992: 16,000 total, including 9,000 employees and 7,000 dependents.

Officers: Dr. Walter B. Wildstein, Arlene B. Wildstein, Gene H. Moffat.

Contact: Gloria Merlin, marketing director.

Metroplex Psych Network

12201 Merit Drive, Suite 800, Dallas, Texas 75251; 214-392-9962; fax: 214-392-4450

Services began: 1991.
For profit.

Assessments & treatments: Frequent: stress, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment, depression, post traumatic stress disorder. Occasional: occupational problems, legal problems, eating disorders.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, retrospective review.

Counseling sites: EAP/mental health care facilities, provider locations.

Staff: Five; 30 clinical staff members, including three MSW, 10 MD, two RN, 10 Ph.D. designations.

Facilities: Five.

Service area: Dallas, Tarrant counties in Texas.

Clients: Lives covered at year-end 1992: 25,000 total.

Officers: Dr. James H. Grubbs, medical director; Richard Mellina, Rebekah Bond, Sheldon Silk, board members.

Contact: Glenn Burton, operations manager.

EAP services are not available.

Motanky & Associates Inc.

8601 W. Bryn Mawr Ave., Suite 113, Chicago, Ill. 60631; 312-693-0139; fax: 312-380-1037

Services began: 1987.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, child care. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

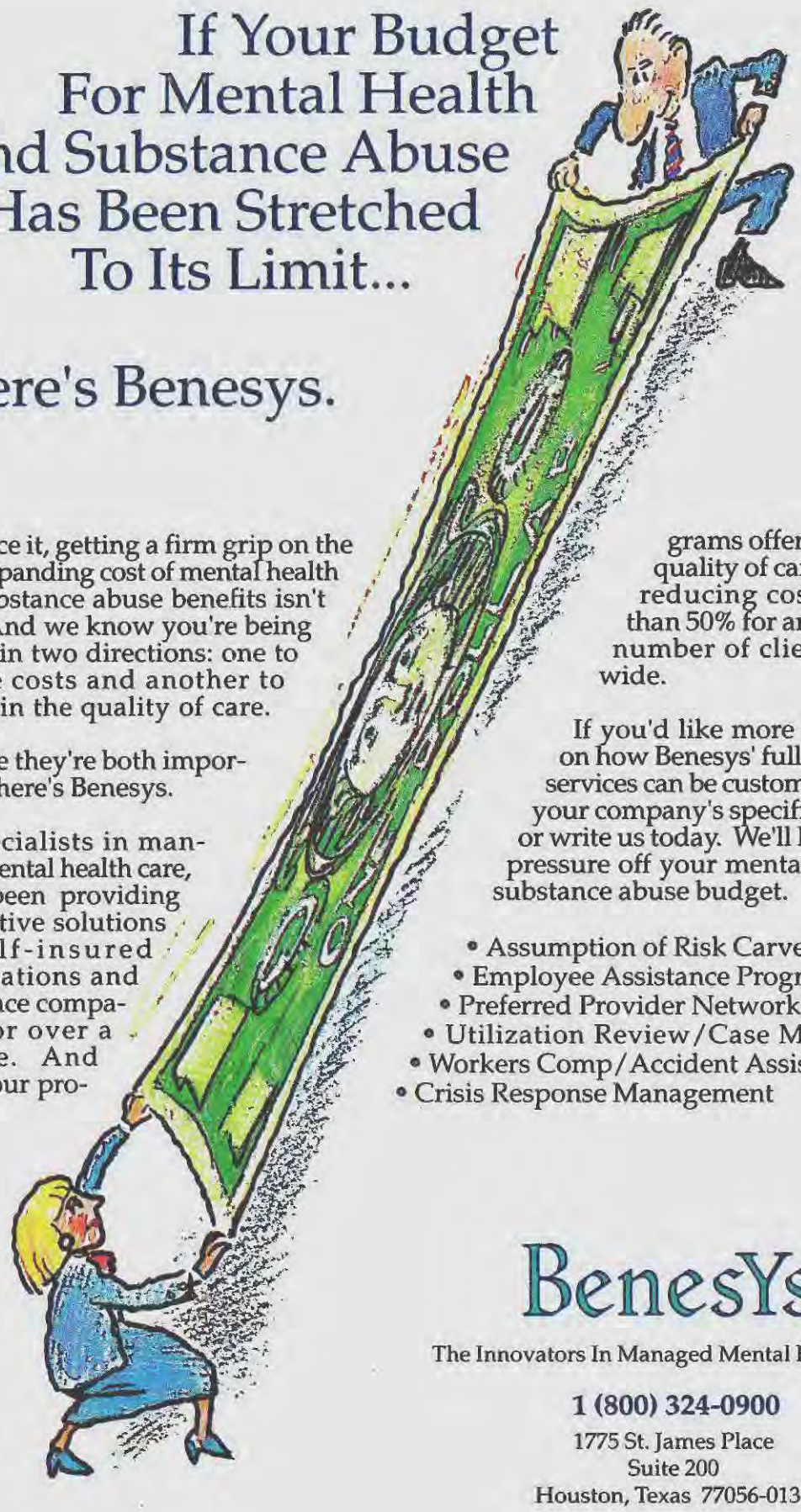
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Eight, all clinical staff members, including three CEAP, three MSW, three CAC, one Ph.D. designations. On-site: three

Continued on next page

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Continued from previous page
psychologists, three social workers. Contracted: one psychiatrist, one marriage/family/child counselor, one professional/mental health counselor.

Facilities: 25.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 17,000 employees and 42,500 dependents.

1992 revenues: $400,000; 70% from EAP services, 10% from managed mental health care services.

Officers: Guy U. Motanky, president; Lynn Motanky, treasurer.

Mutual of Omaha Companies' Integrated Behavioral Services

Mutual of Omaha Plaza S-3, Omaha, Neb. 68175; 800-488-7706; fax: 402-978-2880

Services began: 1991.
Parent: Mutual of Omaha.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, violence in the workplace, sexual harassment, grief. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 122; 111 clinical staff members, including two CEAP, 67 MSW, 15 CAC, 10 MD, three RN, 14 Ph.D. designations. On-site: one psychiatrist, 10 psychologists, 65 social workers, 12 professional/mental health counselors. Contracted: nine psychiatrists, four psychologists, two social workers, one physician.

Facilities: 1,257.

Service area: Nationwide.

Clients: 547. Lives covered at year-end 1992: 708,750 total, including 283,500 employees and 425,250 dependents.

1992 revenues: $1.1 million; 0.4% from EAP services, 99.6% from managed mental health care services.

Officers: John W. Weekly, president/COO; Richard J. Sampson, senior executive vp/director-group operations; Albert C. Wagner, senior vp/director-group managed health care; William E. Ford, vp/director-group mental health/substance abuse.

Contact: Stephen Spelic.

N

National Resource Consultants Inc.

2835 Camino del Rio S., Suite 300, San Diego, Calif. 92108; 619-291-0330; fax: 619-692-4305

Services began: 1984.
For profit.

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

Health promotion services: Frequent: alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, nutrition/weight control, stress management, AIDS awareness, elder care. Occasional: smoking cessation, nutrition/weight control, stress management, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 57; 28 clinical staff members, including two CEAP, seven MSW, one CAC, one MD, four RN, one Ph.D. designations. On-site: 10 social workers, nine marriage/family/child counselors, one physician. Contracted: 15 psychiatrists, 88 psychologists, 262 social workers, 280 marriage/family/child counselors, one physician.

Service area: 45 states and Canada.

Clients: 83. Lives covered at year-end 1992: 231,000 total, including 105,000 employees and 126,000 dependents.

Officers: Nicholas Krnich, president/CEO; Florenza Krnich, assistant executive director-marketing/special projects.

Contact: Nicholas Krnich.

Charles Nechtem Associates Inc.

1018 Rose Ave., Piedmont, Calif. 94611; 510-654-0988; fax: 510-428-9132

Services began: 1980.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment, elder care, child care, workers comp care. Occasional: suicide, legal problems.

Health promotion services: Frequent: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, workers comp program.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 3,119 clinical staff members, including 10 CEAP, 1,533 MSW, 419 CAC, 161 MD, 29 RN, 1,402 Ph.D. designations.

Specialties: Food industry.

Facilities: 537.

Service area: Nationwide and Canada.

Officers: Charles Nechtem, president; Beverly Pitts, senior vp; Nancy Levine, Dale Dehullio, vps.

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HCA Psychiatric Company

North, Clawson & Bolt Ltd.

2050 Stockton Blvd., Sacramento, Calif. 95817; 916-456-3144; fax: 916-453-1936

Services began: 1984.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, drug/chemical awareness, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, onsite hospital chart review.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 8; clinical staff members include three CEAP, 66 MSW, three CAC, one MD, three RN, 112 Ph.D. designations. Contracted: two psychiatrists, 116 psychologists, 91 social workers, five marriage/family/child counselors, 15 professional/mental health counselors, one physician.

Facilities: 23.

Specialties: Self-insured, multi-site companies.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 87,000 total, including 35,000 employees and 52,000 dependents.

1992 revenues: 25% from EAP services, 75% from managed mental health care services.

Officers: Ronald J. North, president; Russell A. Bolt, COO; Edward Stetzer, vp.

Contact: Edward Stetzer.

O

Oak Street Counseling Center

P.O. Box 109, Brentwood, Calif. 94513; 510-516-2633

Services began: 1989.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, chronic pain, post-traumatic stress, phobias.

Health promotion services: Frequent: stress management, alcohol awareness, anxiety management.

Educational/general services: Employee education, supervisor training, workplace problem identification.

Utilization review services: Case management.

Counseling sites: Selected worksites, EAP/mental health care facilities.

Staff: Two, both clinical staff members, including one CEAP, two MSW designations. On-site: two marriage/family/child counselors.

Facilities: One.

Specialties: Banking industry.

Service area: Contra Costa, Sacramento, San Joaquin counties in California.

Clients: Four. Lives covered at year-end 1992: 50 total, including 15 employees and 35 dependents.

1992 revenues: $100,000; 80% from EAP services, 10% from managed mental health care services.

Officers: Michael Legut, principal; James Erickson.

Contact: Michael Legut.

Continued on next page

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P

Pape & Associates

618 S. West St., Wheaton, Ill. 60187; 708-668-8710; fax: 708-668-8779

Services began: 1981.
For profit.
Assessments & treatments: Frequent: stress, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment, sexual abuse. Occasional: occupational problems, suicide, financial concerns.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness. Occasional: elder care.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Counseling sites: Selected worksites, EAP/mental health care facilities.
Staff: Eight; 20 clinical staff members, including eight CEAP, 20 MSW, 14 CAC, two RN designations. On-site: 20 social workers, 12 marriage/family/child counselors, 20 professional/mental health counselors. Contracted: one psychiatrist.
Service area: Cook, DuPage and Kane counties in Illinois.
Clients: 700.
Officers: Patricia A. Pape, president; Thomas Graber, EAP coordinator; Cindy Flamm, intensive outpatient director (chemical dependency); Sandy Wesselman, EAP administrator.
Contact: Tom Graber or Sandy Wesselman.

Personal Assistance Services

9735 Landmark Parkway, Suite 17, St. Louis, Mo. 63127; 314-842-6223 or 800-356-0845; fax: 314-842-6124

Services began: 1982.
Parent: Preferred Resource Network Inc.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, critical incident, elder care.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.
Staff: 23; 20 clinical staff members, including four CEAP, 14 MSW, one CAC, one MD, one RN, one Ph.D. designations. On-site: 14 social workers, three professional/mental health counselors. Contracted: one psychiatrist, one psychologist.
Service area: Illinois, Missouri.
Officers: Susan P. Skinner, president; Dr. Ann Montgomery, medical director.
Contact: Susan P. Skinner.

Perspectives Ltd.

17 W733 Butterfield Road, Oakbrook Terrace, Ill. 60181; 708-932-7788; fax: 708-932-2315

Services began: 1985.
For profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment.
Health promotion services: Frequent: nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care. Occasional: smoking cessation, physical fitness/exercise.
Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: EAP/mental health care facilities.
Staff: 25; 20 clinical staff members, including seven CEAP, 18 MSW, 10 CAC, one MD, one Ph.D. designations. On-site: one psychiatrist, one psychologist, 18 social workers, seven professional/mental health counselors, one physician.
Facilities: 650.
Service area: 35 states.
Clients: Lives covered at year-end 1992: 190,000 total, including 60,000 employees and 130,000 dependents.
1992 revenues: $2 million; 60% from EAP services, 20% from managed mental health care services.
Officers: Bernard S. Dyme, president; Judith Bank, vp-clinical services; Jeffrey Blaine, vp-administrative services; W. Leighton Clark, vp-EAP services.
Contact: Terry Cahill, marketing director.

Pine Rest Christian Mental Health Services

300 68th St. S.E., Grand Rapids, Mich. 49501-0165; 616-455-5000; fax: 616-455-6784

Services began: 1910.
Not for profit.
Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, Christian counseling, eating disorders, sexual abuse, post-traumatic stress disorder.
Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care, critical incident.
Educational/general services: Employee education, supervisor training, workplace problem identification, psychiatric disability review, psychiatric workers comp review, job jeopardy, critical incident peer training.
Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.
Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Continued on next page

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HOME INSURANCE
SPECIALTY LINES DIVISION



Continued from previous page

Staff: Eight; 43 clinical staff members, including one CEAP, 17 MSW, four MD, 22 Ph.D. designations. On-site: four psychiatrists, 22 psychologists, 17 social workers.

Facilities: Eight.

Specialties: Christian organizations, municipalities, furniture industry.

Service area: Des Moines, Pella counties in Iowa; Allegan, Barry, Kalamazoo, Kent, Ottawa counties in Michigan.

Clients: Lives covered at year-end 1992: 40,000 total, including 16,000 employees and 24,000 dependents.

Officers: Ronald Stuursma, CEO; Daniel Holwerda, COO; Dr. Roger Sider, medical director; Douglas Vance, director-managed care.

Contact: Karen Klemm, EAP administrator, 616-455-5000 ext. 373.

Plan 21 Inc.

4550 Post Oak Place Drive, Suite 341, Houston, Texas 77027; 713-621-6500; fax: 713-621-6560

Services began: 1983.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, health plan consulting, data analysis.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling, providers' offices.

Staff: 13; 20 clinical staff members, including four CEAP, 12 MSW, three CAC, one MD, three RN, two Ph.D. designations. On-site: one psychiatrist, two psychologists, 10 social workers, four professional/mental health counselors, three mastered registered nurses/licensed addiction counselors. Contracted: 110 psychiatrists, 300 psychologists, 475 social workers, 50 marriage/family/child counselors, 125 professional/mental health counselors, 15 physicians, 15 master registered nurses, 25 licensed addiction counselors.

Facilities: 150.

Specialties: Oil and gas industry, law firms, financial services.

Service area: Arkansas, California, Florida, Louisiana, Mississippi, Missouri, New Jersey, New York, Oklahoma, Texas and partial coverage in 26 other states.

Clients: 75. Lives covered at year-end 1992: 120,000 total, including 48,000 employees and 72,000 dependents.

1992 revenues: 45% from EAP services, 55% from managed mental health care services.

Officers: Joseph F. Madonia, president; Marvin A. Stone, medical director; Stephen N. Luppino, Robert L. Belichick, vps.

Contact: Robert L. Belichick.

Planned Behavioral Health Care

9535 Forest Lane, Suite 110, Dallas, Texas 75243; 800-866-7242; fax: 214-680-3111

Services began: 1984.
For profit.

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

Health promotion services: Frequent: stress management, elder care. Occasional: smoking cessation, alcohol awareness, drug/chemical awareness, AIDS awareness.

Educational/general services: Employee education, supervisor training.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 60; 3,000 clinical staff members, including 1,500 MSW, 600 MD, 900 Ph.D. designations. On-site: one psychologist, 24 marriage/family/child counselors, 26 professional/mental health counselors, one physician.

Facilities: 400.

Service area: Nationwide.

Clients: 300.

Officers: Joyce Ramay, president/CEO; Jim Sanders, Donna McFaul, executive vps; Steve Embree, secretary/treasurer.

Contact: Donna McFaul.

Preferred Mental Health Management Inc.

2601 E. Central, Wichita, Kan. 67214; 800-776-4357; fax: 316-681-2584

Services began: 1986.
For profit.

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

Health promotion services: Occasional: smoking cessation, stress management, alcohol awareness, drug/chemical awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Independent providers nationwide.

Staff: 3,000; 12 clinical staff members, including 12 Ph.D. designations. Contracted: 400 psychiatrists, 2,100 psychologists, 500 social workers.

Facilities: 700.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 670,000 total, including 270,000 employees and 400,000 dependents.

1992 revenues: $2 million; 25% from EAP services, 75% from managed mental health care services.

Officers: Les Ruthuen, president; Courtney Ruthuen, vp-finance; Beth Snyder, vp-marketing; Laura Moore, vp-operations; Douglas E. Mould, vp-clinical services.

Contact: Beth Snyder.

Prest & Associates Inc.

2304 Wimbledon Way, Las Vegas, Nev. 89107; 702-258-6384; fax: 702-258-4669

Services began: 1988.
For profit.

Assessments & treatments: Frequent: physician advisor services; psychiatry/substance abuse.

Educational/general services: Pyschiatric disability review, psychiatric workers comp review, physician advisor services.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, physician advisor services.

Staff: Two; 20 clinical staff members, including 19 MDs. Contracted: 19 psychiatrists, one psychologist.

Specialties: Insurance, managed care, EAP companies, self-insured employers, TPAs.

Service area: Nationwide.

Clients: 23. Lives covered at year-end 1992: 2 million total.

Officers: Dr. James Richard Prest, chair/medical director; Susan R. Prest, president.

Contact: Susan R. Prest.

Process Dynamics Ltd.

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

Services began: 1977.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, problem resolution, mediation. Occasional: suicide.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, sexual harassment. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.

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

Utilization review services: Mental health case management.

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.

Staff: Two, both clinical staff members holding CEAP and MSW designations. On-site: two social workers.

Service area: Nationwide.

Clients: 20. Lives covered at year-end 1992: including 12,000 employees.

Officers: Pauline Donovan, president/owner.

Contact: Bonnie L. Jones, office manager.

Professional Psychology Services

135 S. 18th St., Suite 701, Philadelphia, Pa. 19103; 215-567-1306

Services began: 1980.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, drug/chemical abuse, adolescent treatment, depression, anxiety, special populations. Occasional: legal problems, financial concerns.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, stress management, dealing with chronic illness. Occasional: smoking cessation, nutrition/weight control, AIDS awareness, elder care.

Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, diversity issues, executive consultation, sexual harassment.

Utilization review services: Inpatient precertification, outpatient precertification, case management, data collection.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Nine clinical staff members, including one CEAP, two MSW, one CAC, two MD, three Ph.D. designations. On-site: one psychiatrist, three psychologists, one social worker, one marriage/family/child counselor. Contracted: one psychiatrist, one psychologist, one social worker.

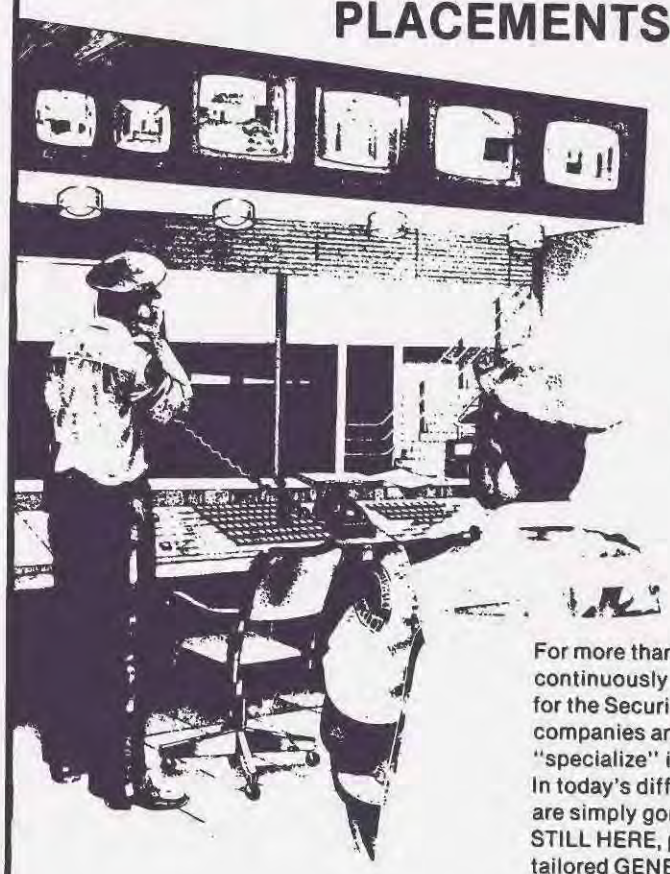
Facilities: Two.

Specialties: Small and midsize companies.

Service area: Bucks, Montgomery, Philadelphia counties in Pennsylvania; southern New Jersey.

Continued on next page

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Continued from previous page

Clients: Six. Lives covered at year-end 1992: 25,000 employees.

1992 revenues: $100,000; 50% from EAP services, 25% from managed mental health care services.

Officers: Marion Frank, president; James Conaway.

Contact: Marion Frank.

Prudential Psychiatric Management

56 N. Livingston Ave., Roseland, N.J. 07068; 201-716-8773; fax: 201-716-8497

Services began: 1990.
Parent: Prudential Insurance Co.
For profit.

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

Health promotion services: Frequent: 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 adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Facilities: 2,160.
Service area: Nationwide.
Officers: Dr. Richard Kunnes, COO.
Contact: Elizabeth J. Wainstock.

Psychadvantage Inc.

6377 Riverside Ave., Suite 170, Riverside, Calif. 92506; 909-782-7474; fax: 909-683-8099

Services began: 1990.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care. Occasional: smoking cessation, nutrition/weight control, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling, provider offices.

Staff: Five; clinical staff members include 10 CEAPs. On-site: one psychologist. Contracted: 121 psychiatrists, 98 psychologists, 110 social workers, 143 marriage/family/child counselors.

Facilities: 69.

Specialties: HMO enrollment, senior services.

Service area: California.

Clients: Five. Lives covered at year-end 1992: 35,000, including 15,200 employees and 19,800 dependents.

1992 revenues: $220,000; 100% from managed mental health care services.

Officers: Brad Rafuse, president and CEO; Steve Wildish, secretary and COO; Monica Marzocca, network coordinator.

Contact: Brad Rafuse.

Psychology Systems Inc.

615 S. Main St., Milpitas, Calif. 95035; 408-263-8046; fax: 408-942-0264

Services began: 1979.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment, workers comp, stress-related diagnosis and treatment. Occasional: suicide, legal problems.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness, elder care, downsizing and outplacement dilemma. Occasional: smoking cessation, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 31; nine clinical staff members, including three CEAPs, two MSWs, one CAC, one M.D., three Ph.D.s. On-site: one psychiatrist, three psychologists, two social workers, two marriage/family/child counselors. Contracted: 328 psychiatrists, 1,150 psychologists, 633 social workers, 1,575 marriage/family/child counselors, 47 psychological assistants.

Clients: 201. Lives covered at year-end 1992: 201,000.

Officers: Dr. John C. Brady II, president; Richard D. Falls, senior vp-marketing; Dr. James B. Wallace, vp; Dr. Ronald Seff, medical director; Howard Hilderbrand, CFO.

Contact: Richard D. Falls.

R

REAP of Milford Inc.

9 Seaview Ave., Milford, Conn. 06460; 203-874-3639; fax: 203-876-7285

Services began: 1987.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, financial concerns, psychiatric disorders. Occasional: suicide, legal problems, adolescent treatment.

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, physical fitness/exercise, nutrition/weight control, AIDS awareness.

Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, outpatient counseling, organizational development, sexual harassment, ADA, team building, problem resolution.

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling, home visits.

Staff: Clinical staff members include four CEAPs, one MSW, two CACs, one Ph.D.s. On-site: one psychologist, one social worker, one marriage/family/child counselor, one professional/mental health counselor. Contracted: one psychiatrist, one psychologist, physicians.

Facilities: 454.

Service area: Connecticut, Florida, Massachusetts, New Hampshire, New York.

Officers: J. Harrigan, president; Dan Harrigan, vp; Alex Selgi, secretary; Brian Onofrio, accountant.

Contact: J. Harrigan.

Resource Opportunities Inc.

4122 Innslake Drive, Glen Allen, Va. 23060; 804-527-1100; fax: 804-527-1509

Services began: 1987.
Parent: Pharmacy Management Services Inc.
For profit.

Assessments & treatments: Occasional: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse.

Health promotion services: Frequent: physical fitness/exercise, nutrition/weight control, elder care. Occasional: smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 75, all clinical staff members, including three MSWs, 72 R.N.s. On-site: social workers.

Service area: California, Florida, Georgia, Illinois, Maryland, Michigan, North Carolina, Pennsylvania, Texas, Virginia.

Clients: Three.

Officers: Ron Hall, president; Alice Hall, executive vp; Michael Leep, Jeff Odell, vps.

Contact: Michael Leep.

S

Select Care

1700 W. 82nd St., Suite 100, Bloomington, Minn. 55125; 612-885-5700 or 612-887-9445; fax: 612-885-5718

Services began: 1983.
Parent: HealthSpan Corp.
Not for profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, alcohol abuse, drug/chemical abuse, adolescent treatment, eating disorders, child behavioral issues, depression/anxiety. Occasional: suicide, legal problems, financial concerns.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, assessment and referral.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: Clinical staff members include 50 MSWs, 42 CACs, 78 M.D.s, 10 R.N.s, 86 Ph.D.s. On-site: one psychiatrist, one psychologist, two social workers, two physicians. Contracted: 75 psychiatrists, 190 psychologists, 48 social workers, 20 marriage/family/child counselors, 21 professional/mental health counselors, 42 chemical dependency counselors.

Facilities: 42.

Service area: Eastern North Dakota, Minnesota, western Wisconsin.

Clients: Lives covered at year-end 1992: 19,000.

Officers: Jack Davis, president; Mike Theilen, vp-marketing; Leroy Meyering, CEO and CFO; Dr. Marvin Segal, vp and medical director; Dr. Richard Frey, vp-medical affairs.

Contact: Kim Teschler, behavioral health product manager.

EAP services are not available.

Paul Sherman & Associates

411 Theodore Fremd Ave., Rye, N.Y. 10580; 914-967-5395; fax: 914-967-5132

Services began: 1979.
For profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: Clinical staff members include CEAP, MSW, Ph.D. On-site: social workers. Contracted: psychiatrists, marriage/family/child counselors, professional/mental health counselors, physicians.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 60,000.

Officers: Paul A. Sherman, president; Stephen Kohn, vp; Joseph A. DiCioccio, director.

Contact: Stephen Kohn.

Square Lake Corp.

1750 S. Telegraph, Suite 200, Bloomfield Hills, Mich. 48302; 800-753-2586; fax: 313-338-3940

Services began: 1989.
For profit.

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

Health promotion services: Frequent: smoking cessation, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, elder care. Occasional: physical fitness/exercise.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Worksites, EAP/mental health care facilities, phone counseling.

Staff: 70; 55 clinical staff members, including one CEAP, 55 MSWs, one CAC, seven M.D.s, one R.N., three Ph.D.s. On-site: three psychologists, 57 social workers. Contracted: seven psychiatrists.

Facilities: 520.

Specialties: Employers, HMOs, PPOs, TPAs, Taft-Hartley trust, insurance carriers.

Service area: Midwest (primarily Michigan and Ohio).

Clients: Lives covered at year-end 1992: 150,000 employees and 450,000 dependents.

1992 revenues: $12 million; 1% from EAP services, 59% from managed mental health care services.

Officers: Diane Vincent, CEO; Bob Graham, president; Steve Finch, CFO; Brian Logue, vp-marketing; Melissa Klein, vp-human resources.

Contact: Brian Logue.

StayWell Health Management Systems Inc.

1285 Corporate Center Drive, Eagan, Minn. 55121; 612-454-3577; fax: 612-454-4062

Services began: 1978.
For profit.

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

Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, elder care, back care, safety.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, bill review, fee negotiation.

Counseling sites: Worksites, phone counseling.

Staff: 160; 125 clinical staff members, including 55 MSWs. On-site: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors. Contracted: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors.

Facilities: 6,000.

Specialties: Integration of wellness programs with an EAP.

Service area: United States and Canada.

Clients: 110. Lives covered at year-end 1992: 115,000 employees and 275,000 dependents.

Officers: G.L. Anderson, president; David Anderson, John Tarbuck, vps.

Contact: John Tarbuck.

T

Telos Occupational Services

1865 N. Ridge Road East, Lorain, Ohio, 44055; 216-277-1112; fax: 216-277-1109

Services began: 1989.
Parent: Telos Foundation Inc.
For profit.

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

Health promotion services: Occasional: smoking cessation, stress management, alcohol awareness, drug/chemical awareness.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, central diagnostic and referral.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling, treatment providers.

Staff: 5.6; 4 clinical staff members, including three MSWs, one CAC. On-site: three social workers, one professional/mental health counselor.

Service area: Ohio.

Clients: Four. Lives covered at year-end 1992: 18,000, including 7,200 employees and 10,800 dependents.

Officers: Donald G. Cook, president; William F. Vanek, COO.

Contact: Mark Davis.

Thoresen & Associates

13 King George Drive, Boxford, Mass. 01921; 508-887-3644

Services began: 1980.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, eating disorders, anxiety disorders, phobias, panic, post traumatic stress disorder. Occasional: adolescent treatment.

Health promotion services: Frequent: nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: smoking cessation, AIDS awareness.

Educational/general services: Employee education, supervisor training, workplace problem identification.

Utilization review services: Case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: On-site: one physician, one certified alcohol and drug abuse counselor.

Service area: Massachusetts, New Hampshire.

Officers: Karen Thoresen.

U

USA Health Network

7301 N. 16th St., Suite 201, Phoenix, Ariz. 85020; 602-371-3860 or 800-872-3860; fax: 602-861-2805

Services began: 1987.
Parent: USA Health Network Co. Inc.
For profit.

Educational/general services: Employee education, psychiatric workers comp review.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities, network of providers and facilities.

Staff: 6,000 clinical staff members. On-site: psychiatrists, professional/mental health counselors, physicians, psychiatric R.N.s. Contracted: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors, physicians.

Facilities: 700.

Service area: Nationwide.

Clients: Lives covered at year-end 1992: 2.2 million.

Officers: George Bogle, chairman and CEO; Martha Sposito, executive vp; Laura Dickson, senior executive vp; Arden Taber, vp.

Contact: Arden Taber, vp.

EAP services are not available.

United HealthCare Corp.

9705 Data Park Drive, P.O. Box 1459, Minneapolis, Minn. 55440; 612-945-6637; fax: 612-945-6100

Services began: 1985.
Parent: United HealthCare Corp.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital problems, suicide, alcohol abuse, legal problems, drug/chemical abuse, financial concerns, adolescent treatment, crisis intervention, elder and child care.

Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness, AIDS awareness, health risk appraisal, wellness programs.

Educational/general services: Employee education, supervisor training, drug-free workplace adherence, workplace problem identification, psychiatric disability review, psychiatric workers comp review, disability/workers compensation assistance, pharmaceutical assistance program, communication skills/training.

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management, nurseline, telephone utilization review.

Counseling sites: All worksites, EAP/mental health care facilities, phone counseling.

Staff: 490; 365 clinical staff members, including 24 CEAPs, 176 MSWs, 69 CACs, 14 M.D.s, 19 R.N.s, 77 Ph.D.s. On-site: 14 psychiatrists, 77 psychologists, 228 social workers. Contracted: 1,569 psychiatrists, 1,878 psychologists, 3,826 social workers, 125 marriage/family/child counselors.

Facilities: 250.

Service area: International.

Clients: 4,300. Lives covered at year-end 1992: 2 million.

Officers: Dr. Brian Gould, senior vp-specialty business units; Eugene Hill, president-behavioral health strategic business unit; Phil Dell, sales director; Keith Lewis, sales director; Edward Bergmark, president; John Tadich, president.

Contact: Lisa Weir, account executive or Scott Erhardt, marketing manager.

V

Vista Health Plans

2355 Northside Drive, 3rd Floor, San Diego, Calif. 92108; 619-280-1341; fax: 619-497-5244

Parent: Vista Hill Foundation.
Not for profit.

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

Health promotion services: Frequent: stress management, alcohol awareness, drug/chemical awareness. Occasional: AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities.

Staff: Two, both clinical staff members, including one CEAP and one R.N. On-site: one psychiatrist, four professional/mental health counselors. Contracted: 180 psychiatrists, 359 psychologists, 141 social workers, 219 marriage/family/child counselors.

Service area: Los Angeles, Orange, Riverside, San Bernadino, San Diego, Santa Ana and Santa Barbara, Calif.

Clients: 300. Lives covered at year-end 1992: 31,600 employees and 42,000 dependents.

1992 revenues: $3.6 million; 99.2% from EAP services, 0.3% from managed mental health care services.

Officers: Keith Dixon, CEO; Charlotte Moore, COO; Peggy Cronin, director-marketing; Peter Panzarino, medical director; Lynda Gerhardt, director-clinical.

Contact: Peggy Cronin.

W

The Wellness Group Inc.

2525 Telegraph, Suite 304, Bloomfield Hills, Mich. 48302; 313-338-1870; fax: 313-338-7391

Services began: 1982.
For profit.

Assessments & treatments: Frequent: stress, occupational problems, family/marital

Continued on next page

Bermuda facilities

Continued from page 1
Private Placement Partner I L.P.; and $20 million from USF&G.

James N. Stanard, formerly executive vp for F&G Re, is chairman and chief executive officer, while Neill A. Currie, formerly senior vp of reinsurance broker G.J. Sullivan Co. is senior vp.

• Tempest Reinsurance Co., which is expected to have up to $500 million in capital, is being organized by investor Donald Kramer. Investors include General Re Corp., which will invest $100 million. American International Group Inc. is also expected to be an investor (*BI*, June 14). Tempest Re is expected to begin operating in October.

• AIG also will purchase a 25% stake in a new catastrophe reinsurance facility that will begin operations next month. Investors are expected to include General Re.

• Global Capital Reinsurance Ltd., which is being organized by investment banker Goldman Sachs & Co. and Johnson & Higgins. Investors include Underwriters Reinsurance Co., which is expected to have $300 million in capital.

Its CEO will be Lawrence S. Doyle, who retired last week as president of Hartford Insurance Group's international division and CEO of Hartford units First State Insurance Co. and New England Reinsurance Co.

In addition, Centre Reinsurance Holdings Ltd. has formed a shell company in Bermuda, CentreCat, to explore options in the market. That facility has not yet been capitalized.

Meanwhile, Mid Ocean Reinsurance Co., the first Bermuda-based specialized catastrophe reinsurer, has filed for an initial public offering that could raise nearly $250 million (*BI*, May 31). Mid Ocean was formed last year with $350 million in new capital.

Reinsurance experts say they would not be surprised to see the formation of still more catastrophe reinsurance facilities.

The new facilities, however, will not supply enough capacity to meet the current demand created by the withdrawal of Lloyd's of London syndicates and the marketwide reaction to the record level of catastrophe losses over recent years.

"There's a tremendous amount of need out there, so I think they will fill that need, but not all of it. I still think there will be some gaps," said Tom Gallagher, senior vp at Prudential Reinsurance Corp. in Newark, N.J. Some ceding companies are now buying less catastrophe protection because of its cost, not because it is not available, he said.

The new facilities "represent a canteen full of water to a man who's been in the desert for the year. This capacity will be absorbed," remarked Michael Smith, an analyst with Lehman Bros. in New York.

But, there is unlikely to be any immediate rate relief.

"There's no question that there's a major demand for the capacity with cat covers today, but at what price it is going to be available at I think is going to be a major concern," said Robert J. Osborne Jr., president of Arthur J. Gallagher Intermediaries Inc. in New York.

Prices for cat covers will not decline for the next couple of years, he said. "I think it's going to take another couple of years to see competition re-enter the catastrophe field, and God forbid we get hit with another (major catastrophe) this year."

"From an immediate standpoint, it's not going to have that great an effect on the rates just because there's such a demand out there that has been unfulfilled," said Michael Rothpletz, executive vp at G.L. Hodson & Son Inc. in New York, a unit of Willis Corroon Group P.L.C. "Eventually it's going to create a softening in the prices."

Ajit Jain, president of the reinsurance division of Berkshire Hathaway Inc. in Stamford, Conn., believes rates for cat cover could tumble sooner rather than later. "It's tough to talk in isolation, but I think if all the new capacity comes in and we go through a relatively loss-free hurricane season," prices are likely to come down next year.

While a return to competition will "take more than just next year," he said, "I certainly see pricing starting to ease up."

Alan Levin, senior vp of Standard & Poor's Corp. in New York, said the new facilities may be holding down the price hikes. "We know prices are up 100% in ballpark numbers on expiring policies. If there were not these new entrants, might prices be up 150%? 200%? Well, who knows. We might never know."

Some worry that the new entrants into the catastrophe reinsurance market could be vulnerable if there are one or two major catastrophes in the near future. "It's a matter of, if the wind doesn't blow, they'll do well," said Tom Case, chairman, president and CEO of Employers Reinsurance Corp. in Kansas City, Mo. "It has the potential of being an all-or-nothing situation."

If there are a tremendous amount of catastrophes, particularly any as acute as Hurricane Andrew, "that would leave them with some vulnerability, given they don't have an infinite amount of capital," said Steven A. Gavios, an analyst with Kidder, Peabody & Co. in New York.

"Mind you, that is the thought that most of the investors had in mind, and that's why they all made limited investments," he said.

Yet, others point out that these reinsurers, unlike some insurers battered by Andrew claims, will take great pains to diversify their risks geographically to avoid overconcentration in any area.

"I would like to think that they're doing their homework," Mr. Rothpletz said. By writing a worldwide book of business, the executives of the facilities are betting against the possibility of a catastrophe both domestically and in the Far East, for example.

Renaissance Re's Mr. Stanard said: "One of the main keys of underwriting in a facility like this is getting diversification, and the diversification is worldwide, not just the U.S."

"My feeling is that people are not just going to throw money at this market," said David Seifer, vp with New York-based Donaldson, Lufkin & Jenrette Securities Corp. "I think it's going to be carefully managed."

Another issue being raised is the facilities' long-term commitment to the business. "Are they in for a short, quick dollar fix, or are they going to last a long time?" asked Gallagher's Mr. Osborne.

Some believe that if and when the catastrophe market softens, the new facilities could turn to other lines of business. "If they are singular of purpose, and the supply-demand equation balances itself, it seems to me they have two courses of action: They either significantly curtail their operations, or they go to other things," said James R. Fisher, senior vp and comptroller for American Re-Insurance Co. in Princeton, N.J.

The companies forming these facilities "are very broadly based with their background and people on board," said Robert T. Tremelling II, president of the Tretis Group Inc. in San Francisco, a reinsurance intermediary.

Currently, these companies see opportunity in the property catastrophe business. "They will shift their guns when another opportunity presents itself for greater profitability than property catastrophe," Mr. Tremelling said.

The question is what these companies will do once supply and demand become more balanced, said S&P's Mr. Levin.

"Eventually they won't be able to write enough property business to provide the returns to keep the people busy and so forth, so they'll look around for some clean casualty business," he said, adding "it's always clean business when it starts out."

But Roger J.B. Beach, president of Bermuda-based financial reinsurer Accord Re Ltd., said the new facilities are unlikely to move into other areas "and simply spawn a new breed of offshore reinsurers." It would conflict with their parents' other operations, he said. "Also, you would be requiring those companies to build up a substantially greater staff, which would make their economics more difficult to wrestle with."

Mr. Beach said he thinks it is more likely that if rates for cat covers plummet, the facilities would either substantially reduce their business or stop writing altogether.

The reinsurers don't always agree.

Renaissance Re is in business to stay, said Mr. Stanard. He envisions the reinsurer becoming a specialist in worldwide catastrophe reinsurance, "which would mean staying at the state of the art in managing our exposures and in understanding primary company exposures."

The new facilities will further strengthen the Bermuda market, say observers. "It will put Bermuda on the map with an additional class of business which has traditionally been American and London business," said Kirk Roeser, president of Gill & Roeser Inc., a reinsurance intermediary in New York.

The facilities are being formed in Bermuda for a variety of reasons, among them the island's favorable tax and regulatory environment, including: the relative speed with which a company can be formed; Bermuda's existing infrastructure; its relative proximity to the United States; and its climate.

Another factor is the success of companies that have preceded them in Bermuda, including Mid Ocean and policyholder-formed ACE Ltd. and X.L. Insurance Co. Ltd.

There is "sort of a copycat effect involved," said Colin O'Connor, CEO of Belvedere Insurance Co. in Bermuda. "I suspect that much of it has to do with the notion that the first guy set up here and those who came along thought it might be a good idea to do the same thing." BI

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problems, alcohol abuse, drug/chemical abuse, financial concerns, adolescent treatment. Occasional: suicide, legal problems.

Health promotion services: Frequent: smoking cessation, physical fitness/exercise, nutrition/weight control, stress management, alcohol awareness, drug/chemical awareness. Occasional: AIDS awareness, elder care.

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: EAP/mental health care facilities.

Staff: 15; five clinical staff members, including CEAP, MSW, CAC, MD, RN, Ph.D. designations. On-site: marriage/family/child counselors, professional/mental health counselors, physicians. Contracted: psychiatrists, psychologists, social workers, marriage/family/child counselors, professional/mental health counselors, physicians.

Facilities: 100.

Service area: California, Colorado, Florida, Michigan, New Hampshire, New York, Texas.

Clients: 50. Lives covered at year-end 1992: 75,000 total.

Officers: Delores C. Tripp, president; Lucius Theas, treasurer; Dr. Lucius Tripp, vp.

Contact: Delores C. Tripp.

Y

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

Utilization review services: Inpatient precertification, outpatient precertification, concurrent review, case management.

Counseling sites: Selected worksites, EAP/mental health care facilities, phone counseling.

Staff: 23; 19 clinical staff members, including five CEAP, 12 MSW, five CAC, one MD, two Ph.D. designations. On-site: one psychiatrist, two psychologists, 12 social workers, three marriage/family/child counselors, one professional/mental health counselor. Contracted: three psychiatrists, 28 psychologists, 121 social workers, 30 marriage/family/child counselors, 23 professional/mental health counselors.

Facilities: 12.

Service area: Nationwide.

Clients: 1,500. Lives covered at year-end 1992: 255,000 total, including 80,000 employees and 175,000 dependents.

1992 revenues: $842,857; 60% from EAP services, 20% from managed mental health care services.

Officers: William H. Yost, president; Robert Brown, vp-operations; Anthony Venezia, account executive; Debbie Buschle, controller; Wendy Leonard, clinical director.

Contact: Robert Brown or William H. Yost. BI

INTERNATIONAL

Wimbledon tightens security but rates stable

By ADRIAN LADBURY

LONDON—The Wimbledon tennis tournament starts today amid the tightest security ever mounted at the 116-year-old competition.

The All England Lawn Tennis & Croquet Club Wimbledon, which organizes the tournament, has stepped up security in response to the stabbing of tennis star Monica Seles during a match in Germany last month. Ms. Seles, among the top three women players worldwide, will be unable to compete at Wimbledon because of the injury.

While insurers welcome the club's initiative, it has had no effect on the cost or availability of players' personal injury coverage.

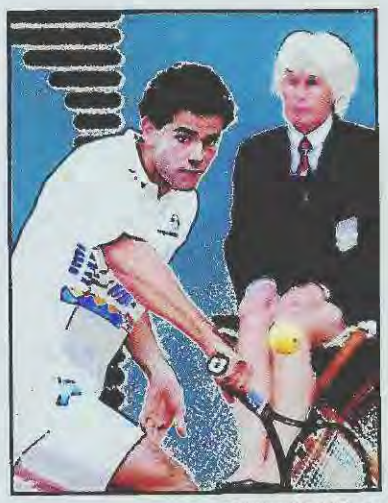
Tennis liability and contingency insurers in London, where coverage for most tournaments worldwide is underwritten, say the attack on Serbian-born Ms. Seles is being treated as a freak incident and that it is "business as usual" in West London, where the tennis club is located.

"Rates (for personal injury coverage) have not gone up," said Michael Eagles, chairman of Windsor Insurance Brokers (U.K.), a Lloyd's brokerage that specializes in tennis coverage. "People are treating it as a one-off. But there was a lot of concern that security (should be) tightened up."

Mr. Eagles said that insurers had not put pressure on the club. "Wimbledon is acting to raise security, but it was not because of the insurers. The industry didn't act together," he said.

Insurers also say that insurance for the tournament itself has not been affected by the attack.

A leading Lloyd's underwriter told *Business Insurance* that this year's tournament has total coverage of 37.5 million pounds ($56.3 million) excess of 500,000 pounds ($750,750). This insurance covers the club for liability to the public, damage to the grounds, loss of revenues from causes outside the club's control and cancellation of the tournament. The club also has 200,000 pounds ($300,300) of coverage for expenses incurred if the tournament is not completed by July 4. By tradition, the tournament lasts 13 days.



AP/Wide World Photo

Pete Sampras, competing in last month's French Open, is among the players that will benefit from stepped-up security at this year's Wimbledon tournament.

But the underwriter said the tournament's coverage had been arranged last fall and was not changed. The policy is not expected to change for next year.

"There is no reason why an attack on an individual player should affect the club's coverage," he said.

Reg Brown, underwriter of leading Lloyd's of London liability syndicate 702, and chairman of the Lloyd's Non-Marine Assn., pointed out, however, that the club is obliged to take "reasonable care" to ensure the players are protected during a tournament. "I suspect they will be taking a little more care at the moment at Wimbledon."

But Mr. Brown said that a suit brought against the tennis club by an injured player in circumstances similar to Ms. Seles' "would be unlikely to succeed in an English court of law."

Wimbledon is tight-lipped over its security arrangements. Christopher Gorridge, chief executive of the club, did say after the stabbing incident: "Security arrangements are under constant review at Wimbledon, in common with other major events, and this extremely unfortunate incident will of course be taken into consideration in our discussions re security for The Championships, 1993."

A club spokeswoman told *Business Insurance* last week that there will be 437 security officials and 410 fire and other emergency staff to keep an eye on the 370,000 people expected during the two weeks. This

Continued on next page

Sturge cuts cash calls on five syndicates

By STACY SHAPIRO

LONDON

LONDON—As Lloyd's of London prepares to announce its 1990 loss—the worst in the market's history—Sturge Holdings P.L.C. is reducing the size of cash calls on five of its 22 syndicates to help members cope with their losses.

The five syndicates were expecting to make cash calls totaling 40 million pounds ($61.1 million) on July 31 to cover 1990 losses, but now will only ask members to pay 8 million pounds this year ($12.2 million) and 20 million pounds ($30.5 million) in July 1994.

The rest will be called at a future date, if necessary, said James Macdonald, Sturge's group finance director. But by postponing the full cash call, Sturge is essentially counting on future profits to meet claims as they become due.

Sturge is able to reduce the amount of cash required to pay 1990 claims because it has negotiated with the syndicates' bankers and received a "contingency line of credit" in case claims must be paid earlier than forecasted, said Mr. Macdonald.

In another move to offset 1990 losses, Sturge also will release 5% of the 1993 premium trust fund of syndicates that will continue trading in 1994, in line with a Lloyd's initiative to ease the impact of syndicate losses (*BI*, May 31).

The syndicates affected are: Pegasus motor syndicate 330; excess-of-loss reinsurance syndicates 503 and 694, two loss-makers that merged in 1992; non-marine syndicate 122, and defunct syndicate 498, which ceased trading at the end of 1990 and also has its 1989 year of account open. The five syndicates combined had 7,612 members in 1990.

Mr. Macdonald believes that this trend to defer cash calls and help members pay losses will spread throughout the Lloyd's market.

Other managing agencies are expected to similarly postpone part of their 1990 cash calls.

However, Sturge is not paring down the cash calls totaling 222 million pounds ($338.9 million) for 1990 from another eight managed syndicates that will cease trading at the end of the year (*BI*, May 10). Sturge has already streamlined the calls as much as possible, said Mr. Macdonald.

These eight syndicates include syndicate 206, Lloyd's largest marine syndicate, which is calling 35 million pounds ($53.4 million) to be paid in July out of a total 1990 loss of 63.3 million pounds ($95.9 million at the appropriate exchange rate). The syndicate had 5,510 members in 1990.

And syndicate 210, Lloyd's largest non-marine syndicate and a major U.S. property insurer, is calling 48 million pounds ($73.3 million) this July out of a total 1990 loss of 64.5 million pounds ($97.7 million at the appropriate exchange rate). This syndicate had 5,234 members in 1990.

Meanwhile, R.H.M. Outhwaite (Underwriting Agencies) Ltd. also is making cash calls.

Members on defunct syndicate 317/661 managed by Outhwaite are now stuck on two open years of account—1982 and 1990—both of which are making cash calls for July. For 1990, the syndicate lost 39.7 million pounds ($60.1 million at the appropriate exchange rate) of which 29.6 million pounds ($45.2 million) must be paid before the end of July.

In addition, members on the fateful 1982 open year of the Outhwaite syndicate will be asked to pay 10.3 million pounds at the end of July ($15.7 million) to cover losses of 266.8 million pounds in the 1982 underwriting year ($407.3 million at

Continued on next page

Fondiaria share offering

Move won't clear debts, but may fend off takeovers: Analysts

By MARIA KIELMAS

FLORENCE, Italy—Debt-ridden Italian insurer Fondiaria S.p.A. has announced plans to raise 1.06 trillion lire ($716.7 million) in capital to get its finances in order.

The shareholder rights issue, which is to be massively discounted, will be subscribed and underwritten by a group of Italian banks and organized by the powerful Milan-based merchant bank Mediobanca.

Stock market analysts say the capital increase is unlikely to settle the company's debt crisis. Rather, the move could be merely a defense against a foreign takeover attempt, some analysts say.

"When you think about it, Fondiaria is the only way in to the Italian market for a foreign investor, and this issue will block that," said Tony Morrongiello, Italian equities analyst at London stockbroker Carnegie International.

Mr. Morrongiello says the offering is priced at only 18% of premium volume, while most other insurers launch offering priced at five times premium volume.

Fondiaria announced that the group's premium written last year totaled 6.1 trillion lire ($4.13 billion), a 20% increase over 1991. Its investment portfolio last year amounted to 10.5 trillion lire ($7.1 billion), up from 9 trillion lire ($7.84 billion) in 1991. Underwriting losses in 1992 were 473 billion lire ($319.9 million), with most of the losses occurring in automobile lines.

In 1991, the company earned an underwriting profit of 91 billion lire ($79.1 million at the appropriate exchange rate).

But consolidated shareholders' equity at year-end 1992 fell to 1.66 trillion lire ($1.12 billion) from 2.24 trillion lire ($1.95 billion) at year-end 1991.

Loss reserves rose to 8.62 trillion lire ($5.83 billion) at year-end 1992 from 6.837 trillion lire ($5.96 billion) at year-end 1991. Financial debts were 2.368 trillion lire ($1.6 billion), of which 1.105 trillion lire ($747.5 million) is owed to banks. The group lost 578 billion lire ($391 million) last year (*BI*, June 14).

The Fondiaria board decided at a June 14 meeting that it would launch the 1.06 trillion lire ($716.7 million) capital increase, which involves the issue of 162 million new ordinary shares priced at 6,500 lire ($4.39) each. The closing price for Fondiaria shares the day of the meeting was 26,775 lire ($18.10) each.

Fondiaria shareholders will be offered two new shares for every one held. In addition to Mediobanca, other banks underwriting the share issue are: Banca di Roma, Banca Commerciale Italiana, Credito Italiano and Instituto Bancario San Paolo di Torino.

Full information about the participation of Mediobanca in the capital increase has not been published. Some stock market analysts believe that Mediobanca will not increase its existing 15% stake in Fondiaria, which it holds through a wholly owned company, Filodrammatici.

"From my information, Mediobanca will subscribe to the issue to maintain its 15%," says Angus Runciman, insurance analyst at London stockbroker Barclay de Zoete Wedd.

The same applies to the 6.5% stake in Fondiaria held by Trieste-based Assicurazioni Generali, Italy's

Continued on next page

Employers in Europe will incur a large cost from E.C. pension ruling

By ALINE SULLIVAN

European Community employers must be prepared to pay at least 2 billion pounds ($3.04 billion) in back pension payments if, as expected, the European Court of Justice in Luxembourg rules that men's and women's pension benefits must be equalized retroactively to 1990.

An advocate-general, one of the court's legal advisers, in April published opinions on three cases concerning gender equality in retirement benefits, a strong indication of the court's final ruling.

If, as is usual, the court endorses the opinions, pension benefits of the disadvantaged sex, primarily men in these cases, must be brought up to the level of the advantaged sex. However, the advocate-general did not rule out "leveling down," or lowering the retirement age for men to 60, at a future date.

The court will rule on the three cases in late September or early October. The cases, one each from Britain, Germany and the Netherlands, tackle different aspects of the same problem: How should employers interpret the court's May 17, 1990, decision in *Barber vs. Guardian Royal Exchange* that men's and women's pensions must be equalized?

The advocate-general's opinions removed much of the uncertainty created by the 1990 Barber judgment, said Richard Malone, European policy director in Noble Lowndes' Croydon, England, office. Prior to the opinions, the court had set no guidelines concerning retroactive benefits.

"It could still cost employers an extra 2 billion pounds a year to equalize pensions," said Mr. Malone. However, that is much less than a previously estimated cost to U.K. employers alone of 45 billion pounds ($68.45 billion) to fund past pension benefits, he said.

However, Alex MacIntyre, director of research and technical services at Glasgow-based Alexander Consulting Group, said the cost to E.C. employers would be at least 5 billion pounds ($7.6 billion).

"It all depends whether pensions are equalized upward to (age) 65 or downward to 60," said Mr. MacIn-

Continued on next page

INTERNATIONAL

Wimbledon

Continued from previous page
is not an increase from normal staffing. However Scotland Yard has stated it will station more uniformed and plain-clothes officers at this year's tournament but refused to give figures.

Insurers believe, however, that if copycat attacks should occur, the individual market could not withstand the losses for long because of the high value and low frequency of the claims.

Individual bodily injury coverage for professional tennis players is provided by the Assn. of Tennis Players. But the coverage does not reach the heady earning levels of the top stars, so the players top it with coverage bought on the open market.

"Ninety-nine percent of this cover is placed direct in London or underwritten locally and ceded to London," according to David Stirling, broker with Crispin Speers, another Lloyd's brokerage that specializes in sports coverage.

"When you get to the top end, underwriters begin to feel they cannot charge enough because the claims are so huge. . .it's a very volatile market. So a lot of underwriters only write the smaller risks," said Mr. Stirling.

Andre Agassi, the winner of the men's singles competition last year, is believed to be currently earning 8 million pounds ($12 million) a year.

"The going rate is about 0.5% so the premium would be about 40,000 pounds ($60,060)" for Mr. Agassi, said one Lloyd's underwriter. "A single loss would be crippling." BI

Fondiaria

Continued from previous page
largest insurer, he adds. The real effect of this capital increase will be to dilute the stake of the GAIC holding company in Fondiaria to 17% from about 34%, he said.

GAIC is one of the corporate vehicles belonging to the highly indebted Ferruzzi family, which currently controls Fondiaria as part of its agrochemicals, finance and energy group of companies.

GAIC is 79% owned by SEPAD S.A., which is itself held in equal proportions by the Ferruzzi family and the heirs of the late Italian entrepreneur, Camillo de Benedetti.

The remaining shares in GAIC are held by the French insurers Group AMA and Germany's Volksfursorge. GroupAMA directly controls 20% of the Fondiaria property/casualty subsidiary, La Fondiaria Assicurazioni S.p.A..

Mr. Runciman believes the capital increase is not the end of the Fondiaria's problems, though he says it will stabilize the situation for a while. He also doubts widespread speculation that Generali or Italy's second-largest insurer, RAS, are likely to take over Fondiaria.

"But one can't preclude that the holding company (Fondiaria S.p.A.) may disappear and leave just the operating subsidiaries," he said.

There has been talk "for ages" that Generali might take over Fondiaria, especially as Generali is known to have amassed huge amounts of cash, Mr. Runciman said. But if this were to happen, then "at some stage there will be conflicting interests" between the two companies.

Mr. Morrongiello regards the capital increase as a way for the banks to take over the GAIC stake in Fondiaria at little cost.

"If the issue is split five ways between the banks, then Mediobanca increases its stake in Fondiaria to 25% at a very low price." Mediobanca will eventually decide the insurer's future, he said. BI

UNI Storebrand preparing to return to independence

By MARIA KIELMAS

OSLO, Norway—UNI Storebrand said it expects to return to normal, independent operations by mid-July now that the company's refinancing plan is falling into place.

The insurer's stock will be traded on the Oslo Stock Exchange beginning today.

UNI Storebrand is in the process of obtaining capital totaling 6.4 billion Norwegian kroner ($919 million). The refinancing package consists of three parts: 2.8 billion kroner to be subscribed in new UNI Storebrand shares ($402.1 million), a bond loan of 1.8 billion kroner ($258.5 million) and the sale of the Norwegian insurer's Skandia Group shares, which already has provided almost 1.8 billion kroner (*BI*, June 14). The bond loan and the new issue are guaranteed subscribed.

UNI Storebrand shareholders registered as of June 11 have a preemptive right to subscribe to half of the new shares, priced at 10 kroner ($1.44) each.

The bond loan will be open for public subscription as of June 24. Bonds will have a 10-year term and a coupon of 8.5% per annum.

After reporting a consolidated loss of 3.3 billion kroner ($475.9 million) for 1992, the company had a first-quarter 1993 profit of 150 million kroner ($21.9 million) (*BI*, May 31).

The refinancing is a straightforward and attractive business proposition, said Mike Wheelhouse, insurance analyst at London-based stockbroker Nomura International. Stock market analysts believe there is considerable upside to UNI Storebrand's share price. But Mr. Wheelhouse says UNI Storebrand will continue to lose money on its international operations and may have to wind down some of them.

Separately, UNI Storebrand announced June 16 that its international unit, UNI Storebrand International Insurance A/S, has sold its international brokering subsidiary, A/S DUO, to the Chicago-based Rollins Hudig Hall Group. This group's subsidiary, Rollins Hudig Hall (Scandinavia) A/S, will continue the UNI Storebrand unit's broker activities for marine, reinsurance, oil and energy, aviation, and art lines under the DUO name. Terms were not disclosed. BI

E.C. pensions

Continued from previous page
tyre. "A move to 65 would mean a cost of about 5 billion pounds to employers, but a move to 60 would cost about 50 billion pounds ($76.1 billion). Probably, pension benefits will be equalized at 65, although it could be settled somewhere in between."

Prior to the court's decision in the Barber case, most E.C. countries had a lower retirement age for women than for men. In Britain, for example, women were entitled to full retirement benefits at age 60, but men had to wait until 65. Now, both sexes must be 65 years old to receive those benefits in the United Kingdom.

The British case concerns the equality of payments to male and female former employees of Coloroll, a failed wallpaper maker.

The German case, *Meroni vs. Collor*, is based on the duration of retrospective pension payments to men. In this case, the court must decide whether backdated benefits apply only to active employment after its 1990 Barber decision or to the total service of already retired employees.

The Dutch case concerns pension payments to the widows and widowers of former window washers.

In the absence of a firm ruling from the court on the duration of retrospective payments, E.C. officials last year added a provision to the Maastricht treaty for European union that retrospective pension payments should apply only to active employment after 1990. However, the treaty has not yet been ratified by all E.C. members.

Another issue the court will decide is whether employers offering lifetime pensions will be allowed to take into account the longer average lifespan of women. In April, the advocate-general recommended prohibiting sexual discrimination in the calculation of benefits or contributions under occupational pension programs from the date of the final judgments on the cases.

"The costs to companies will be at least 2 billion pounds ($3.04 billion) if the advocate-general's opinion is upheld," agreed John Cunliffe, a partner at London law firm McKenna & Co., which is advising Coloroll Group pension fund trustees. Otherwise, companies could be forced to pay as much as 50 billion pounds ($76.1 billion) in the United Kingdom and Germany, and about 15 billion pounds ($22.82 billion) in the Netherlands, he said.

Most observers expect the court to uphold the advocate-general's opinion. However, some point out that the court has been known to overrule such opinions, most noticeably in *Barber vs. Guardian Royal Exchange*. The April opinion on the three pension cases was made by the same advocate-general involved in the Barber case. BI

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LONDON

Continued from previous page
current exchange rate) or 646% of the syndicate's capacity of 41.3 million pounds in 1982 ($63 million at current exchange rate).

About 980 Outhwaite members on the 1982 account received 116 million pounds ($206.5 million at the appropriate exchange rate) early last year in an out-of-court settlement from 81 members agencies' errors and omissions underwriters to mitigate these losses (*BI*, Feb. 17, 1992).

So far, Outhwaite members have paid 235.4 million pounds ($359.3 million) in cash calls for the open 1982 underwriting year.

EGM rules tightened

Lloyd's of London is making it more difficult for members to call extraordinary general meetings because they are expensive and "an enormous diversion of management time," Lloyd's Chairman David Rowland says.

Members now must collect 1,500 signatures, rather than just 100, to call an EGM, Lloyd's Council decided earlier this month.

The change, however, does not affect an EGM already called by member Claud Gurney and scheduled for July 5 after market hours. Lloyd's annual general meeting will be held tomorrow at the Royal Festival Hall.

Among the items up for vote at Mr. Gurney's EGM is a resolution that Lloyd's, its staff and council members, "are not exempt from having to pay damages to any person." That resolution contradicts a provision granting immunity from liability in Lloyd's Act 1982.

Meanwhile, Lloyd's has introduced new disciplinary procedures for minor market offenses, such as failing to submit syndicate accounts on time, said Mr. Rowland. Up until now, there have been no penalties for this minor misconduct.

Financial penalties of up to 5,000 pounds ($7,632) will be imposed, along with simplified procedures for defending the charges.

Lloyd's taps advisers

Lloyd's of London has appointed investment bankers S.G. Warburg and J.P. Morgan as advisers on the introduction of corporate capital into the market.

Attracting corporate capital was a key feature of Lloyd's new business plan for returning the market to profitability (*BI*, May 3). Lloyd's will publish a "rulebook" on the introduction of corporate capital at the end of July, but many expect that only a small amount of corporate capital will enter the market for the 1994 underwriting year.

Members agencies merge

A spate of mergers among Lloyd's underwriting agencies have been announced in the weeks leading up to the market's annual general meeting this week.

The largest by far is publicly traded A.J. Archer Holdings P.L.C.'s acquisition of Castle Underwriting Holdings Ltd.

Under the terms of the acquisition, Castle's owners will own 11.2 million new ordinary shares, or 30.7%, of Archer and have options for another 1.3 million shares that would bring its stake to 33%.

In addition, Castle's current owners will receive 50% of any profit commissions in excess of 9 million pounds ($13.7 million) that Castle syndicates earn from 1990 to 1993.

The acquisition will increase the 1993 premium capacity of the Archer group's syndicates to 388.7 million pounds from 200.9 million pounds (to $588.9 million from $304.4 million at appropriate exchange rates). The group's members agency business will increase to 664 members with 201.9 million pounds of capacity ($305.9 million), from 145 names with 44 million pounds of capacity ($66.7 million).

Archer management for now will keep Castle's managing agency independent from the rest of the group because Castle is embroiled in litigation related to Devonshire Underwriting Agencies Ltd. (*BI*, Aug. 31), which Castle acquired in 1991.

In another recent transaction, Cater Allen Lloyd's Holdings Ltd. acquired underwriting agency Lloyd-Roberts & Gilkes Ltd., which manages two syndicates with total 1993 capacity of 49 million pounds ($74.2 million) and acts as members agent for 106 members.

After the sale, co-owner Robin Gilkes was appointed chairman of Cater Allen Syndicate Management Ltd., succeeding retiring Chairman David Robertson; and co-owner George Lloyd-Roberts has joined the board of Cater Allen Syndicate Management.

In addition, Stewart Underwriting P.L.C. announced that it is issuing new shares to acquire managing agency Newman & Stuchbery Ltd., which manages non-marine syndicate 1096, underwritten by David Newman. With this acquisition and a recent agreement to acquire MFK Underwriting Agencies Ltd., Stewart will manage syndicates with overall capacity of 260 million pounds ($393.9 million). BI

Scottsdale names Kartchner executive vp

Vickie F. Kartchner has been promoted to executive vp of Scottsdale Insurance Co. and will direct the surplus lines insurer's general underwriting and specialty underwriting divisions. Previously Ms. Kartchner was senior vp of the Scottsdale, Ariz.-based company.

In other excess/surplus lines changes:

Otis Pearson named vp-agency contract division, and **Donna McGovern** named vp-brokerage division of Jefferson Insurance Group of Jersey City, N.J.

Gerald D. Henner named vp of wholesaler Horan, Goldman & Co. of Pennsylvania Inc. in Wayne, Pa.

Thomas F. Mulligan named senior vp-underwriting and marketing for Western World Insurance Co. and subsidiary Stratford Insurance Co., both of Ramsey, N.J. Also, **Stephen Gerstman** named senior vp-underwriting and marketing for Tudor Insurance Co., another unit of Western World.

L.M. Wesson Jr. named president and chief operating officer of U.S. Risk Insurance Group Inc., a Dallas-based excess/surplus lines insurer.

Insurers

Frederick J. Yosua Jr. named vp-finance and actuarial in the long-term care division at UNUM Life Insurance Co. of America in Portland, Maine.

James E. Santry named senior vp-underwriting at Bituminous Insurance Cos. in Rock Island, Ill.

Great American Insurance Cos. in Cincinnati announced several promotions: **John L. Doellman** to vp and actuary in the corporate actuarial department; **Lawrence M. LesChander** to vp-underwriting in the commercial division; and **Alfred M. Smith** and **David R. Reitzel** to vps in the commercial claims division.

Henry Krizl named executive vp at Fremont Compensation Insurance Co., a subsidiary of Fremont General Corp. in Glendale, Calif. Also at Fremont, **Bradley Nichols** named vp and division manager in San Diego, and **Roger Newman** named vp and division manager in Phoenix.

Continental Insurance Corp. made the following appointments in its agency and brokerage group claims operations in New York: **Cindy Gates** named vp-sales/services; **Kenneth Irvin** named vp-Midwest region claims officer; and **Paul Reid** named vp-claims administration.

Agents/brokers

Donald R. Britton named chairman and **Bruce H. Ball** named president of **Britton-Gallagher & Associates Inc.**, an independent insurance agency in Solon, Ohio.

Lannie Staniford named senior vp of ABI/Lloyd & Associates Insurance Services in San Francisco.

Robert Duran and **Robert S. Strandberg** named vps at Rollins Hudig Hall of New York Inc.

Reinsurance

Robert M. DeBoer named senior vp and chief administrative officer of U.S. Re Corp. in New York.

Phoenix Re Corp announced several appointments in New York: **Michael J. Bleisnick** named executive vp-domestic operations; **Gordon Forsyth III** named executive vp-international operations; and **Mark W. Christie** named vp-domestic treaty operations.

Lawrence S. Davis joined BEP International Corp., a reinsurance intermediary in Jersey City, N.J., as senior vp.

Mindy Pollack named vp and manager of NAC Re Corp.'s claims management division in Greenwich, Conn.

Other suppliers

Julian Cohen named president of MCC Behavioral Care Inc., a nationwide provider and manager of mental health and substance abuse programs, in Minneapolis.

Peter R. Chaffetz joined the law office of Buchalter, Nemer, Fields & Younger in Los Angeles. Mr. Chaffetz specializes in both reinsurance and insurance litigation.

John Fortin joined the Atlanta office of A. Foster Higgins & Co. Inc. as a principal and health and welfare practice leader for the firm's southeast region.

Former Missouri Insurance Director **Lew Melahn** will practice law with the Kansas City-based firm of Polsinelli, White Vardeman & Shalton. He will help open a new office in Jefferson City, Mo.

Jerry Rivers promoted to senior vp at Commonwealth Risk Services Inc., a Philadelphia-based subsidiary of Mutual Risk Management Ltd.

Cynthia Hine joined Willis Corroon Health Care Concepts Division, a subsidiary of Willis Corroon Group P.L.C., as vp and risk management consultant in Nashville, Tenn.

Richard Lipeles, Wayne Lowell and **Roger Taylor** named executive vps at PacifiCare Health Systems Inc. in Cypress, Calif.

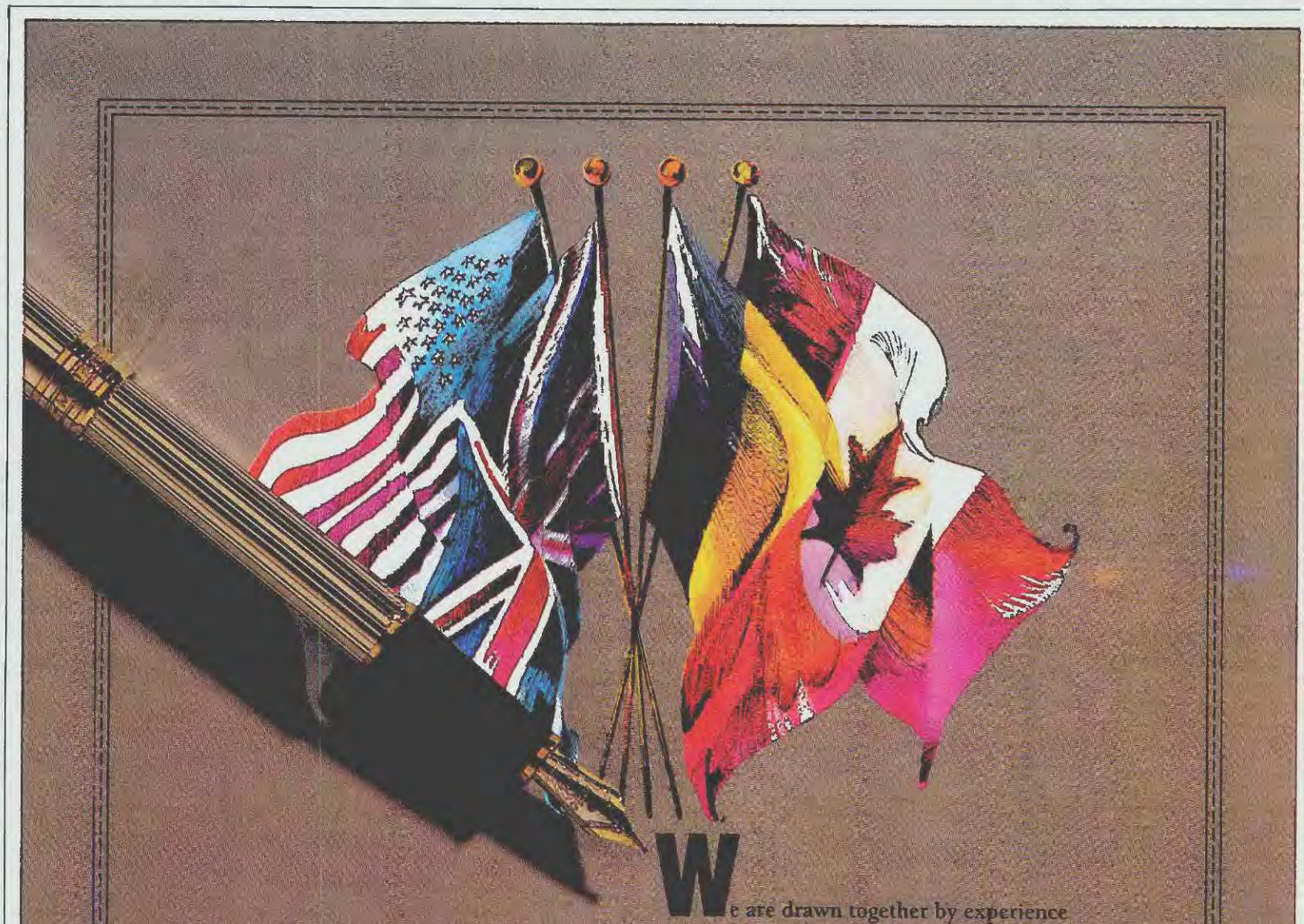
Jeff Folick succeeds Mr. Lipeles as president of FacifiCare of California and **Michael Lombardi** named senior vp of PacifiCare of California's Secure Horizons division.

John E. Ford joined J.E. Stone & Associates Inc. in Houston as managing director and principal responsible for the firm's compensation consulting practice.

Jeffrey A. Doty and **Thomas J. Jarzyniecki Jr.** named partners in the Indianapolis-based law firm of Kightlinger & Gray. Mr. Doty is a defense and plaintiff attorney specializing in insurance coverage litigation.

Mr. Jarzyniecki is a defense attorney specializing in defense litigation, personal injury and product liability law. BI

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Withdrawal liability found constitutional

WASHINGTON—The 1980 federal law that requires employers withdrawing from underfunded multiemployer pension plans to pay for a share of the plan's unfunded liabilities is constitutional, the Supreme Court has ruled.

In a 9-0 decision, the high court last week rejected several arguments by a California-based manufacturer that withdrawal liability—the centerpiece of the Multiemployer Pension Plan Amendments Act of 1980—is an unjustified taking of property without compensation.

Concrete Pipe & Products of California Inc. challenged the constitutionality of withdrawal liability after it ceased making contributions to the Construction Laborers Pension Trust for Southern California and was slapped with a $268,000 claim. That claim was later reduced in arbitration to $190,000.

Among other things, Concrete Pipe argued that its "property" impermissibly was being taken away for the sole purpose of protecting the federal Pension Benefit Guaranty Corp.

Justice David Souter agreed that assuring the solvency of a multiemployer plan—by imposing withdrawal liability claims on employers leaving a plan—would ultimately benefit the PBGC. But that result is "merely incidental to the primary congressional objective of protecting covered employees and beneficiaries," he wrote.

By allowing multiemployer pension plans to impose withdrawal liability, the government has taken nothing for its own use, Justice Souter reasoned.

Concrete Pipe also objected to a provision in the law that allows multiemployer plan trustees—half of which represent employers contributing to the plan and half representing union employees—to determine the size of the withdrawal liability claim. Concrete Pipe argued that the trustees have a bias in setting the claim as high as possible.

But Justice Souter noted that the plan must use professional actuaries in determining the size of the claim.

"Although plan sponsors employ them, actuaries are trained professionals subject to regulatory standards. The technical nature of an actuary's assumptions and methods. . .as a practical matter, limit the opportunity an actuary might otherwise have to act unfairly toward the withdrawing employer," he wrote.

In addition, the employer has the right to have the claim reviewed by arbitrators.

Last week's ruling follows a 1984 Supreme Court ruling that upheld the constitutionality of retroactive withdrawal liability. President Carter signed the legislation on Sept. 26, 1980, but withdrawal liability was applied to employers that left underfunded plans on or after April 29, 1980 (*BI*, June 25, 1984).

However, a few weeks after the decision, Congress passed legislation that wiped out retroactive withdrawal liability. That meant about 75 employers that left the plans during this seven-month period no longer owed about $70 million (*BI*, July 2, 1984).

Meanwhile, the Supreme Court in another decision last week said the Labor Management Relations Act does not require multiemployer plans to transfer funds to new multiemployer plans set up by employers leaving the old plans.

—By Jerry Geisel

The Professional Marketplace

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* Source Business/Occupational breakdown of qualified circulation, November 30, 1992 issue, as submitted to BPA for December 1992 BPA Publisher's Statement.

Minnesota

Continued from page 2

cause of limits put on their annual expenditures and reserves. Additionally, for-profit insurers are balking at the law's requirement that only non-profit entities will be allowed to form so-called integrated service networks or ISNs—groups of medical providers that will function much like health maintenance organizations.

Many of the law's provisions will be phased in over the next few years, and nearly all of the regulations governing spending limits and the operation of ISNs have yet to be written.

Right now, everyone has a lot of questions.

"There are far too many blank spots left" in the new law, complained Mike Hickey, state director for the National Federation of Independent Businesses in Minneapolis. "The problem with the bill is that the state's ambition got ahead of itself."

The NFIB supported much of the MinnesotaCare law passed last year (*BI*, April 27, 1992). But, Mr. Hickey said, "We are skeptical that the new law will accomplish what it has been set out to do. And if it fails, it could do more harm than good."

The NFIB is particularly upset that for-profit companies will not be allowed to form integrated service networks.

The law stipulates that ISNs will be equipped to provide all appropriate and necessary medical services—from routine checkups to surgery—for a fixed price per patient. They can be formed by insurers, HMOs, local governments, hospitals and doctors, but they must be non-profit.

The networks will offer one of five standard benefit packages, all of which will contain the same basic benefits but have varying copayments and deductibles. The state health care commissioner is scheduled to present recommendations on what will be covered by the standard package to the Legislature by Jan. 15, 1994.

"By dissuading national for-profit insurance companies from forming networks, they are decreasing opportunities for competition in smaller markets," Mr. Hickey asserted. Many small and midsize companies are worried that they won't be able to continue offering their current health plans.

"ISNs are a critical part of the bill's cost-control strategy, but they are also the untested part," observed Bill Blazar, vp of governmental affairs at the Minnesota Chamber of Commerce in St. Paul. "Since we don't know what type of ISN will work, we should keep our options open" and allow all companies—including profit-making businesses—to form such networks.

Such companies could spin off non-profit subsidiaries to form networks, but the restrictions are likely to discourage some companies from doing so, said Ralph Marlatt, president and chief executive of the Insurance Federation of Minnesota in St. Paul.

"There is almost a religious aura in the Legislature concerning the concept of not-for-profit," said Mary Miller, associate counsel in the Minneapolis office of Prudential Insurance Co. of America. In fact, most hospitals and HMOs are required by law to be non-profit, she said.

Prudential is "carefully evaluating" whether to spin off a non-profit entity, but is awaiting the release of rules governing ISNs before making a decision, Ms. Miller said.

Insurers and providers are reluctantly accepting the proposed revenue and spending limits.

In lieu of setting prices, the Legislature will require the networks to keep their total revenues from growing more than a certain percentage each year.

For example, for calender year 1994, health care providers must not post annual revenue growth in excess of the regional consumer price index plus 6.5%, explained Tom Ehrlichmann, director of government relations for the Minnesota Hospital Assn.

Insurers and HMOs must limit the growth in their expenditures and reserves by a similar amount, he said.

All medical providers, including dentists, psychologists and chiropractors, likely will be subject to the controls, even if they do not join the networks. But, regulations and price caps for non-network providers are expected to be more harsh.

The limits are expected to cut health care spending growth by 1% per year for five years, bringing the rise in costs closer to the inflation rate for other goods and services.

The state is expected to publish limits on 1994 spending for all health care providers by July 1. That is also the date when insurance reforms adopted last year, including limits on administrative charges, are to take effect.

Hospitals are worried the limits imposed in later years will be too stringent, Mr. Ehrlichmann said.

"The limit on revenue growth will be regional CPI plus 2.6% by 1998, and that is cause for concern for many hospitals," particularly because new technology is likely to add to hospitals' costs, he explained.

Still, the association generally favors the new law.

"The charge of the state health commissioner set out in last year's law was to bring medical costs under control. That was a given and we understood it would happen," Mr. Ehrlichmann said. "Hospitals now look at patients as revenue generators, but as we move toward the network approach, we'll see them as cost generators." BI

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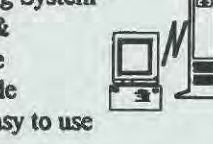
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Superfund reform

Continued from page 2

understood, Mr. Cheek said at a conference on the pollution insurance market in New York earlier this month sponsored by RTM Communications Inc.

"Congress grossly underestimated both the scope and the cost of cleaning up decades' worth of largely innocent but improper disposal of hazardous waste," he said.

Also, the government has imposed overly stringent cleanup requirements on polluted sites, Mr. Cheek said.

Superfund's insistence on perfect remediation is overkill for some sites, he said, adding the law calls for "edible dirt and potable water at every site, regardless of its location or future use."

The "Draconian nature" of the law has provoked cries for reform from many sectors, Mr. Cheek said. This pressure for reform is focused on two aspects of the law, he said: remedy selection and liability.

Proponents for change agree more on reforms of remedy-selection provisions than on reform of liability provisions, he said.

Businesses and environmental groups are considering several options for reforming the method of remediating pollution damage, he said.

One alternative would be to concentrate remediation efforts on halting the threat of further contamination in the near term and then eliminate long-term risks only if the benefits of doing so exceed the cost, Mr. Cheek said.

Also, most sides agree that seriously contaminated and dangerous sites should be given a higher cleanup priority than less dangerous ones, he said.

All sides also agree that changes to Superfund should allow better use of technology to aid cleanup, Mr. Cheek said.

"Ideas in this area include the creation of an EPA clearinghouse for new technologies and a requirement that such technologies be certified as effective in real-world tests before their use at any site," he said.

There is less agreement on the need for or the nature of any fundamental reform of liability issues, Mr. Cheek said.

In particular, there is no hope of the strict, joint and several liability standard contained in Superfund being totally abandoned, he said.

"At most, it appears that a push may be made to require proportional liability, as determined through an administrative, quasi-judicial process on a site-by-site basis," he said.

Most would-be liability reformers are focusing on the retroactive application of Superfund reform legislation, he said.

"Like most other issues, reform of retroactive Superfund liability boils down to a matter of money," Mr. Cheek said.

Potentially responsible parties and insurers would be willing to trade the current regime for a more predictable and certain system, provided that any new liability system would not cost them more than they are already paying and all parties involved would pay their fair share of cleanup costs, he said.

Whatever happens with Superfund reform legislation, the government must be aware that cleanup resources are limited, Mr. Cheek stressed.

"We can no longer afford the luxury of pretending that it does not matter how much it costs to remediate any threats to the public health and the environment, no matter how remote those threats might be," he said.

Instead, the U.S. government must rank its environmental remediation priorities, Mr. Cheek said.

"Superfund is the most extravagantly wasteful environmental law on the nation's books. The time has come to fix it and fix it right," he said.

Meanwhile, the environmental liability insurance market is also set to undergo changes, said William McElroy, assistant vp-environmental at Zurich-American Insurance Co. in New York.

One of the forces driving this change is shrinking capacity in the overall property/casualty insurance market, he said.

However, the growth of alternative environmental insurance products and markets should help sustain capacity, Mr. McElroy said.

"There will be a contraction of vertical capacity, but you will be able to buy small limits from a number of different markets," he said.

The process of buying EIL insurance will also change, Mr. McElroy said.

Although policyholders will still be required to conduct environmental risk surveys before coverage is written, the process will become more efficient as it becomes a more common occurrence, he said.

Increased sophistication of environmental risk assessment will also lead to more accurate pricing of risks, he said.

And as the market matures, insurers will have to specialize more and develop higher expertise in individual clients' business area, Mr. McElroy said.

"In short, we will have niche marketing," he said. BI

Health care reform

Continued from page 1

Rep. Jim Cooper, D-Tenn., say state-run purchasing alliances should band small employers and individuals together to give them greater market clout, but they should not include large employers.

Both Mr. Magaziner and Mr. Zelman said the Clinton health care reform package could be introduced as soon as mid-July. But the timing of the proposal would be geared to final congressional action on the president's tax proposal. If the tax measure gets bogged down in Congress, the Clinton health plan might not be introduced until September when lawmakers return from summer recess, the two advisers said.

The administration, though, still has not made several key decisions on its health care reform package. Mr. Magaziner, for example, said the administration has not yet decided on the complete range of benefits that will be included in the plan.

But he did say the plan would be typical of what many employers now offer. In addition, while the plan would not be one that only covers catastrophic health care expenses, it will not be a "Cadillac-type" plan, either, he added.

The administration also has not decided how universal health care coverage would be financed. Mr. Magaziner, though, did envision a substantial increase in tobacco taxes but no new, broad-based taxes, according to a consultant attending the meeting.

The administration also has not decided whether employers joining health care purchasing alliances would pay a flat, per-employee premium or a percentage of payroll, the two Clinton advisers said.

Regardless of the method selected, employers' payments would vary across the country based on regional differences in health care costs, Mr. Zelman said.

Mr. Magaziner said benefits above those prescribed in the basic benefits package would be taxable. But he did not make clear if the employer would be able to take a tax deduction for the cost of additional benefits or, alternatively, whether the cost of those benefits would be added to employees' taxable income.

Mr. Magaziner also acknowledged that there will be elements of the administration's health care package that employers will not like. But he urged employers to work constructively with the administration to improve the proposal.

He also conceded that the administration could have done a better job in explaining how it intends to reform the health care system.

In fact, former members of the president's health care reform task force, which was officially disbanded May 30, have stepped up their meetings with both business groups and reporters to explain the general outlines of the package. BI

For the Record

California employers sue state comp fund

LOS ANGELES—Citing overreserving, fraud and claims mishandling, several California employers are suing the state's largest workers comp insurer.

The suits, filed earlier this month in four California counties, seek to enjoin the Sacramento-based State Compensation Insurance Fund from engaging in unfair business practices that the employers estimate have cost the business community more than $500 million a year in overcharges.

The lawsuits maintain that SCIF's practice of basing reserves on a worst-case scenario is excessive and results in unwarranted premium increases and little or no dividends to employers, said Bill Shernoff and Mike Bidart of Shernoff, Bidart & Darras in Claremont, who are representing the employers with the assistance of Nicholas P. Roxborough of Roxborough & Associates in Los Angeles.

Mr. Roxborough last year won a battle with the State Fund when a state appellate court ruled that employers can seek punitive damages for improper claims handling (*BI*, Aug. 10, 1992).

In addition to overreserving, the latest suits accuse the competitive State Fund of failing to investigate fraudulent and/or non-occupational claims and failing to pay workers comp benefits within the statutory period.

New Mexico considers cutting ties to NCCI

SANTA FE, N.M.—The New Mexico Insurance Department is considering setting up its own rating agency and taking over administration of its assigned risk pool from the National Council on Compensation Insurance.

The state is exploring the move, following a now-resolved disagreement with the NCCI over the issue of assigned risk pool reserves, says Superintendent of Insurance Fabian Chavez Jr.

Mr. Chavez said an overestimation by the NCCI of the reserves needed in the pool in recent years led to higher voluntary market assessment rates than necessary. As a result, some workers comp insurers had not increased their writings in the state and others had left, Mr. Chavez said.

He said the problem of overreserving was confirmed by two independent actuaries.

Mary Jane Cleary, NCCI director of government, consumer and industry affairs in Denver, said the NCCI has agreed that, in light of changing circumstances in New Mexico, its actuarial estimates are not correct. She said the discrepancy was caused by the use of different actuarial methods.

Meanwhile, the loss costs used to determine workers comp rates for New Mexico employers will drop by 5.7% overall, while rates for employers insured through the assigned risk pool will increase by 5.1% if the department approves new NCCI filings that would take effect Aug. 1.

Court denies cover in molestation case

PITTSBURGH—A federal appeals court here, following well-accepted case law in about 20 states, has ruled that insurers have no duty to defend or indemnify a homeowner accused of child abuse or molestation.

In affirming a 1991 district court ruling, a three-judge panel of the 3rd U.S. Circuit Court of Appeals said child molestation clearly falls within the standard homeowners policy coverage exclusion pertaining to intended or expected bodily injury caused by a policyholder.

As a result, State Farm Fire & Casualty Co. does not have to defend Floyd Wiley of Pittsburgh in a civil suit brought by his sister in response to allegations that he molested his 13-year-old niece while he was intoxicated.

Because the Pennsylvania Supreme Court has never issued a ruling on this matter, the June 3 federal ruling brings Pennsylvania in line with many other states, said Stan Winikoff of Jones, Gregg, Creehan & Gerace in Pittsburgh, which represented State Farm.

RIMS backs tax breaks for education benefits

NEW YORK—The Risk & Insurance Management Society Inc. has come out in favor of both the Employee Educational Assistance Act and the Employer-Provided Tuition Assistance Act.

The two bills would allow employees to exclude the costs of employer-provided educational assistance from taxable income up to $5,250 and $6,000, respectively.

Excluding employer-provided educational assistance from taxable income had been permitted under the Internal Revenue Code, but that provision expired on June 30, 1992.

Nearly three-quarters of large and midsized companies offer such programs, RIMS says.

Information in brief

The California Assembly approved a bill, A.B. 1768, that would limit **pre-existing condition exclusions** and waiting periods in health insurance coverage for all groups and individuals. The bill would extend restrictions contained in small-group reforms that take effect July 1 (*BI*, April 5). . . .A.M. Best Co. has given a first-time rating of A– to **Cal Accountants Mutual Insurance Co.** Redwood City, Calif.-based CAMICO was formed in 1986 to write professional liability coverage for California CPAs. . . .A Los Angeles judge earlier this month dismissed two **riot-related lawsuits** against the state of California and the city and county of Los Angeles, ruling that the state Government Code permits police to turn their backs on trouble. . . .**Frederick C. Cue**, senior vp-finance and management services and chief financial officer of the Blue Cross & Blue Shield Assn., died June 3. Mr. Cue, 54, joined BC/BS in 1983. . . .The California Workers Compensation Research Institute says that **physical medicine services** account for about $565 million of the $1.6 billion that California employers pay annually for workers compensation medical services. BI

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Judge Ginsburg

Continued from page 1

that the Civil Rights Act of 1964 did not prohibit benefit plans from treating pregnancy disability benefits differently from other temporary disability benefits. Two years later, though, Congress effectively overturned the decision by specifically branding pregnancy discrimination as a form of sex discrimination.

Since being appointed to the District of Columbia court by President Carter in 1980, Judge Ginsburg has been rather conservative on business and regulatory issues, while remaining somewhat liberal on women's rights and First Amendment issues, said Mr. Rothstein. He stressed, though, that moderation tempers her forays in both liberal and conservative directions.

That sits well with lawyers who have argued cases before her.

"She's a real judge's judge in the sense that she's very thorough and very intelligent," said George N. Tompkins Jr. of Condon & Forsyth in New York.

"She goes by the rule of law, and that's what you want in a judge," said Mr. Tompkins, who has argued several aviation-related cases before Judge Ginsburg.

"Painstaking and thoughtful" is how Baruch Fellner, a Washington pension specialist, described the Supreme Court nominee.

"While she is not the most loquacious of judges, she's extraordinarily insightful when she asks a question," added Mr. Fellner, who is with Gibson, Dunn & Crutcher.

Occasionally, Judge Ginsburg displays a wry sense of humor.

"This case arises out of an air disaster and raises turbulent federal questions," she wrote in a 1987 ruling involving the Soviet downing of Korean Air Lines Flight 007 in 1983.

At issue in that case was whether the Warsaw Convention's limit on airline liability for passenger fatalities on international flights—currently $75,000 per passenger—had been voided by KAL's printing the liability limits on tickets in a typeface smaller than that called for by an international agreement.

Judge Ginsburg spent several pages discussing the role of federal district courts in consolidated pretrial proceedings. She ruled that the per-passenger limitation held, even though a court of appeals dealing with another airline case had voided it.

"She's shown a willingness to listen to both sides. I have no experience in any case we may have been involved in where her mind was closed," said Victor E. Schwartz, a product liability specialist with Crowell & Moring in Washington.

Mr. Schwartz, cautioned, however, that her record in product liability cases is rather slim and certainly could not be used to predict how she might rule in such cases.

In fact, during her 12 years on the appellate bench, Judge Ginsburg has written decisions in only six product liability cases. Three favored the defendants and three the plaintiffs.

In *Wilson vs. Johns-Manville Sales Corp.* in 1982, she ruled that a widow could pursue a wrongful death claim against asbestos manufacturer Johns-Manville even though the woman's husband had been diagnosed with a different asbestos-related disease years earlier.

But in *Siegel vs. Mazda Motor Corp.*, a 1987 case, Judge Ginsburg vacated a lower court judgment favoring the widow of a man who died in an auto accident on the basis that the circumstantial evidence presented did not meet standards set by the Supreme Court.

Judge Ginsburg also does not appear to have much of a record regarding insurance policy interpretation or coverage disputes. Several lawyers specializing in coverage cases could not recall the judge having written any recent opinions on such matters.

And, experts see no clear patterns in her ERISA-related writings.

Judge Ginsburg has been "able to fathom the arcane areas" of ERISA law, said Mr. Fellner.

And she has shown "sensitivity to the policy considerations under ERISA," said Myron Rumeld, an ERISA specialist with Proskauer Rose Goetz & Mendelsohn in New York.

Judge Ginsburg's ERISA-related rulings would generally be considered pro-business, said Georgetown's Mr. Rothstein.

For example, in *Ralph Block vs. Pitney Bowes Inc.* in 1992, Judge Ginsburg wrote that a lower court had correctly ruled that the trustees of a benefit plan had the authority to determine eligibility for benefits.

The trustees had therefore not violated ERISA by terminating disability benefits to an employee that a doctor had judged able to work full-time, even though the employee had other medical experts testify to the seriousness of his disability.

"Most federal appellate courts have ruled that a court reviewing a decision of a plan's trustees under ERISA may overturn the decision only if it is found to be arbitrary, capricious, made in bad faith or in derogation of the law," wrote Judge Ginsburg.

She added that while the lower court might not have applied the correct rule in its decision, "the result it reached was the same as though the correct rule had been applied."

Mr. Schwartz, who has known Judge Ginsburg professionally and socially for about 30 years, noted that the seriousness that marks Judge Ginsburg's performance on the bench can seep into her everyday dealings as well. Some people may find her manner "almost solemn," he said.

"She's the only judge who doesn't laugh at my jokes," said Mr. Schwartz, who has a reputation for whimsy. BI

PepsiCo

Continued from page 1

Coca-Cola does not purchase malicious product tampering insurance, according to sources.

But almost as quickly as consumers filed product tampering reports, the U.S. Food and Drug Administration publicly cast doubt on their validity and backed PepsiCo's decision not to recall the canned beverages.

Indeed, the agency last week stopped just short of calling the entire incident a large-scale collection of hoaxes that multiplied from the original product tampering report in Tacoma.

Referring to the likelihood that foreign objects were placed in the Pepsi products on purpose during the canning process or because of production line foul-ups, FDA Commissioner Dr. David A. Kessler said: "On the basis of the information we have so far, the notion that there has been a nationwide tampering of Diet Pepsi is unfounded."

Indeed, Dr. Kessler noted that FDA agents already had arrested several individuals for filing false product tampering reports. He also stressed that the FDA expects to arrest others for filing false reports, as the agency aggressively investigates every claim.

Under the U.S. criminal code, an individual convicted of filing a false product tampering report faces a five-year prison sentence and fines totaling $250,000.

In the meantime, many consumers were recanting their reports, Dr. Kessler said.

The FDA and PepsiCo say the scenario of large-scale product tampering in the canning process and many consumers discovering contaminated products in rapid succession over a week is incredulous for several reasons:

- Cans are not in the reach of human hands as they are filled and sealed along automated conveyor lines in enclosed environments.
- Before the cans are filled, they are inverted and rinsed with a high-pressure sprayer. After the cans are returned to an upright position, they are filled and sealed in less than a second.
- The cans involved in the product tampering reports were produced at several facilities over a six-month period.
- Forensic evidence has not linked any of the reported product tampering cases to one another and does not indicate that any tamperings actually occurred.

"That container, that can, is probably the most tamper-proof package of any food or beverage product in this country. And, given the way the complaints have come in, there's no logic in terms of how such a thing could conceivably have happened," said Craig Weatherup, president and chief executive officer of Pepsi-Cola Co. North America, a division of PepsiCo.

The company's decision to not purchase malicious product tampering coverage is rooted in its belief in the quality controls at its scores of canning facilities, said Bob Manning, manager of risk management services for Pepsi-Cola.

In addition, because of its far-flung system of about 150 bottling and canning facilities nationwide, the company figured that the financial impact of any product-contamination problem would be limited to a local region. Such an incident would not cause significant losses that are covered by malicious product tampering insurance.

The coverage is not cost-effective for the company, Mr. Manning explained. "We don't have it, and we've never needed it."

The insurance, which was first made available in 1982 after seven Chicagoans died after ingesting cyanide-laced Tylenol capsules, typically covers:

- The loss of sales.
- Product recall expense.
- Brand rehabilitation expenses, like advertising or marketing expenses to re-establish the product in the market.
- Extra expenses, like those incurred from hiring crisis management consultants to handle adverse publicity.

The major U.S. market for the coverage is the Special Services Division of American International Underwriters, a subsidiary of American International Group Inc. AIU offers up to $50 million of limits, though the policy will cover extra expenses up to 25% of policy limits. There is a minimum deductible of 1% of policy limits.

The policy does not cover product extortion or so-called "knock-on losses," which are those resulting from a loss of consumer confidence if a competitor's product was tampered with.

AIU will write the coverage on a primary or excess basis.

In the London market, at least $26 million of coverage for malicious product tampering is available. The coverage, 85% of which is written by Lloyd's of London syndicates, is led by underwriters with Cassidy Davis Ltd. The deductible typically is 1% of policy limits.

With facultative reinsurance support, $80 million of limits is available, according to Jeffrey Green, chairman of the Special Risks division of Lloyd's of London broker Nicholson, Chamberlain & Colls Ltd. The additional coverage is placed worldwide.

Also available is $50 million to $100 million of product extortion coverage, Mr. Green said.

And, policyholders can find $5 to $10 million of accidental product contamination coverage in London, he said.

Other smaller markets also offer the coverage.

Royal Insurance Group offers $100,000 of product recall coverage. The deductible is $5,000 per occurrence. A policyholder would be covered for malicious product tampering if it were legally liable for damages, a Royal spokesman said.

Kemper National Insurance Cos. offers product recall coverage as a special endorsement to its product liability coverage. The terms of the coverage varies case by case, a spokesman said.

Kemper currently is formulating a standard product recall endorsement that will be available within two months, the spokesman said.

Kemper writes PepsiCo's first layer of product liability coverage. PepsiCo would not reveal policy limits.

PepsiCo last week could not say how much in lost sales and expenses the product tampering reports cost the company. "Certainly sales have been affected—to what extent, I can't tell you," a spokesman said.

However, consumer calls to the company late last week indicate the company will be able to fully "restore faith in the trademark," he said.

The product tampering scare will have virtually no effect on Pepsi's market share or profits, said George E. Thompson, beverage analyst at Prudential Securities Inc. in New York. "The effect on profits will be measured in pennies."

PepsiCo was fortunate that the scare occurred during the week and did erupt over the weekend, when soft drink consumption increases, he said.

Pepsi sales figures for the week will not be available for a couple of weeks, according to market research firm A.C. Nielsen Co. of Northbrook, Ill.

PepsiCo also will incur costs from the special full-page print advertisements that it plans to begin running this week in its 10 largest markets to thank consumers for their support. The company has not decided whether to extend that special advertising campaign to radio and television.

In addition, PepsiCo incurred some additional costs in its public relations efforts to quell the impact of the product tampering reports, but it did not hire an outside crisis management firm.

Many risk management experts praised PepsiCo for what they said was a gutsy call not to recall the product. That decision risked possible short-term consumer relations problems, but in the long-term it probably will help minimize losses, they said.

Other producers can learn from PepsiCo's handling of the situation, said George Netherton, a former Coca-Cola risk manager who now is vp of Minet Risk Services of Atlanta, the risk management consulting unit of Minet Inc.

PepsiCo's response to the situation showed that production quality controls "have to be not just good, but you have to be fanatical about them," he said.

Confidence in its quality controls gave PepsiCo, despite some early damaging public opinion, the stamina to staunchly maintain that it was not at fault and not recall its products until the media began reporting on the unlikelihood of such widespread product contamination, Mr. Netherton said.

"If Pepsi had caved in, it would have hurt the brand," he said.

An early recall "would have projected a huge doubt to the public," he said. Despite PepsiCo's quality controls, agreeing to a product recall would be "admitting there is a weakness in the system."

A recall could have cost the company billions, if not hundreds of billions, of dollars, he said.

"The wrong thing to do is recall it and damage the brand and add to the hysteria," agreed Charles Bacciocco, specialty product director of Aon Specialty Group of Chicago, a unit of Aon Corp.

A recall also could have encouraged additional tampering of PepsiCo and other manufacturers' products, Mr. Netherton pointed out.

"It's kind of like a hostage situation," he explained. "Do you cave into every demand, or say, 'No, were not going any further than this?' "

The danger for other producers is they have to know where they are vulnerable to tampering, because not recalling a product that has been tampered with also could potentially kill the brand.

David Samuel, vp of the Special Services division of AIU, also applauded PepsiCo's crisis management efforts. He pointed to the availability the media had to PepsiCo officials last week.

The decision of whether to purchase malicious product tampering coverage typically comes down to a cost-benefit analysis, said Tim Hoffman, a consultant for The Wyatt Co. in Washington, D.C.

He pointed out that it is difficult to contain public concerns over product tampering to a small region. "I think with the media attention that this situation has gotten, it would be tough for the public relations department of any company to get across the idea that this is a local problem," Mr. Hoffman said.

AIU's Mr. Samuel noted that a small regional company that has only one product can be hurt by a product tampering problem just as badly as a large company.

He also noted that the insurer received numerous calls last week from risk managers who were investigating purchasing malicious product tampering coverage in the wake of the PepsiCo incident.

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Associate Editor Gavin Souter in New York contributed to this report.

Du Pont

Continued from page 2

could set the stage for large-scale damages in future cases. And if the Georgia jury finds that Benlate did not cause the unprecedented plant damage in Florida and other states, future claims could be more difficult to prove.

Du Pont paid about $500 million in 1991 and 1992 to approximately 1,700 farmers and flower growers who alleged Benlate damaged their crops. However, the chemical company now contends that its recent research shows that Benlate DF, which Du Pont pulled from the market in March 1991, did not stunt the growth of vegetables and ornamental plants.

But why would Du Pont be quick to make payments, then abruptly stop settling claims last November?

That question, according to the lawyer for the four growers—which are from Alabama, Georgia, Hawaii and Michigan—will be answered at trial.

"To ask the question why they stopped is really to answer it," said C. Neal Pope of Pope, McGamry, Kilpatrick & Morrison in Atlanta. "The number of claims they're facing now is much larger than when the claims first started coming in. We believe their election to stop paying Benlate claims was not based on scientific findings, but because costs were getting too high."

By last November, said Mr. Pope, Du Pont had exhausted the $200 million to $300 million of product liability insurance it had to respond to the plant damages. He suggested that a lack of further protection may have contributed to the decision to stop paying claims.

Neither a Du Pont spokeswoman nor its risk manager would comment on the cases or on coverage. Du Pont has been a member of high-layer excess liability insurer ACE Ltd., but neither Du Pont nor ACE would say whether any ACE policies will or have already been tapped.

Du Pont has reserved more than $500 million since 1990 to cover Benlate claims, noted Leonard Bogner, a Prudential Securities analyst in New York.

Last year, Du Pont took a charge of $100 million to $135 million against second-quarter aftertax earnings to cover the claims. A similar 1991 charge totaled $216 million.

In a 1992 press release, the company claimed that it stopped compensating growers solely because its "extensive" research had "found no cause-and-effect relationship between (Benlate) and the crop damages reported since 1991."

Du Pont said tests on 250,000 plants, subjected to up to eight times the maximum recommended application of Benlate, did not cause damage. The November statement listed independent scientific advisers, all of whom are university professors, that would corroborate the findings.

When Du Pont began paying claims, scientists believed that tests would eventually show Benlate caused the damage, William Kirk, an agricultural vp, said last year.

"Based on the circumstances and the information available then, we believed that Benlate may somehow have been involved in plant damage," said Mr. Kirk. "Today, we are certain that it was not the cause."

Some outside scientists are less certain. In two years of studying the $1 billion in Florida crop damage, scientists at the Florida Department of Agriculture and the University of Florida have not determined whether Benlate was responsible.

Tim Schubert, a plant pathologist for the state, said he has achieved "mixed results" in his efforts to recreate Benlate DF Syndrome. "We have had many more failures than successes. But documentation we received from Du Pont indicates that they were able to replicate more of the syndrome than they're admitting. I'm not ready to conclude that Benlate was responsible, but I'm not ready to discount it, either."

And at least one state official questioned Du Pont's public statements.

Bob Crawford, Florida's agricultural commissioner, said he was concerned about the conflict between its public certainty and information that surfaced in pretrial hearings in Georgia that Du Pont scientists knew that Benlate damaged plants.

Earlier this month, he subpoenaed several Du Pont officials to come to Tallahassee and explain the Benlate documents. Mr. Woolard says he will not comply.

"In 1991 and 1992, there was severe stunting of plants and flowers here," said Earl Wells, executive director of the Florida Nurserymen & Growers Assn. in Orlando. "Du Pont first told us their product was contaminated. Then they said Benlate was at fault. Then last year they changed their policy entirely and said Benlate wasn't the cause of damage. I'm not buying that."

U.S. District Judge J. Robert Elliott, who is presiding over the case about to go to trial, also appears to be growing impatient. Last month he fined Du Pont $1 million for not turning over internal documents requested by lawyers for the growers.

And, earlier this month, Judge Elliott threatened to direct a verdict against Du Pont after concluding it was still withholding important documents.

"Their stalling is just part of the fraud involved here," said Mr. Pope. "We're embarking on mass tort litigation a la the Dalkon Shield or the Ford Pinto, and they're blocking our efforts to obtain vital information. Our trial is the most important one because it will set the tone for the other trials in terms of witnesses, arguments and hopefully, damages." BI

Texas reduces work comp classifications

AUSTIN, Texas—The number of employer classifications available to Texas workers compensation insurers is being nearly halved.

The Texas Board of Insurance last week voted to merge classes with similar experience and characteristics, thus reducing the number of classifications to 350 from about 650.

According to a department spokesman, the new system will promote rate stability and reduce year-to-year rate fluctuations, especially in smaller categories.

The new system also is expected to discourage "classification shopping" by some businesses, which claim an inappropriate—but less expensive—classification.

The change will go into effect Jan. 1, 1994, to allow insurers time to make computer program changes.

Because the new system is revenue-neutral, some employers will see rate decreases, while others will see increases, said Jaelene Fayhee, director of government, consumer and industry affairs for the National Council of Compensation Insurers in Austin.

But the new system will add to insurers' costs due to reprogramming, issuing new rating policies and changing data reporting systems, Ms. Fayhee added.

"I think consolidation is a laudable goal, but it will take some time to determine if some codes are too broad and need to be restructured," said Pam Beachley, president and general counsel of Business Insurance Consumers Assn., a coalition of trade associations in Austin.

—By Nancy Johnson

Intelsat settles lawsuit over satellite launch

WASHINGTON—A $400 million dispute between Intelsat and Martin Marietta Corp. over compensation for a botched satellite launch has been settled out of court.

Under the terms of the settlement, the Washington-based telecommunications consortium will buy a series of satellites from Martin Marietta of Bethesda, Md., at a reduced price. But the savings will be substantially less than the amount it sought in damages, an Intelsat spokesman said.

A communications satellite, owned by Intelsat and worth $145 million, was launched in March 1990 from a Martin Marietta rocket but failed to reach its scheduled orbit due to a wiring error in the rocket.

Intelsat, which was self-insured for the launch-related problems, filed suit in August 1990 seeking $400 million in compensatory damages (*BI*, Sept. 17, 1990). Martin Marietta had filed a pre-emptive suit a month earlier seeking a court ruling that the company was not liable because the launch contract specifically absolved it from financial liability if the launch failed to properly deploy the satellite.

Under the settlement, an undisclosed number of Intelsat VIII satellites that Intelsat had agreed to buy from Martin Marietta will now be sold at a reduced price. "We will now modify that contract to allow Intelsat to buy additional satellites at extremely competitive prices," a Martin Marietta spokesman said.

The satellite was repositioned in its correct orbit on a space shuttle mission in May 1992 (*BI*, May 18, 1992).

—By Gavin Souter

Update

Work comp reform in Nebraska

LINCOLN, Neb.—Gov. Ben Nelson signed a sweeping workers compensation bill that is expected to lower employer costs through more managed care and less litigation.

Legislative Bill 757 will establish a certification program for managed care organizations and will place new limits on workers' ability to choose physicians.

To reduce litigation, the law will establish an independent medical examiner and an alternative dispute resolution process. It also will expand the role of vocational rehabilitators to help recuperated employees return to comparable work.

Under the law, injured workers, who now receive maximum weekly income benefits of $265, will receive: $310 beginning June 1, 1994; $350 beginning Jan. 1, 1995; and 100% of the state average weekly wage starting Jan. 1, 1996.

The law is expected to cut system costs by about 6%, said Insurance Director William McCartney. Its impact on an insurer-proposed 15.2% rate increase request will be discussed at a July 7 hearing, he said. Most of the law's provisions will become effective in January.

Property damage liability limit

SEATTLE—A Washington state judge has ruled that Weyerhaeuser Co. is not subject to an aggregate limit for property damage liability in some disputed first-layer excess liability policies.

Employer's Surplus Lines Insurance Co., a predecessor to Commercial Union Insurance Co. of Boston, wrote limits of $1.5 million per occurrence excess of $500,000 from 1970 to 1973. The policies contained explicit aggregate limits for product liability and personal injury but were silent on property damage.

"No aggregate limit for property damage liability appears" in the policies, ruled King County Superior Court Judge Marsha Pechman.

Weyerhaeuser sued 33 insurers and numerous Lloyd's of London syndicates and London underwriters last year over coverage for environmental cleanup at 42 sites (*BI*, March 16, 1992).

The wording in Weyerhaeuser's policies was common, but litigation over it is not, attorneys say.

"Carriers generally concede there is no aggregate limit for certain types of claims," said David Steuber, a partner with Hill, Wynne, Troop & Meisinger in Los Angeles.

Texas may dissolve board

AUSTIN, Texas—A bill sent to Texas Gov. Ann Richards would dissolve the three-member Texas Board of Insurance Sept. 1.

The bill would transfer the board's duties to the insurance commissioner, whom the governor will appoint by Sept. 1 to serve a two-year term. The new commissioner would have the discretion to set up a department and make staff appointments. The current insurance commissioner, Georgia Flint, announced her resignation in April.

Gov. Richards had until yesterday to sign or veto the bill, or allow it to go into effect without her signature.

Separately, Gov. Richards last week signed two insurance-related bills into law. H.B. 2055, the Small Employer Health Insurance Availability Act, establishes a non-profit purchasing cooperative to make health coverage available to individuals and their dependents and to small employers. The measure, effective Sept. 1, also contains underwriting reforms designed to widen access, among other things.

And S.B. 4, also effective Sept. 1, will require manufacturers to indemnify product sellers for any product liability claims where the seller was not at fault. Also, design-defect claims and failure to warn claims will be barred in cases involving common consumer products, including alcohol and tobacco, in which "the dangers are both inherent in the product and known to the ordinary consumer."

Briefly noted

A **global health care budget** could save the nation as much as $500 billion over five years, according to a report the Prospective Payment Commission will release to Congress July 1. The limits on spending could have a negative impact, though, including increasing waiting times for patients and decreasing jobs in the health industry. . . .**Executive Life Insurance Co.** policyholders can expect to recover an average of 86.2% of their account values over the five-year term of a revised rehabilitation plan, said the California Insurance Department. . . .Wind, hail, tornadoes and flooding caused an estimated **$150 million in insured property damage** to 11 states stretching from Colorado to North Carolina June 2-5. . . .**Ellen Goldstein** will resign as director of health care policy at the Assn. of Private Pension & Welfare Plans next month to become director of federal programs at General Electric Co.'s GE Medical Systems unit. No successor has been named. . . .**New Hampshire** has passed a workers comp law mandating that benefits collected under the state's workers comp system be the sole and exclusive remedy. . . .**American International Group Inc.** last week acquired a minority interest in private investigation firm Kroll Associates. . . .A **workers comp bill** passed by the Pennsylvania Legislature would establish loss-cost rating, medical reimbursement at 113% of the Medicare rate and employer choice of providers for the first 30 days. The bill is expected to be signed. . . .A Michigan judge has sentenced **Wade Waterman** to 2½ to five years in jail for illegally borrowing $5 million from American Commercial Liability Insurance Co., which he controlled. . . .The Nevada Senate was expected to approve on Friday a **workers comp bill** that legislators hope will help eliminate a workers comp system deficit of more than $2.2 billion (*BI*, May 17). . . .A former topless dancer who claimed her **silicone-gel breast implants** caused her to suffer crippling fatigue and pain in her joints is appealing a recent jury decision in favor of the implant's manufacturer, Dow Corning Corp. The woman had sought $7 million in damages.

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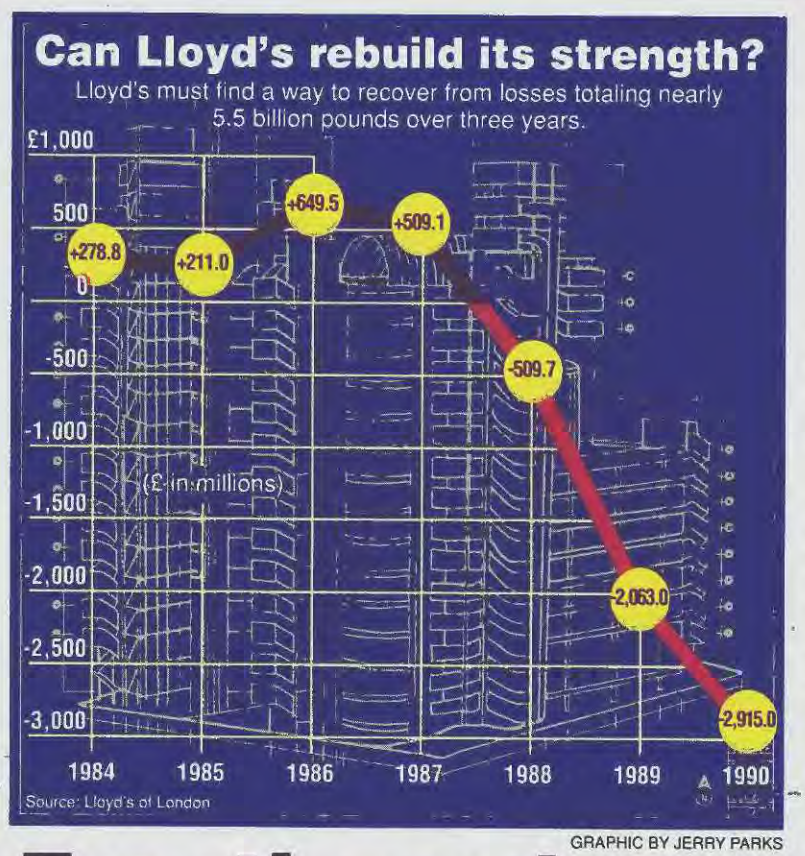
Update

Du Pont disputes coverage for Benlate claims with ACE, X.L.

HAMILTON, Bermuda—E.I. du Pont de Nemours & Co. Inc. is embroiled in disputes with ACE Insurance Co. Ltd. and X.L. Insurance Co. Ltd. over coverage of portions of the $500 million in voluntary settlements the chemical company paid for damage allegedly caused by a Du Pont fungicide, Benlate DF.

Du Pont began receiving claims for damages to crops and flowers in 1990, and Du Pont recalled Benlate DF in March 1991. The company subsequently paid $500 mil-

Continued on next page



GRAPHIC BY JERRY PARKS

Lloyd's problems grow with record '90 loss

By ALINE SULLIVAN

LONDON—Lloyd's of London last week hit the low point in its history, said its chairman, when it announced a record-shattering 2.92 billion pound loss for the 1990 underwriting year.

The loss, which was 42% larger than the 2.06 billion pound ($3.85 billion) loss it announced a year ago for the 1989 underwriting year, was greater than earlier market estimates.

And, the 1990 loss brings losses at Lloyd's over the last three years to nearly 5.5 billion pounds.

Perhaps even more worrisome than the sheer size of the loss, 157, or 40%, of the 388 Lloyd's syndicates that wrote business in 1990 did not close their accounts because underwriters were unable to reliably calculate the syndicates' outstanding liabilities at the end of Lloyd's three-year accounting period.

In other words, members of those syndicates have no firm idea of how much they will owe when accounts finally are closed.

In contrast, 115 syndicates recorded a profit after expenses for the year. The other 116 syndicates reported losses for the year.

Lloyd's Chairman David Rowland told about 1,200 Lloyd's members, underwriters and brokers attending the market's annual general meeting last Tuesday that the 1990 loss "in every way represents the low point in the society's performance."

It is the market's third consecutive loss: Besides the 2.06 billion pound loss in 1989, Lloyd's lost 509.7 million pounds ($983.7 million) in 1988.

The big difference between the 1990 and 1989 losses was triggered by massive additions to syndicates' loss reserves. Lloyd's reserves were strengthened by 1.13 billion pounds ($1.71 billion) for the 1990 and prior underwriting years, compared with a 396 million pound ($599.7 million) increase in reserves announced last year. Lloyd's reserves now total a whopping 10.85 billion pounds ($16.44 billion).

About half of the latest reserve increase was attributed to London market excess-of-loss reinsurance business written by only

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Fronting rules move a step ahead

Committee tightens language relating to captive insurers

By MEG FLETCHER

CHICAGO—Captive owners and others battling against a proposed model fronting law may be facing their last stand after regulators hit them with a double whammy last week.

A National Assn. of Insurance Commissioners task force that had drafted the latest version of the fronting proposal passed the current draft on to its parent committee, which is perceived as less sympathetic to the use of captives than the task force was.

That committee then promptly tightened the language of the proposal relating to captives participating in many types of risk-sharing pools.

The controversy over the proposed model fronting law was underscored at last week's NAIC summer meeting when the Reinsurance Task Force had to vote twice before an Illinois regulator broke a 5-5 deadlock to send the proposal to the NAIC's Special Issues Committee, the task force's parent committee.

That committee is chaired by New York regulators, who have long attempted to make the model law as strict as possible.

Following last week's action, an overwhelming majority of captives—including all single-parent captives domiciled outside NAIC-accredited states and all group captives—would be subject to the disclosure and reporting requirements contained in the proposed model law.

So far, Colorado and Illinois are the only U.S. captive domiciles accredited by the NAIC. And Vermont, the largest U.S. domicile, hopes to be accredited

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Risk-based capital formula unveiled

By MEG FLETCHER

CHICAGO—A lengthy tug-of-war between regulators and property/casualty insurers over the drafting of the proposed risk-based capital formula may be coming to an end.

Regulators say the new formula will still give them a valuable analytical tool, while many insurers say this latest formula is more workable and would penalize small insurers less than previous versions.

A National Assn. of Insurance Commissioners subgroup released the formula for public comment at the NAIC's summer meeting last week, after nearly three years of design and testing.

The NAIC expects to formally adopt the formula in December and will require property/casualty insurers to report risk-based capital levels in their 1994 annual statements, which are due in March 1995.

"We are entering the homestretch of one of the most important improvements in insurance regulation," said NAIC President Steven T. Foster,

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Outcome measurements raise doubts

By CHRISTINE WOOLSEY

Outcomes measurement is the favored frontier of health policy researchers blazing a trail toward improved medical care.

And it's become quite the buzzword among employers searching for tools to help them grade how well providers deliver medical care.

Health care purchasers are anxious to measure health outcomes so they can channel patients to the highest-quality and most cost-effective hospitals and physicians.

In fact, a growing number of employers and other payers are establishing direct contracts and payment rates based on data gleaned from outcomes research and commercially available quality management systems.

And, that worries a lot of people.

Outcomes studies measure what happens to patients as a result of the hospital treatment they receive. The principal aim of the research, which is being conducted nationwide, is to figure out why certain hospitals have higher mortality rates and higher costs.

To augment these studies

riety of quality management software systems have hit the market in recent years. These so-called severity adjustment systems take into account a particular patient's characteristics, like age or secondary diagnosis, when he or she is admitted to the hospital so as not to distort information on outcomes.

Some systems also can measure

Court refuses to impose cap on punitive damages

By MARK A. HOFMANN

WASHINGTON—Businesses that had hoped the U.S. Supreme Court would give clear guidance on when excessive punitive damage awards violate defendants' constitutional rights will have to keep waiting.

By a 6-3 vote, the justices ruled Friday that a punitive damage award that was more than 526 times the compensatory damages awarded in a dispute over mineral rights did not violate the constitutional protection of due process (*BI*, April 5).

However, the ruling indicates the court is far from a broad consensus on the issue: Three separate concurring opinions were filed by the six justices voting with the majority.

The decision upholds a West Virginia Supreme Court ruling that allowed the award to stand.

In the case, *TXO Production Corp. vs. Alliance Resources Corp. et al*, TXO had been ordered to pay Alliance $19,000 in actual damages and $10 million in punitive damages for "slander of title," which is a false and malicious statement meant to call into question someone's

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Update

Du Pont coverage disputed

Continued from previous page
lion in settlements to growers until September 1992, when it claimed Benlate DF was not responsible for the damage (*BI*, June 21).

Du Pont had $300 million in liability limits excess of a $50 million self-insured retention at the time of the recall, with X.L. writing the first $100 million and ACE the next $200 million.

However, ACE and Du Pont now are in arbitration over the amount of coverage available. One element of the dispute involves Du Pont's alleged failure to report an isolated incident of contamination of Benlate DF in 1989, *Business Insurance* has learned.

The maximum limits available from ACE increased to $200 million from $150 million in February 1990 (*BI*, March 5, 1990).

ACE and X.L. also are challenging Du Pont's handling of Benlate DF claims, first settling claims and then denying further liability.

Officials of ACE, X.L., Du Pont and Marsh & McLennan Inc., Du Pont's broker, declined to comment.

Superfund reform meeting set

WASHINGTON—An umbrella group representing 22 coalitions and trade associations promoting Superfund reform will attempt to hammer out a common agenda at a July 8 meeting.

Members of the Washington-based Superfund Forum are currently reviewing two liability reform positions for possible endorsement at the meeting. One is a so-called "public works" position modeled on the National Environmental Trust Fund's proposal to replace the current retroactive liability system with a broad-based, industry-supported trust fund for cleanup. The other would replace the current system of joint and several liability with a system of proportional liability.

The forum, which quietly coalesced early this year, also includes the insurance industry-sponsored NETF, the American Insurance Assn., the Business Roundtable, the National Assn. of Manufacturers, the National Federation of Independent Business and the U.S. Chamber of Commerce.

Ailing Empire blamed for woes

WASHINGTON—The nation's largest Blue Cross & Blue Shield plan has nobody but itself to blame for its "precarious" financial condition, the staff of the Senate Permanent Subcommittee on Investigations contends in a report issued Friday.

Officials of New York-based Empire Blue Cross & Blue Shield have repeatedly attributed their woes to unfair practices by commercial insurers. But the report blames Empire's extensive losses primarily on "gross mismanagement, poor business planning and operations as well as fraud."

According to the report, Empire sustained total underwriting losses of $444 million in 1991 and 1992. During the same period, the plan's reserves fell to $40 million from $295 million. That is only 7.6% of the amount required by New York law.

Neither the plan nor New York regulators have adequately addressed problems at Empire, the report said. Insurance Superintendent Salvatore Curiale is scheduled to testify before the subcommittee on June 30.

Meanwhile, Empire acknowledged last week that it regularly failed to run fraud checks on millions of claims paid on behalf of self-insured and conventionally insured employers. As many as 5 million claims per year that were missing providers' private billing numbers were paid without even surface-level checks.

Texas comp insurers get rebate

AUSTIN, Texas—Some 600 workers compensation insurers will share up to $345 million in rebates from the Texas Workers' Compensation Insurance Facility, the state's assigned risk pool.

The facility's governing committee also voted earlier this month to lower rates by 13.7%.

The rebate calculation assumes an aggregate assessment to TWCIF member companies of about $12 million for the 1990 and previous accident years, to be offset by rebates of about $154 million and $203 million for 1991 and 1992, respectively. Rebates for individual companies are still being determined.

The rebates are based on each insurer's proportionate share of the voluntary workers comp market during each year.

The rebates stem from improved loss records following passage of workers comp reform bills in 1989. Prior to the reforms, the state's residual market mechanism had incurred a deficit every year except in 1980, with the pool compiling a cumulative deficit of $2 billion from 1985 to 1990.

The TWCIF will cease writing new business on Dec. 31. The Texas Workers Compensation Insurance Fund, a state fund set up by the reform law, will become the insurer of last resort.

Auditor wants verdict set aside

OMAHA, Neb.—Coopers & Lybrand has moved to set aside a $17 million state court jury award to a failed electronics retail chain that blamed its collapse on negligence by the accounting firm.

Council Bluffs, Neb.-based World Radio Laboratories Inc., which sought bankruptcy protection in 1989, alleged in a 1986 suit that

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Errors and omissions

• A story in the June 21 issue incorrectly implied that K&K Insurance Specialties is no longer a managing general agent for Transamerica Insurance Group.

Senate drops amendment on pension adviser liability

By JERRY GEISEL

WASHINGTON—Employers and benefit advisers are breathing sighs of relief after narrowly escaping a proposal that would have exposed them to huge penalties for ERISA violations.

As the full Senate started debate on tax legislation last week, Sen. Howard Metzenbaum, D-Ohio—prompted by a massive employer lobbying campaign—withdrew an amendment from the bill that would make employers and their benefit advisers jointly and severally liable for breaches of fiduciary responsibility.

Benefit experts interpreted the ambiguously worded amendment, which the Senate Labor and Human Resources Committee approved earlier this month, as allowing compensatory damages and possibly punitive damages against employers and their advisers for certain violations of the Employee Retirement Income Security Act.

"The implications of this proposal would be tremendous," said Michael Langan, a vp with Towers, Perrin in Valhalla, N.Y.

Sen. Metzenbaum withdrew the amendment on the Senate floor as part of an understanding with Sen. Nancy Kassebaum, R-Kan., that a more narrowly focused proposal would be developed, probably this week.

The withdrawal of the Metzenbaum amendment came after employers and others flooded senators with a barrage of protest letters and phone calls.

"The amendment would open up new opportunities for litigation; it is extraneous to budget reconciliation; it introduces new and undefined concepts that will in themselves lead to extensive litigation," according to a letter sent to senators by 87 employers, benefit advisers and benefit trade associations.

Sen. Metzenbaum originally proposed the amendment at the request of the Department of

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Policyholders before feds

High court clarifies payment priority in insurer liquidations

By MEG FLETCHER

WASHINGTON—Policyholders in most states will be assured of priority treatment in insurer insolvency proceedings under a recent U.S. Supreme Court decision that insurance regulators are heralding as a landmark.

On a 5-4 vote, the high court earlier this month upheld an Ohio law which requires liquidators to put administrative expenses and policyholder claims ahead of claims brought by the federal government.

Because liquidation laws are part of "the business of insurance," the court ruled, the McCarran-Ferguson Act partially exempts them from a 1797 federal law that gives federal claims "superpriority" in bankruptcies. The four dissenting justices argued that the McCarran exemption did not apply.

In the Ohio case, the Treasury Department argued that the federal law placed it first in line for the assets of American Druggists' Insurance Co., which an Ohio court declared insolvent in 1986. The department said that it was owed $10.7 million under various immigration, appearance, performance and payment bonds written by the insurer.

"The decision obviously bodes well for policyholders, who now will get a slice of the pie rather than seeing Uncle Sugar eat it all," said Charles T. Richardson, an attorney with Baker & Daniels in Indianapolis, who special-

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AIG excess liability unit to open

By ROGER SCOTTON

HAMILTON, Bermuda—A new Bermuda-based excess liability insurer being formed by American International Group Inc. is expected to open its doors this week.

Starr Excess Liability Insurance Co. Ltd. is expected to write umbrella liability limits of $100 million excess of $50 million and directors and officers liability limits of $50 million excess of $50 million.

Starr, named after AIG founder C.V. Starr, could attract as much as $500 million in capital and will be headed by Joseph Johnson, president of American International Co. Ltd., AIG's Bermuda unit.

Mr. Johnson said he would not comment on Starr before an official announcement is made.

Various investors will initially contribute a total of $100 million in capital, though Starr will have authority to call for the remaining $400 million from the investors.

The investors include: AIG; General Re Corp.; Primerica Corp.; Munich Reinsurance Co.; Aon Corp.; Quantum Funds; and Minorco, which is a Luxembourg-based investment company owned by Anglo American

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Deadline near for *BI* reinsurer directory

Business Insurance will publish its fifth annual directory of the world's largest reinsurers in the Aug. 30 issue, which also will include a ranking of the largest reinsurers based on their worldwide consolidated reinsurance premiums.

There is no charge to be listed in the directory; however reinsurers must fill out and return a questionnaire provided by *Business Insurance*.

To qualify, your company's consolidated worldwide net reinsurance premium volume (both property/casualty and life/health coverage) must exceed $100 million.

Companies eligible to be listed that have not yet received a questionnaire should request one from Kerry Dziubek at 312-649-5398; fax: 312-280-3174.

The deadline for returning completed questionnaires is July 23.

Inside

- Repealing the McCarran-Ferguson Act just for health insurers is the latest trial balloon being floated by White House health care reformers. **PAGE 4**
- The Coalition of Alternative Risk Funding Mechanisms has been formed to educate government officials on the importance of these financing programs. **PAGE 7**
- President Clinton's health reform plan should allow employers to use their collective buying clout, this week's editorial says. **PAGE 8**
- Germany's Deutsche Bank is making further inroads into the insurance business. **PAGE 17**
- New Zealand insurers favor tighter regulation, but they are concerned about certain provisions in an upcoming legislative proposal. **PAGE 17**

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Health care's last stand?

HMOs urged to work together, support Clinton reforms

By LOUISE KERTESZ

SAN FRANCISCO—Borrowing the words of a novelist who explored human qualities in the context of the American West, a health care expert warned that the health care system will become a ghost town unless providers work together for reform.

GHAA

"Because of what's at stake for us, we must. . .act to shape the reforms that are promised," said Dr. David M. Lawrence, chairman and chief executive officer of Kaiser Foundation Health Plan Inc. and Kaiser Foundation Hospitals in Oakland, Calif.

"If we cannot successfully work together, then (health maintenance organizations), like the health care system as a whole and the Russian states, risk fragmentation, even dissolution," he said.

Dr. Lawrence spoke at the annual conference of the Group Health Assn. of America, a trade group of HMOs, held earlier this month in San Francisco.

"I am haunted by the words of (the late novelist) Wallace Stegner," Dr. Lawrence said: " 'Ghost towns and dust bowls, like motels, are reflections of transience, and transience. . . has aborted the kind of communal effort that takes in everything from kindergarten to graveyard and involves all kinds and grades and ages of people in a shared past and a promise of continuance.' "

In Dr. Lawrence's opinion, the health care community's greatest challenge is to build a communal effort to ensure the continuance of the health care system.

"When future generations look at what we have accomplished with health care reform. . .I hope we have not left the health care equivalent of dust bowls and ghost towns as a result of our transience," he said.

If health care reform is not enacted this year, "the political system will conclude this issue is insoluble in the American context. . .that it is hopeless" and major reform will not occur for at least a decade, said Robert Blendon, professor of health policy and management and chairman of the Department of Health Policy at the Harvard University School of Public Health in Cambridge, Mass.

Mr. Blendon delivered the keynote address at the conference.

Both speakers urged GHAA members to use their collective strength to push for reform.

And Mr. Blendon urged attendees to support the Clinton administration's reform plan even though it may not be the GHAA's "first choice."

The legislation that introduces the administration's reform plan

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New worry for HMOs

Declining number of primary care doctors a 'scare'

By MARY E. PFLUM

Studies reporting a dramatic drop in the number of primary care physicians during the last decade are causing officials of health maintenance organizations to intensify recruitment efforts.

The studies also are causing some to re-evaluate impending health care reform proposals, which advocate treatment by primary care physicians through HMO-like organizations.

Unless more attention is paid to the growing shortage of primary care physicians, the future of HMOs may be in doubt and efforts under way to reform the nation's health care system may ultimately fail, health care experts suggest.

"It's a scary time for HMOs. We see a primary care-driven health care system as the way of the future, but we need the numbers (of primary care physicians) to support the program," said Lynne Fletcher, director of network development and contracting with CIGNA Corp. in Hartford, Conn.

Statistics from the American Society of Internal Medicine show that only one in three U.S. doctors are primary care physicians and that the percentage of medical school students pursuing careers in primary care fell to 14% this year from 39% a decade ago.

In light of this, HMO officials and other health care experts fear the HMO delivery system could be dramatically weakened in years to come.

Nevertheless, they say that the want for primary care physicians will not drive HMOs out of business.

Instead, this need will prompt HMOs to enlist the help of growing numbers of non-physician caregivers, health care experts say.

"There will be a greater use of physician assistants and nurses in years to come. There's no getting around it," said Gary Need, president and chief executive officer of Seattle-based Health-Plus, a division of Blue Cross of Washington and Alaska.

In addition, officials believe HMOs will be forced to dramatically step up efforts to recruit primary care physicians.

According to a recent study by the Group Health Assn. of America, 70% of HMOs over the past several years have modified their recruitment strategies to target primary care physicians.

GHAA officials say that, with no immediate end to the primary physician crunch in sight, recruitment efforts will only continue to intensify. Those efforts likely will include offering monetary incentives to potential primary care doctors.

The American Medical Assn. reported that physicians' net income in 1991 averaged $170,600, while general or family practi-

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For risk manager, broker relationship is a matter of trust

By SARA MARLEY

CHICAGO—In days of risk management department cost-cutting, extras like conferences are often the first to go.

But if it hadn't been for conferences, Tom Lueck wouldn't have met Fran Quinn Mylett. His staff might still be processing insurance paperwork on hundreds of trust properties by hand.

At the very least, he'd be out a broker—and a friend.



Photo by Brooke Hummer

Tom Lueck of Northern Trust and broker Fran Quinn Mylett have a 15-year friendship.

Mr. Lueck, risk manager for Northern Trust Corp. in Chicago, mentioned his fruitless search for a tailored automation system to Ms. Mylett at an American Bankers Assn. National Security & Risk Management Conference three years ago.

They met a dozen years earlier at a Risk & Insurance Management Society Inc. annual meeting when Ms. Mylett was also a bank risk manager—for Fidelcor Inc. in Philadelphia.

At the later conference, however, she was a broker with Rollins Burdick Hunter Group Inc. and in a position to do more than commiserate. She followed up their conversation with a phone call a few weeks later that led to a presentation.

"We got to the point of pleading with our incumbent broker over a two-year period to computerize our trust real estate program," Mr. Lueck said. "I knew there were some computer programs out there, but they didn't meet the needs I had in mind. I wanted a program tailored to Northern Trust's needs."

For a national company like Northern Trust—with branches and clients across the country and losses in Hurricane Andrew and the World Trade Center—there's no need to limit a search

Continued on page 7

Denial of coverage for transplants upheld

By NANCY P. JOHNSON

CHICAGO—An otherwise unremarkable court ruling on coverage for experimental medical treatments brings the abstract concepts of managed care into stark, unpleasant reality.

A three-judge panel of the 7th U.S. Circuit Court of Appeals ruled June 14 that a group health policy permitted Kansas City, Mo.-based Humana Insurance Co. to deny a $500,000 claim for two heart transplants and related expenses because the first procedure was experimental and prior authorization was not obtained for either.

While the decision is not unusual—courts frequently side with insurers that refuse to pay for contractually excluded procedures—the case does illustrate the role managed care may play in life-and-death decisions.

Billy Via, 44, of Des Plaines, Ill., was covered by a Humana plan when he had emergency cardiac surgery at Loyola Medical Center in Chicago in August 1988. The surgeon testified that the only way he could keep Mr. Via alive on the operating table was to insert a Jarvik-7 artificial heart to sustain him until a human heart became available. Mr. Via received the human heart transplant the next month, but died two weeks later.

Humana denied payment to Loyola—which had been assigned

Continued on page 23

Employers plan to educate workers about health care

By CHRISTINE WOOLSEY

MINNEAPOLIS—Some big employers in the Twin Cities area may soon be asking their employees to go back to school.

But they don't want them to learn the latest computer technology or earn an advanced degree in business administration. The employers want them to learn how to stay healthy and, if they should become ill, how to get the most out of any medical encounter.

The Business Health Care Action Group, a growing coalition of companies that took major steps last year to reform the local health care market, is developing a program called Healthy University. The key rationale behind the "Healthy U" program is to educate health care consumers.

"The findings from the focus group process highlight some major opportunities for and barriers to increasing individuals' ability to play a proactive role in the health care system," said Dr. Bryan Bushick, a consultant in the Minneapolis office of Towers

to address concerns about health care delivery raised by BHCAG employees and dependents and local medical care providers.

After holding a series of focus groups, BHCAG members discovered employees are frustrated with some managed care elements and generally distrustful of managed care physicians' motives. At the same time, they found physicians are annoyed with frequent benefit plan changes and dismayed that patients don't take a more active role in maintaining good health.

focus group findings.

More than 180 people participated in the focus groups, including employees, dependents and health care providers in the BHCAG's ChoicePlus managed care network.

The ChoicePlus network was created last year by BHCAG members in an effort to change the way health care is delivered in the Twin Cities area (*BI*, July 13, 1992).

In January, each of the 14 BHCAG members began offering the point-of-service health plan, and some employers, like Carlson Cos. Inc. of Minneapolis, have eliminated other health plan options.

The BHCAG met earlier this month to analyze the focus group findings and determine strategies to solve some of the prob-

Insurers blast McCarran-Ferguson 'trial balloon'

By JERRY GEISEL

WASHINGTON—Repealing health insurers' limited immunity from federal antitrust laws —the latest trial balloon being floated by White House health care reformers —would have little, if any, impact on health insurers or employers with health care plans.

But, insurers say if the administration does propose repealing the McCarran-Ferguson Act just for health insurers, it would provide a new springboard that the law's longtime opponents could use to seek blanket repeal of the law for the entire insurance industry.

Insurers also question whether it would be possible for property/casualty insurers to retain their antitrust immunity if health insurers lose it.

At the same time, including a McCarran-Ferguson repeal proposal within health care reform would add new controversy and opposition to the Clinton administration's reform package and hurt its chances of passage, insurers contend.

It remains to be seen whether the administration actually will propose repealing the McCarran-Ferguson Act for health insurers. The New York Times last week quoted unidentified White House officials as saying the administration would make the repeal part of its overall health package.

That proposal reportedly reflects the concern of administration officials and consumer advocates that a handful of large health insurers could eventually dominate the industry if Congress approves the Clinton health care reform package.

Under that package, which likely will not be released until a deficit-reduction bill is passed, health insurers are expected to play a key role in organizing physicians and hospitals into networks.

"You don't want a cartel of insurers to be able to set prices or limit the terms of coverage free from antitrust scrutiny," an unidentified White House official who worked closely with Hillary Rodham Clinton in developing the health plan said.

Mrs. Clinton's task force on health care reform was disbanded May 30.

A White House spokesman declined to comment.

Insurers say it is unlikely the administration would include a McCarran-Ferguson repeal proposal —even one just limited to health insurers—in its reform package.

"I doubt it would be in a health care reform package. It would add more congressional committees that would have jurisdiction over the package and that would complicate passage," said Peter Connell, vp and Washington counsel with Aetna Life & Casualty Co.

Health insurers agree that, for a variety of reasons, antitrust immunity is less important to them than to property/casualty insurers.

Competing health insurers, unlike property/casualty insurers, do not create pools to provide coverages. Such pools are protected by the McCarran-Ferguson Act.

Similarly, health insurers have less need for industry data. Because so much health cost information is publicly available, health insurers do not need an organization comparable to the Insurance Services Office Inc.

Still, health insurers say the McCarran-Ferguson Act should not be repealed for their segment of the industry.

Perhaps paradoxically, that antitrust immunity could assume new importance if the Clinton health care package is enacted.

One key Clinton proposal is expected that would give consumers more information on the cost and quality of medical care. To do that, insurers presumably would have to exchange more information about provider practice patterns.

That kind of activity might require the protection offered by the McCarran-Ferguson Act, noted Gordon Wheeler, director of federal affairs at the Health Insurance Assn. of America, an industry trade group in Washington.

But insurers are far more concerned that any proposal to repeal the act for health insurers would quickly be broadened to cover life and property/casualty insurers.

"It is unrealistic to think that Congress would address McCarran-Ferguson just for health insurers," said Tom O'Hara, vp for government affairs for Prudential Insurance Co. of America in Washington.

Indeed, Rep. Jack Brooks, D-Texas, would "jump at the opportunity" to broaden an administration repeal proposal, noted Pam Allen, vp for federal affairs in Washington for the National Assn. of Mutual Insurance Companies. The House Judiciary Committee chairman has introduced several bills in recent years that would remove most of the insurance industry's key antitrust protections.

"We see a proposal on McCarran-Ferguson repeal for health insurers as inevitably leading to one calling for a complete repeal," agreed David Farmer, vp-federal affairs in the Washington office of the Alliance of American Insurers.

Including a repeal provision could also slow down work on a health care bill by extending jurisdiction to more congressional panels—both the House and Senate Judiciary Committees.

An antitrust reform provision also would, at the least, trigger opposition from property/casualty insurers, who would be concerned that the provision would be expanded.

"We would oppose any effort to carve away the McCarran exemption," said Lowell Beck, president of the National Assn. of Independent Insurers, a Des Plaines, Ill.-based property/casualty trade group.

Others, noting that the McCarran-Ferguson Act applies broadly to the business of insurance, question if a provision could be drawn so narrowly that a repeal only would apply to health insurers.

"What they would have to do is amend it for all insurance companies," said Joseph P. Decaminada, executive vp at Atlantic Mutual Insurance Co. in New York.

Even if the administration ultimately decides not to include a repeal provision in its health care reform package, the trial balloon indicates the administration is giving some thought to the future of the McCarran-Ferguson.

"This shows there is an awareness of McCarran in the administration," said David Pratt, senior vp-federal affairs at the American Insurance Assn. in Washington.

•

Associate Editor Mark Hofmann contributed to this story.

TRAINED PROFESSIONALS MAKE THEIR ORGANIZATIONS' CLAIM MANAGEMENT SYSTEMS MORE EFFECTIVE

Doni Haas
Martin Memorial Medical Center
Stuart, Florida

Paul Lally
Holmes Regional Medical Center, Inc.
Melbourne, Florida

Christine LaMuraglia
University of Medicine & Dentistry of New Jersey
Newark, New Jersey

Teresa A. Mascuch
St. Mary's Regional Medical Center
Reno, Nevada

Kathleen M. O'Connor
St. Michael Hospital
Milwaukee, Wisconsin

William Strain
Wuesthoff Memorial Hospital
Rockledge, Florida

Sheila Yost
West Jersey Physician Associates
Camden, New Jersey

As the charter class of the first Healthcare Claim Management Program, these graduates are proactively improving their healthcare organization's professional liability claim management strategies.

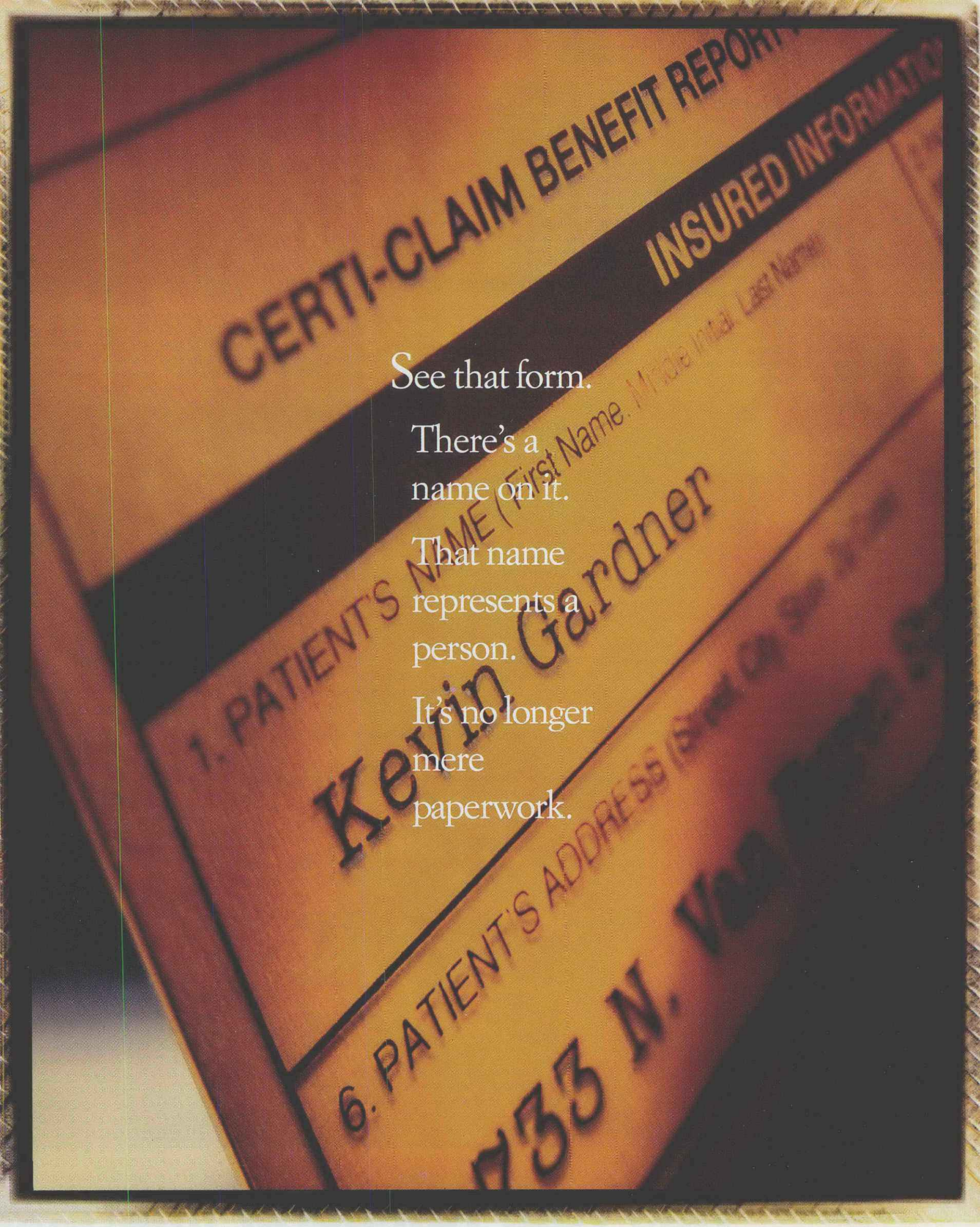
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Automakers seek 10% cuts from vendors

DETROIT—The Big Three automakers are banding together to try to cut some health care expenses by 10%, effective July 1.

The top executives at General Motors Corp., Ford Motor Co. and Chrysler Corp. have sent letters both individually and collectively to drug companies, health maintenance organizations and health insurers nationwide, saying high costs have made the automakers uncompetitive. The strategy is similar to one the companies have pursued with their parts suppliers.

One letter signed by Ford Chairman Harold "Red" Poling and dated June 4 states: "I am requesting a 10% reduction in premium payments, effective July 1, 1993, from your organization. Moreover, to emphasize that this must be the beginning of an ongoing effort to reduce our health care costs, I also wish to advise you I will be expecting absolute cost reduction in future years as well."

"We haven't threatened anybody; we've just asked them to work with us," said a spokesman for Ford, which spent $1.4 billion on health care last year.

"We want our providers to work with us," added a spokesman for Chrysler, which spent almost $900 million on health care in 1992.

Vendors are responding to the letters carefully.

"We will do our best to help them out. They are a long and valued client," said Barry Smith, president of Value Rx Pharmacy Program Inc., a prescription drug provider that serves Ford and other automakers.

Value Rx would have to raise prices charged to other employers to offset any price cuts for the automakers, he said.

"We recognize their frustration with the current level of health care costs and will work with them to improve the situation," said a spokesman for Blue Cross & Blue Shield of Michigan, which received a letter signed by top executives of all three automakers.

BC/BS hopes to sit down with the three companies to show where the plan already has scaled back costs. "We've had a zero-growth budget this year. This is one of the things we have already achieved," the spokesman said.

Meanwhile, General Motors, which paid $3.7 billion for health care last year, entered into negotiations last week with the United Auto Workers intent on getting the union to assume a greater portion of rising costs. However, a UAW spokesman said the union is prepared to take "no steps backward from the position we have gained in previous years."

The current contract between GM and the UAW expires Sept. 14

—Crain News Service

Boxers sock it away

ALBUQUERQUE, N.M.—Eager to care for its members after their professional careers have ended, one of professional boxing's sanctioning bodies is now requiring fighters to place a portion of their prize money in a new deferred pension plan.

Trustees of the International Boxing Federation last month approved the pension plan. Both the champion and challenger in an IBF-sanctioned title bout must contribute at least 2% of their purse to the plan.

Boxers may pitch in an additional 2% of their purse to the IBF Pension Plan. The maximum annual contribution is $30,000.

Boxers who fight professionally for at least five years can receive annuity payments from the plan after age 35. Those who fight fewer than five years must wait until age 40. If a fighter's personal account is less than $3,500 upon eligibility, the retired boxer can receive the full amount in a lump sum.

Benefit Beat

"Our fighters are better off than any other group now," said Randy Neuman, a retired fighter and IBF board member, whose Clifton, N.J.-based investment firm, Access Financial Planning Inc., will manage the fund's investments. "Eventually we'd like to see the fighters put even more than 4% away. But for now, this is a good start."

Neither the World Boxing Council nor the World Boxing Assn., the two other major boxing groups, has a pension plan for its members. The IBF has several hundred members.

"As a fighter for 10 years, I can see the value of this plan. There's so little commonality in boxing. Some are champions and others are challengers. This at least has everyone putting in some money today that may be the difference between making it or failing down the line," Mr. Neuman said.

—By Michael Schachner

Grocery worker contract

NEW YORK—Unionized workers who had been striking four grocery chains in New Jersey and New York ended their three-week walkout late last month.

The workers agreed to a four-year labor contract that includes a point-of-service managed care plan with deductibles and copayments.

Under the pact, members of the United Food & Commercial Workers union Local 1262 will be covered by a new Blue Cross & Blue Shield point-of-service plan. The plan will require employees to pay a $200 annual deductible plus 10% of costs if they use a network provider. Family coverage through the network requires a $400 deductible and the same level of coinsurance. Out-of-pocket maximums for network care are $800 for an individual and $1,600 for a family.

Employees who opt out of the network will pay higher out-of-pocket costs: A $300 deductible for individual coverage and $600 for families, both with 30% coinsurance. And out-of-pocket limits rise to $1,200 for an individual and $2,400 for families.

—By Michael Schachner

Benefits in brief

The University of Cincinnati Board of Trustees finalized an agreement earlier this month to sell an HMO affiliated with the university to Blue Cross & Blue Shield of Ohio. All 32,000 enrollees of **University Health Plan**, including about 12,000 university employees and dependents, are now covered by a BC/BS of Ohio affiliate called HMO Health Ohio. . . .New York-based **Home Box Office Inc.** will offer employee medical coverage to same-sex domestic partners on a pilot basis beginning July 1. BI



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Northern Trust

Continued from page 3

for a broker, Mr. Lueck said.

"If you can't get the product or service locally, you look elsewhere," he noted. "Nothing ties you to your home office location."

"They needed a way to track insurance for all of their trust properties," said Ms. Mylett, who now is vp of Rollins Hudig Hall Financial Services Group Inc. in Philadelphia.

By January 1991, Northern Trust had 700 properties under its trust real estate blanket insurance program and an additional 300 properties that were insured independently. Some of those properties carry leases that require tenants to provide coverage.

No matter who is providing the coverage, however, Northern Trust's $75 million umbrella liability policy requires all properties to have at least $1 million in primary liability insurance.

The properties range from homes, farms and ranches to museums and apartment buildings worth more than $20 million.

Ms. Mylett turned to RHH's computer experts in Chicago to design a system that could be described by both of Mr. Lueck's favorite words: "innovative" and "simple."

The result is a program that:

- Calculates premium rates and return premium due for trusts that are distributed during the policy period.
- Prints out certificates of insurance and renewal forms—which must be signed and approved by property managers.
- Maintains accounting and claims information and property data like square footage.

Basing the computer in his office—not the broker's—and the agreement by insurers to accept all properties on the risk set the RHH program apart from others on the market, Mr. Lueck said.

When RHH presented the program, Mr. Lueck had all six of his staff members attend.

"I wanted them to feel a part of the venture they were about to begin," he said. "After all, they were the ones who would eventually have to make it work."

In January 1992, a year after the system was in place, Northern Trust purchased the trust operations of Trust Services of America, a Los Angeles-based savings and loan association. That acquisition doubled Northern Trust's trust property portfolio to 2,000.

"The new computer system allowed us to input and control these new California properties," Mr. Lueck said. "We could assure our senior management they were covered for the identical broad terms and conditions that Northern Trust demands for all their trust properties because of our fiduciary responsibilities."

The system "monitors the insurance, and if something is not up to the requirements, we take care of it," Ms. Mylett said.

The system—which tracks both property and liability coverages—also can accommodate forms used by several different insurers. Property and liability coverage for most of Northern Trust's trust properties is written by The St. Paul Cos. Inc., while the California acquisitions remained insured by Aetna Casualty & Surety Co. because it offered substantial earthquake coverage, Mr. Lueck said.

RHH paid for the cost of developing the Northern Trust system and in return earned an account with premiums in excess of $1 million annually.

RHH is now looking to market similar programs to other banks, Ms. Mylett said.

The friendship that developed at conferences over the years turned out to be rewarding and fun, Mr. Lueck said.

He and Ms. Mylett speak on the phone several times a week—often not about business but just to chat as friends.

"Fran and I hit it off right away because we both have a sense of humor," Mr. Lueck said.

"We developed a rapport," Ms. Mylett agreed. "Because he trusted me, he gave me an opportunity on this business."

Her experience as a bank risk manager was also a plus.

"She understands the complexity of the business," Mr. Lueck said. "She had the same problems at her bank."

Mr. Lueck has been solving risk management problems for years, since he became Northern Trust's first risk manager in 1964. About seven years ago, he turned the insurance division into a profit center by establishing Northern Trust Services Inc., a subsidiary of the bank holding company that provides consulting for other financial institutions and brokers certain types of coverages on behalf the holding company.

Mr. Lueck, who serves as president of Northern Trust Services, also has been a booster of conferences for decades. He attended the first RIMS meeting 31 years ago.

"You don't necessarily go to RIMS to attend all of the seminars," he said. "The important part of the convention is keeping in touch with your peers."

One of the most memorable RIMS meetings was in 1984, when Mr. Lueck and Ms. Mylett staged a joke engagement, complete with an announcement at Tavern on the Green in New York's Central Park.

But unlike their friendship, the "engagement" only lasted two days. BI

Risk groups form lobbying coalition

MONTPELIER, Vt.—Several organizations representing businesses with alternative risk financing programs are aiming to educate state insurance regulators and federal authorities how important those programs are to businesses.

Members of the new Coalition of Alternative Risk Funding Mechanisms are the Captive Insurance Companies Assn., the Colorado Assn. of Captive Entities, the National Risk Retention Assn., the Risk & Insurance Management Society and the Vermont Captive Insurance Assn.

"Collectively, our voice will be louder and we will operate with economies of scale," said Jay B. Waters, director of risk management for Forest City Enterprises in Cleveland and vp-government and public affairs for RIMS. He co-chairs CARFM's steering committee with Richard Heydinger, director of risk management for Hallmark Cards Inc. in Kansas City, Mo.

CARFM was formed to lobby members of the National Assn. of Insurance Commissioners on issues related to fronting, but also may address risk-based capital and risk retention group topics, said attorney Jeffrey P. Johnson with Primmer & Piper in Montpelier, Vt., and a for-



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Opinions

Let business buy smart

WHAT IS WRONG with two dozen or so employers banding together to form a coalition or alliance and using their greater, combined buying clout to negotiate better prices from health care providers?

Absolutely nothing. That is why we are encouraged that Clinton administration officials now say there may be room for employer-formed health care purchasing alliances in a reformed health care system.

Two Clinton administration officials—Ira Magaziner, White House senior domestic policy adviser, and Walter Zelman, a key adviser to the national health care reform task force—both indicated this month that employers could continue to join forces to purchase health care collectively from providers.

That is a change in direction from earlier indications from administration officials who suggested that the centerpiece of the Clinton health care reform package would be monopolistic, state-run purchasing groups.

We hope the administration has, in fact, abandoned the idea of channeling all buying power—including that of all employers—into state purchasing groups.

Certainly, there is an important role for state-administered health care purchasing groups in the health care system of tomorrow. We agree with the architects of managed competition that states should help organize health care purchasing groups for those with no buying clout in the market—both individuals and small employers. If big employers want to join those state-chartered groups, that would be their right, but not a requirement.

But we see no virtue in gigantic, monopolistic health care purchasing groups. Indeed, such groups now exist—the Medicare and Medicaid programs—and neither of those programs, despite enormous size, are known for their efficiency or ability to hold down costs.

If health care is purchased through state monopolies, what incentive is there for the buyer—especially if the buyer is a state receiving mandatory payroll contributions from employers—to seek improvements in the quality of care from providers as well as more competitive prices?



"AT LEAST THEY'RE LEAVING A FEW GOOD TREES!"

Contrast that with employer purchasing alliances. In that case, employers have powerful incentives—affecting their own bottom lines and keeping employees satisfied—for negotiating with providers for more accountability on quality and better prices.

As we have said many times before, the health care system needs to be overhauled, and President Clinton has set the stage to do so. Employers will be an important part of a reformed health care system. Limiting their role to that of mere payers—instead of direct purchasers of health care—would be acting in no one's best interest.

Fairness marks benefit guidelines

BENEFIT PLAN REGULATIONS promulgated by government agencies usually scare the daylights out of benefit managers—as well they should. Most of these rules have little basis in reality.

However, enlightened benefit managers should welcome the guidelines issued earlier this month by the Equal Employment Opportunity Commission that explain how the Americans with Disabilities Act affects health care plans.

While the EEOC with a swipe of a pencil could have forced nearly all U.S. employers to modify their health plans substantially, the agency instead drafted guidelines that will not cause major headaches for most businesses.

One group of employers, though, will have to make big changes in their health plans: those that deny or severely limit coverage for the HIV infection which leads to AIDS.

Under the guidelines, an employer normally cannot limit coverage for the human immunodeficiency virus—or any other disease, for that matter—unless the employer imposes the same limitations on coverage for other diseases.

This is only fair.

As we have said before, employers that do not offer or drastically limit coverage for the HIV infection do not make that decision to control costs. If that were the case, they also would limit coverage for organ transplants or high-cost cancer treatments. Rather, these employers simply are discriminating against certain groups of people.

The government has drafted all kinds of tests to ensure that employer-sponsored benefit plans do not discriminate against certain employees. Some of these rules make little sense. However, the EEOC guidelines are one set of rules that make a lot of sense.

PepsiCo surefooted in its own challenge

FROM THE "They Never Taught Me about This in A.R.M. 54" Department:

PepsiCo Inc. taught other businesses a lesson in effective risk management this month with its handling of its product-tampering scare.

PepsiCo made a gutsy call by not recalling cans of Diet Pepsi and other soft drinks that people around the country claimed contained syringes, needles and other contaminants. But, in the end, it was the correct decision. The allegations of contaminated products quickly faded from the news, and it was never proven that any can actually had been tampered with.

While not recalling the cans could have created customer confidence problems—indeed, a handful of retailers removed Pepsi products from their shelves—a recall in the wake of bogus claims would have done more harm to PepsiCo than good. And, a recall would have given those who brought false claims the attention they craved, which could have led to even more false claims—against PepsiCo and other companies.

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Lloyd's losses

Continued from page 1

10 syndicates, mainly stemming from the 1989 underwriting year. The remaining reserve additions primarily stemmed from long-tail liability claims.

The overall 1990 loss of 2.92 billion pounds was significantly greater than the forecast made by Lloyd's in April of between 2.5 billion pounds and 2.8 billion pounds ($3.79 billion and $4.24 billion). Mr. Rowland said the discrepancy shows the need for a complete revision of Lloyd's financial reporting systems and the discipline with which the market observes them.

"It is not acceptable by any standards of competent business management to report so late, following forecasts of syndicate performance which have proved so inaccurate," said Mr. Rowland. "We are already working both to improve the standards of forecasting and to speed the timetable of reporting so that, as soon as possible, we may reach the standards of our best competitors."

Lloyd's already has outlined penalties it will impose on syndicates if the file their accounts late in future years (*BI*, June 21).

However, Mr. Rowland pointed out that 1990's loss may not be as severe as it seems to be: About 600 million pounds ($908.7 million) of the loss was attributed to "double counting," which occurs when two different syndicates establish reserves for the same loss.

For example, one syndicate may establish a reserve for a liability claim, while another syndicate—which wrote errors and omissions coverage for members agents—may reserve for a potential E&O claim against the agents from disgruntled syndicate members who do not want to pay their losses.

Mr. Rowland said one of the reasons he is so eager to reach a negotiated settlement between the disgruntled Lloyd's members, their agents and Lloyd's E&O syndicates was to reduce the distortion to Lloyd's accounts caused by double counting.

The large number of syndicates leaving their 1990 underwriting year open was partially caused by uncertainties arising from E&O claims and from personal stop-loss insurance, which cap a Lloyd's member's losses.

Mr. Rowland cited a study published in May by London stockbrokers UBS Ltd. showing that Lloyd's performance was no worse than that of the London market insurance companies writing similar types of accounts.

"Of 115 syndicates in profit in 1990, 90 are still operating today," he noted. "While that may be of some considerable comfort for the future results, I have already made clear my own views: This overall level of performance is unacceptable and must never be repeated."

However, he made no prediction concerning Lloyd's 1991 results.

Striking a cheerier note, Mr. Rowland said that Lloyd's members had grounds for cautious optimism, pointing to signs of rate recovery for many classes of business.

Excluding additions for reserves and members' expenses, Lloyd's pure loss on underwriting totaled 1.33 billion pounds ($2.39 billion) in 1990, a 4% improvement from 1.38 billion ($2.58 billion) in 1989.

Premium volume after brokerage fees and commissions totaled 6.4 billion pounds ($9.7 billion) in 1992, up from 5.01 billion pounds ($9.37 billion) in 1991.

Net assets in the Lloyd's Central Fund rose to 1.15 billion pounds ($1.74 billion) at the end of 1992 from 445 million pounds ($832.2 billion) a year earlier, largely due to a special levy on Lloyd's members equal to 5% of premium limits spread over three years.

Lloyd's reported that 5% of the syndicates writing in 1990 earned a profit of more than 10% of capacity, while 25% reported a 0-10% profit. On the other hand, 15% of the syndicates reported a loss equal to 0-10% of capacity, 20% reported a loss of between 10% and 20%, 24% reported losses of between 20% and 50%, and 11% of syndicates reported a loss of more than 50% of capacity.

Among Lloyd's members, only 16% in 1990 reported either a profit or a loss no greater than 5% of their premium limit, while 9% suffered a loss of 5%-10%, 29% suffered a loss of 10%-20%,

Continued on next page

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Lloyd's losses

Continued from previous page

34% suffered a loss of 20%-40% and 12% suffered a loss of more than 50% of their premium limit.

Lloyd's marine market produced an underwriting loss of 1.33 billion pounds ($2.01 billion) in the 1990 underwriting year, compared with a loss of 820.6 billion pounds ($1.53 billion) in 1989. Mr. Rowland said the loss reflected the very weak market conditions in 1989 as well as the emergence of additional severe losses on marine reinsurance contracts.

However, Mr. Rowland said recent increases in hull and cargo premium rates are promising. "There is now ample evidence that the reduction in London market capacity is facilitating much more favorable rates and terms that provide a basis for confidence for further improvement for 1992."

The non-marine market recorded an underwriting loss of 1.05 billion pounds ($1.59 billion) in 1990, a slight improvement from the 1.15 billion pound ($2.15 billion) underwriting loss in 1989. Mr. Rowland attributed the improved result to profits in accident and health insurance.

"Inadequate rates worldwide, combined with the high incidence of catastrophes and compounded by the necessity to boost reserves for asbestosis, pollution and potential errors and omissions losses, were the major factors affecting the result," Mr. Rowland said. "The non-marine account also reflects the impact of the north European storms in the winter of 1990," which caused total insured losses of nearly $10 billion.

Prospects for the non-marine market also are encouraging. Lloyd's underwriters have been able to secure "substantial" rate increases in virtually every sector of non-marine business this year, including U.S. property insurance, thanks to a steep reduction in capacity. Improvements in non-marine reinsurance business are "even more dramatic," Mr. Rowland said.

The Lloyd's aviation market reported an underwriting loss of 47.5 million pounds ($71.9 million) in 1990, compared with a profit of 15.7 million ($29.4 million) in 1989. Mr. Rowland noted that 1990 marked the bottom point of the aviation insurance cycle.

"Gross underwriting profits are now the essential prerequisites and if the improved resolve of underwriters to achieve this goal is maintained, the aviation market's prospects for the first time in seven years look to be much brighter for 1993 and beyond," said Mr. Rowland.

Underwriting profits at the Lloyd's motor market, the only profitable market of the four in 1990, plummeted to 8.9 million pounds ($13.5 million) from 51.9 million pounds ($97.1 million) in 1989.

Severe competition in the U.K. auto insurance market market, along with a big rise in vehicle theft and damage, were to blame for this deterioration, said Mr. Rowland.

U.K. auto insurance rates have recently been on the rise, but that will not benefit the 1991 year of account, said Mr. Rowland, predicting a "modest loss" for the motor market in 1991 followed by profits in the 1992, 1993 and 1994 underwriting years. BI

Lloyd's 1990 results*

In millions of pounds

	Net premiums 1990	Net premiums 1989	Underwriting profit 1990	Underwriting profit 1989	Account profit 1990	Account profit 1989
Non-marine	£2,619.1	£1,762.4	-£1,046.7	-£1,148.6	-£935.9	-£982.0
Marine	1,703.4	1,325.6	-1,332.3	-820.6	-1,448.2	-875.1
Motor	634.0	596.5	8.9	51.6	-10.1	47.2
Aviation	324.0	281.0	-47.5	15.7	-63.8	38.6
Totals	5,280.5	3,965.5	-2,417.6	-1,901.9	-2,458.0	-1,771.3
Members' personal expenses [1]					-457.0	-291.7
Members' pretax profit					-2,915	-2.063

*Exchange rate: British pound =$1.515 (1990); $1.67 (1989). [1] Includes annual subscriptions and levies, agency fees and profit commissions.

Source: Lloyd's of London

GRAPHIC BY CHRIS ROY

Closing the door on Lloyd's not an option: Rowland

By ALINE SULLIVAN

LONDON—Addressing a scenario that was unthinkable only two years ago, the chairman of Lloyd's of London says that closing the 305-year-old insurance market would be a "disaster of almost unimaginable proportions."

Winding up Lloyd's business—as some are recommending—would not be a magic solution to the problems of members saddled with huge losses, Chairman David Rowland said Tuesday to the 1,200 people gathered in London's Royal Festival Hall for Lloyd's annual general meeting.

"Names would remain liable come what may for all insurance contracts underwritten by them, steps would be taken to freeze our assets and the costs of organizing a runoff of our liabilities would be enormous," he said.

"Names would be left to pay for administration and claims with every lawyer in the world chasing them," Mr. Rowland said in a speech in which he announced a record loss at Lloyd's for the 1990 underwriting year (see story, page 1).

The majority of the members, brokers and underwriters attending the meeting seemed to agree with Mr. Rowland, greeting his remarks with warm applause. The few hecklers at the meeting directed most of their barbs to members asking questions rather than at the chairman.

However, the audience also applauded comments by members who are worried that existing Lloyd's names may be shunted aside as Lloyd's attempts to attract corporate capital.

Mr. Rowland made clear that while he welcomes corporate capital at Lloyd's, new capital must be raised on a basis that the entire market considers fair.

"Let me be clear: There is no possibility whatsoever of attracting new capital on anything other than the sort of terms we have already outlined in the business plan," he said (*BI*, May 3).

"If we want new capital, we have to compete for it with other attractive investments that do not carry with them the same track record as we sadly possess. It is dangerous rubbish to portray any other possibility," Mr. Rowland said.

Lloyd's has been "besieged" with interest from potential corporate investors. "Interest has been very encouraging; it has come from firms of real quality. Now, we have but a short time in which to turn these prospects into reality."

For instance, Marsh & McLennan Cos. Inc. and J.P. Morgan & Co. late last month announced they plan to launch a $1 billion fund that could make significant investments at Lloyd's (see related story).

As part of the plan to introduce corporate capital, Lloyd's will review the voting rights of current members, Mr. Rowland said.

"If we want new capital, we have to compete for it with other attractive investments that do not carry with them the same track record as we sadly possess."

—David Rowland

"Indeed, it is somewhat curious that we have not done so already as we still have a system of one member, one vote, unrelated to the scale" of investment an individual member makes.

Mr. Rowland also said Lloyd's has received much support for the business plan it released in May.

"Serious commentators in the press, amongst brokers in the market and amongst our clients perceive Lloyd's is getting its act together," Mr. Rowland said. "Powerful voices throughout the insurance world have given their support to our plan and, above all, have endorsed the need for Lloyd's at the heart of a thriving market in London for the benefit of the worldwide insurance industry."

The chairman acknowledged the strain that the record losses will place on members already burdened with heavy debts, but he warned that Lloyd's will separate members who "won't pay" their share of the losses from those who "can't pay."

"We must at all times preserve our chain of security, so we will enforce payment for those who can pay," he said. "For those who cannot, then understanding and assistance to come to sensible arrangements through our hardship committee will continue."

Michael Deeny, chairman of the Gooda Walker Names Action Group, warned Mr. Rowland that Lloyd's plans to sue members who will not pay their losses could prove to be the "biggest and most costly exercises in the history of debt collection."

Reg Brown, chairman of the Lloyd's Non-marine Assn., voiced concern that Lloyd's could lose its best young underwriters to insurance company rivals unless it can provide them with better rewards than those currently offered.

Another member, John Podmore, spoke at length, noting that Lloyd's had created a "black hole" in the City of London, as London's financial district is known.

He demanded to know what Lloyd's planned to do about members who had committed suicide because of overwhelming losses and those who had suffered an "appalling" deterioration in the quality of their lives.

In response, Mr. Rowland acknowledged that many members with huge losses are only interested in recompense for those past losses.

However, he said the substantial majority of members want to rebuild Lloyd's. He said he and Lloyd's Chief Executive Peter Middleton have received more than 3,000 letters so far this year, most of which contained messages of support.

Most members regard the extraordinary general meeting scheduled for July 5 as irritating and a diversion of effort and energy, Mr. Rowland said.

However, one disgruntled member greeted Mr. Rowland's explanation of how 1,500 signatures are now required to call an EGM instead of only 100 (*BI*, June 21) with cries of "gerrymandering." BI

Investment facility may target Lloyd's

NEW YORK—A new investment vehicle being set up by Marsh & McLennan Cos. Inc. and J.P. Morgan & Co. Inc. is expected to invest some of its capital, which could reach $1 billion, at Lloyd's of London.

The Cayman Islands-based venture, Trident Investments, will also reinsure Lloyd's syndicates and invest in other insurers and reinsurers. Neither company is saying when the venture will get off the ground.

Mid Ocean Reinsurance Co., a Bermuda-based catastrophe reinsurer set up by M&M and Morgan, is also expected to invest in the venture.

Trident will have capital in excess of $500 million, according to Mid Ocean's filings to the Securities and Exchange Commission. Lloyd's underwriters say they have been led to believe that the venture may eventually be capitalized at up to $1 billion.

M&M and J.P. Morgan will invest up to $40 million each in Trident, and Mid Ocean will invest up to $20 million, the filing says (*BI*, May 10).

Trident "will invest principally in newly formed insurance and reinsurance ventures organized by Trident and may, depending upon future developments relating to Lloyd's and Lloyd's syndicates, reinsure selected Lloyd's syndicates," the filing says.

Neither M&M nor Morgan would comment on the filing. Wall Street analysts, though, say that M&M is interested in becoming a corporate investor in Lloyd's.

Lloyd's is expected to have a framework for corporations to invest in the market in place later this year.

Trident is separate from another Morgan vehicle designed to write quota-share reinsurance in 1993 for nine syndicates managed by Merrett Underwriting Agency Management Ltd. (*BI*, Jan. 18).

Market sources say various parties today will sign into existence Underwriters Capital (Merrett) Ltd. To be capitalized at about $70 million, the company is expected to collect net premiums of about $140 million from the Merrett syndicates in 1993.

Altogether, the nine syndicates will write a total of about 500 million pounds ($750 million) in net premiums this year.

Merrett is expected to publish a business plan this week for 1994; it is not certain whether Underwriters Capital will continue next year or whether the syndicates will be interested in direct corporate capital investment, possibly through Trident.

Merrett will close three syndicates next year—1036, 864 and 1068—and merge their underwriters and books of business with the remaining six syndicates.

One of Lloyd's largest syndicates, 418, will continue writing even though its longtime underwriter, Stephen Merrett, will step down. Syndicate 418's 1985 and 1990 accounts remain open.

—By Gavin Souter and Stacy Shapiro

Insolvency ruling

Continued from page 2

izes in troubled insurers.

"It is an excellent result from the point of view of guaranty associations," said F. James Foley, an attorney with Vorys, Sater, Seymour & Pease in Columbus, Ohio. He filed an amicus brief supporting a former Ohio insurance commissioner, George Fabe, on behalf of two national guaranty associations that represent property/casualty and life/health insurers.

"The National Assn. of Insurance Commissioners applauds the U.S. Supreme Court's decision recognizing the primacy of state insurance regulation," said Steven R. Foster, the Virginia insurance commissioner and NAIC president. The NAIC also filed an amicus brief supporting Ohio.

The decision is expected to have far-reaching impact. Liquidators in 37 states and Puerto Rico, which have laws similar to Ohio's, now know they can pay administrative costs first, policyholders second and federal government claims third.

Ohio law previously ranked federal claims fifth, after wages for the employees of the insolvent insurer and general creditors. The Supreme Court said federal claims should be ranked third because those two classes had "too tenuous" a connection to the insurer's insolvency to extend the McCarran-Ferguson exemption that far.

The court's narrow decision ends five years of uncertainty. In 1988, both the 4th and the 9th U.S. Circuit Courts of Appeal ruled that an insurer liquidation is not part of "the business of insurance," and thus laws regulating a liquidation do not pre-empt the federal superpriority statute (*BI*, Oct. 3, 1988).

That put "a giant question mark" in the minds of liquidators about how to proceed, Mr. Richardson said. Since then, liquidators have been focusing on determining the amount of the federal government's claims and settling those claims first, said Lynne C. Hengle, Ohio's chief deputy liquidator.

For example, California regulators last year reached an agreement with the Internal Revenue Service to pay $73 million to resolve $643 million in tax claims in the Executive Life Insurance Co. rehabilitation.

After the two 1988 rulings, liquidators also feared personal liability—including threats to seize their homes—if federal claims were not paid in full.

Now, more money will be available to pay for administration and reimburse guaranty funds for claims payments to policyholders because federal claims will not deplete the assets of insolvent insurers.

"It's a huge, huge victory for regulators, policyholders, consumers and taxpayers," said Susan E. Martin, the NAIC's general counsel.

"The more money coming back to the guaranty funds, the less money needed to assess insurance companies. That reduces their premium tax credits and ultimately benefits taxpayers," she said.

In addition, liquidators in those states may feel more confident in spending administrative funds to marshal assets since they do not have to first pay federal claims.

Thirteen states still do not put policyholder claims ahead of federal claims in insolvencies. And it is too early to tell whether those states will change their laws based on the Supreme Court ruling, said Brenda Trolin, a program director for the National Conference of State Legislatures in Denver.

Federal tax revenues will suffer from the ruling because failed insurers' assets almost inevitably are exhausted before policyholder claims are paid in full.

No estimate is available of the amount of federal claims pending in the 400 ongoing liquidations nationwide, though one source speculated that the total could run into the hundreds of millions of dollars annually. Nearly all liquidations include some federal claims, attorneys say.

For regulators, the only "downside" to the Supreme Court decision is that it lowered the payment priority for wage claims from employees of the insolvent insurer, Ms. Martin said. As a result, a receiver may face "a very hostile situation" when he or she seeks help from an insolvent insurer's employees in sorting out the insurer's records but cannot promise to pay them prior to a formal declaration of liquidation, she said.

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Department of the Treasury vs. Fabe, Supreme Court of the United States, No. 91-1513.

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To cope with catastrophe, stay flexible

By GAVIN SOUTER

TUCKER'S TOWN, Bermuda—No disaster recovery plan can cover every crisis unleashed by a catastrophe like Hurricane Andrew, a utility company executive says.

Amid such appalling conditions, unforeseen problems are bound to hamper even the most diligently prepared recovery plans, said Bob Marshall, vp-distribution at Florida Power & Light Co. in Miami.

Only through flexibility and hard work can a company speedily return to normal operations, he said.

Even then, companies can face lasting problems, like renewing property coverage.

"We have had a hurricane disaster plan for the past 30 years, but there is no plan that's good enough to meet a catastrophe like Hurricane Andrew, so you have to have flexibility in the plan," Mr. Marshall said.

He spoke at "Managing the Catastrophe," a conference last month sponsored by International Risk Management Group Ltd.

FPL activated its disaster plan on Thursday, Aug. 21, 1992, four days before Hurricane Andrew hit Miami.

The company put its employees on notice that a storm was likely to hit part of Florida. The utility found out where the employees would be over the weekend and told them to report for storm duty on Monday morning, Mr. Marshall said.

Then the company began to strategically place repair materials in several sites near the anticipated path of the storm.

It also contacted other Southeast utilities that belong to a mutual assistance program to find out how many crews they would be able to send to areas served by Florida Power & Light after the storm struck, Mr. Marshall said.

On Friday, Aug. 22, 1992, the company secured all of its equipment and contacted suppliers it had made agreements with as part of the disaster plan, including: hotels and catering services to provide rooms and meals to repair crews, vehicle rental agencies and fuel suppliers, he said.

On Saturday, Aug. 23, FPL opened its emergency communications center. By Sunday all of the preparations had been completed, Mr. Marshall said.

Hurricane Andrew hit South Florida the next day.

"The initial assessment of Andrew's impact on our system showed that we had been severely hit," he said. A total of 1.4 million customers, constituting 43% of FPL's accounts, were without power.

The company called on the help of other utility companies and immediately began repair operations. Repairs included replacing thousands of wooden poles to carry the power lines, Mr. Marshall said.

"Normally we put up 22,000 wooden poles in a year, but after Hurricane Andrew, we put up 23,000 poles in 34 days," he said.

Through hard work and a flexible approach, FPL was able to restore power to 92% of its customers by Sept. 9, and to 100% by Sept. 27, Mr. Marshall said.

However, Hurricane Andrew did throw out some unanticipated problems that will have to be addressed in FPL's updated recovery plan, he said.

For example, the company's five helicopters were placed in separate hangars so if a hangar was blown down only one helicopter would be destroyed, Mr. Marshall said. "But in fact what happened was that all five hangars were destroyed along with all five helicopters."

The company was able to secure other helicopters from outside sources, but from now on FPL will keep helicopters outside of the danger zone during a hurricane and fly them in afterward, Mr. Marshall said.

The company also will enhance its communication links with its two nuclear power facilities in the area. "They performed well, but we had a lack of communication with them," Mr. Marshall said.

In fact, while the company had six alternative communications systems with the units, all six failed, he said.

The storm's impact on employees was also not fully anticipated, Mr. Marshall said. "We had people coming in and working 16 hours a day who did not have homes any more."

About 3,000 FPL employees were affected in some way by Hurricane Andrew.

And the company could not locate 34 of its employees for a full week after the hurricane struck, he said.

Employees also were strapped for cash, Mr. Marshall said.

"A lot of people depend on automatic teller machines, so money was a problem," he said. FPL cut through its bureaucracy and was able to lend its employees some money. In the future, it will increase the amount of petty cash it keeps at its sites, Mr. Marshall said.

Hurricane Andrew also caused unanticipated traffic problems for FPL.

Traffic signals were down, street lights were out and sightseers were causing gridlock in the area, Mr. Marshall said. The company learned that often the only way to get around is by helicopter.

Security was also a major problem in the first few days after the storm. "We had people who were held up at gunpoint for water and ice, which was a real commodity at the time," Mr. Marshall said.

The actual scale of the damage to FPL facilities was also greater than imagined. "We knew that a hurricane would cause us problems, but we did not envision such massive destruction," he said.

FPL estimates that its claim on its transmission and distribution insurance policy will total $270 million as a result of Hurricane Andrew. The policy has a $20 million deductible and a $350 million limit.

As its June 1 renewal date approached, the company could only find coverage up to $100 million, and premium increases of 300% were quoted.

"Andrew has changed the face of insurance for us. . .basically we will become self-insured," Mr. Marshall said.

Under its new arrangements, FPL has set up a line of credit with several banks to meet its costs should a hurricane strike, he said later in an interview.

"After that we will have to go to the Florida Public Service Commission to justify our costs, and then they will allow us to increase rates over five years to get back our costs," he said. BI

Not even financial institutions can bank on averting disaster

By GAVIN SOUTER

TUCKER'S TOWN, Bermuda—Financial institutions do not face the types of catastrophe risks associated with industrial companies. But that doesn't mean they wouldn't suffer devastating losses if the risks they do face aren't well-managed, a risk manager said.

Risks relative to the institution's size, the timing of transactions, the speed with which transactions are completed and the legal framework within which the institution operates all are potential catastrophes, he said.

Risk managers and insurers already take steps to reduce these risks or, if that cannot be done, finance them, but they can still do more to protect financial institutions from catastrophic losses, the risk manager said.

The risks faced by general industry and financial institutions are weighted differently, said Martin Ham, insurance risk manager at banking firm HSBC Holdings P.L.C. in London.

For instance, Mr. Ham said, "it is reasonable to assume" that fire engineering may be "less of an immediate concern" in bank branches than in industrial operations.

And exposures faced by the workforce also are different, Mr. Ham said at "Managing the Catastrophe," a conference sponsored by International Risk Management Group Ltd. last month.

Financial institutions "are less affected perhaps by the range of industrial injuries and diseases, but are much more exposed to the effects of repetitive strain injuries, for example. And if the use of (video display terminals), computer screens and so on proves to have any serious long-term health effect, then we have a major problem," Mr. Ham said.

The sheer size of many financial institutions also makes them vulnerable to catastrophic situations not always faced by other companies, Mr. Ham said.

If the scale of activities is large, then the consequences of any failure also could be large, he said. And risks such as bad debts increase in size during times of economic recession when financial institutions themselves are suffering, he said.

Added to that is the difficulty of transferring the risk of large losses to the insurance market, because many large risks faced by financial institutions are not the types of tangible, easily understood risks that underwriters are accustomed to covering for industrial operations, Mr. Ham said.

In Britain, for example, insurers facing losses on mortgage indemnity guarantee policies have sharply increased rates and withdrawn coverage, forcing financial institutions to self-insure more of these risks, he said.

The size of the institutions also makes them more complex and difficult to understand. Consequently, it is more difficult to impose adequate loss control procedures and train staff to manage risks themselves, Mr. Ham said.

Timing risks are also potential catastrophes, he said. Many transactions carried out by financial institutions, like trading in financial markets, are time-sensitive. Yet many of these transactions are carried out at a moment's notice and are dependent on electronic systems, he said.

"How long does it take to bring up a hot standby site if the primary site fails?" Mr. Ham asked.

The speed at which financial institutions transact business also attracts sophisticated criminals, he said.

"Good old-fashioned bank robberies tend to be the preserve of the nostalgic criminal who likes to do what his father did, and the amounts lost are rarely material. The growth is in white-collar crime," Mr. Ham said. For example, a bank robber might get away with thousands of dollars, whereas a white-collar criminal could steal millions with a couple of computer key strokes.

Criminals perceive that manipulating financial systems is less risky, and with the use of inside knowledge, they are able to defraud companies and speedily transfer funds around the world, he said.

Computer-aided fraud also encourages employees to steal from financial institutions, Mr. Ham said.

"A senior lending officer of one bank sanctioned loans to companies that did not exist. The companies unfortunately 'went broke,' leaving unrecoverable bad debts. In reality, the lending officer's mistress was living in some style," he said.

The legal framework in which financial institutions operate also creates some large risks, Mr. Ham said.

For example, in Britain the law

Continued on next page

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Continued from previous page
has lagged behind technological development and there is no legal framework for electronic banking, he said.

Also, many banks operate in a wide variety of jurisdictions and are faced with a multitude of different legal codes, Mr. Ham said.

Risk managers of financial institutions generally have been lax in instilling risk management in their organizations, he said.

Too many senior managers in financial institutions view the insurance market as a resource to be plundered, Mr. Ham said. This causes capital and cyclical problems in the market, he said.

"Risk managers, whether we believe we are merely taking advantage of a soft market or are actively determined to drive prices down, are contributing to the very problems we cite as causing us difficulty," he said.

Risk managers in financial institutions often buy insurance coverage for risks that they are able to retain, and therefore use up the available capacity for the risks for which they genuinely need insurance coverage, he said.

Insurers, too, could do better, Mr. Ham said. "I am struck time and time again by the insurers' unwillingness to try to learn more about the risks which we face."

Insurers also are unwilling to redevelop the products they offer financial institutions to fit the needs of the clients, Mr. Ham said. "Insurers must recognize our aspirations, the need for flexibility in the risks covered and in the structure of programs and the need to reduce incremental costs to a minimum." BI

U.K. terrorism coverage plan criticized

By GAVIN SOUTER

TUCKER'S TOWN, Bermuda—Insurance against terrorist acts in Britain still does not meet all the needs of policyholders, despite the efforts of government, industry and insurers, a risk manager contends.

Insurers' sudden withdrawal of traditional terrorism coverage from property insurance policies last year created a hole in commercial coverage that has not been filled by the introduction of a government-backed program, he said.

More flexibility and greater spread of risk is needed if the program is to successfully meet policyholders' needs, said Alan Fleming, executive director of the Assn. of Insurance & Risk Managers in Industry & Commerce. Mr. Fleming took a leave from his position as a director of Imperial Chemical Insurance Ltd., a subsidiary of Imperial Chemical P.L.C., in order to serve the two-year term at AIRMIC.

However, risk managers also must take action to reduce the risk of terrorist attacks, he said.

If terrorists do strike, companies should be well-prepared to deal with the aftermath, another executive added.

"The only area in Europe where it is not now possible to purchase terrorism cover in the traditional market is the United Kingdom," even though property in other European countries, like Italy and Spain, has been severely damaged from terrorist acts and organized crime, Mr. Fleming said at "Managing the Catastrophe," a conference sponsored by International Risk Management Group Ltd. and held in Bermuda last month.

The withdrawal of terrorist coverage in Britain began Jan. 1 when, citing lack of reinsurance coverage, British insurers inserted a terrorist exclusion in their policies.

British insurers had been pressing the government to offer coverage for acts of terrorism since April 1992, when a bomb planted by the Irish Republican Army exploded outside the Commercial Union tower in London's financial district and caused about $700 million in insured damage (*BI*, May 3; April 20, 1992).

But insurers were late in informing commercial policyholders that terrorism coverage could be withdrawn, said Mr. Fleming.

"AIRMIC first learned of this initiative around Nov. 10, despite the fact that we had had a full meeting with the Assn. of British Insurers on Sept. 15," Mr. Fleming said. "We had not been advised by any of the composite companies that there was a serious problem."

Eventually, in late December, the government announced that it would become reinsurer of last resort for terrorist risks on mainland Britain.

The government then set up Pool Re to write this coverage (*BI*, May 17; Jan. 11).

The Pool Re plan divides risks into two zones: city regions and the rest of the United Kingdom. Owners of buildings categorized as target risks, like tourist attractions and airports, pay an additional 50% of the terrorism premium.

There are several problems with the Pool Re program that must be overcome, Mr. Fleming said.

Administering the plan is burdensome, and premiums are excessive, he noted. "There is a strong view in certain quarters that the rating levels for city risks are too high."

The U.K. government recently ordered Pool Re to raise rates with July renewals, with proposed increases of up to 300% in central London (*BI*, June 7).

In addition, more flexibility must be built into size-related discounts and deductibles, he said.

The high price of city coverage will lead to more companies self-insuring their terrorism exposure, Mr. Fleming said.

To reduce the price, the higher cost of city risks should be shared with risks in the rest of the country because inevitably the whole British economy will have to pay for the damage, Mr. Fleming said.

The definition of the terrorism exclusion in property policies also is unclear, he said. Would the insurance cover, for example, a bomb planted by animal rights activists? he asked.

Another problem is the disincentive for brokers to support the Pool Re program because they are not rewarded for their work, he said.

Outside of insurance, risk managers can do more to guard against terrorist attacks, according to Mr. Fleming.

"The most important aspect is to be alert for unusual situations. You need a good-quality security staff," he advised.

Companies should use closed-circuit televisions, keep the outside area around their buildings uncluttered, have bomb evacuation procedures that move staff far away from the building and have a contingency plan should a bomb explode, he said.

A contingency plan helped Commercial Union P.L.C. recover from last year's bombing and provide all of its services without a break, said Richard Owen, a U.K. divisional director for Commercial Union, who also spoke at the session.

And through implementing that plan, the insurance company learned several lessons in disaster management, he said.

First, the plan should be generic, Mr. Owen said. "It can't give you the detailed response to every situation, and it shouldn't try."

Once the plan is implemented, authority must be delegated quickly because the crisis management team cannot do everything, Mr. Owen said.

Multisite operations also help companies to recover. "We were helped immensely by having multisite operations, which gave us immediate and flexible response options," Mr. Owen said.

Effective communications with the public, employees and shareholders is also fundamental, he said.

After last year's bombing, Commercial Union was able to effectively show it could cope with the disaster, highlighting its slogan, "We won't make a drama out of a crisis," Mr. Owen said. BI



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BHCAG plan

Continued from page 3

lems employees and providers say they have with managed care.

BHCAG members agreed ongoing communication with and education for health plan members and providers hold the key to achieving their cost-containment and quality-improvement goals.

"The bottom line is we need to continuously communicate to and educate our employees because that's what we promised," said Fred Hamacher, vp-compensation and employee benefits for Minneapolis-based Dayton Hudson Corp., a BHCAG member. "They need to be educated so their expectations about what they are going to get out of the health care system aren't unrealistic."

But, physicians have to be educated too, Mr. Hamacher stressed. "It's necessary to train primary care physicians about how to deal with customers. Physicians are analytical, scientific, engineering types. They don't like to be asked questions or to be challenged. But, if we are asking patients to have a dialogue with physicians, we have to train the physicians to be receptive to this."

To that end, a BHCAG subcommittee is developing courses designed to make managed care more effective and user-friendly for both employees and physicians. Beginning in 1994, employees can attend classes on self-care, prevention and early detection of health problems like cancer and heart disease, Mr. Hamacher explained. Network physicians will teach most of the courses, which will be held at centrally located employer sites.

In 1995, the BHCAG will introduce health care consumer skills courses.

Some companies may make a few of the courses mandatory for employees and families.

The employers also agreed to enhance current printed materials to provide employees more useful information. For example, directories of physicians participating in the ChoiceCare network will include more detailed information, like primary care physicians' special areas of expertise.

Such information would help employees and dependents better understand the primary care physician's role and address concerns over their perceived limit of those doctors' knowledge.

Another key component of the BHCAG's initial mission is to develop guidelines to improve and standardize the medical care provided by local physicians and hospitals. "As those guidelines are developed, tested and finalized, we have to make sure employees are tuned into them," Mr. Hamacher said.

One guideline currently under development is for simple cystitis —a bladder infection typically seen in women. "Historically, women who knew they had this common ailment had to go to the doctor's office, get a urine test and a urine culture and take 10 days' worth of antibiotics." But three providers who participate in the BHCAG network have agreed to a new, less costly, treatment regime that will yield the same high-quality results, he said.

Women who suspect they have simple cystitis now call the doctor's office and a registered nurse asks them six or seven questions to determine if it is a simple case. The doctor then prescribes three days of antibiotics, because that has been proven to be effective. The patient is then asked to submit a urine sample at her convenience within the next three days for analysis.

"This treatment process is customer-friendly, and it saves a lot of money," Mr. Hamacher explained.

However, he stressed, "It's critical to educate the consumer about this, because she might think this is inadequate medicine. She might say, 'Hey, I'm only getting a three-day prescription and I don't get to see the doctor.' "

Providers also have to be educated about the process. "We have to put ourselves in the physician's shoes: He or she just lost an office visit," Mr. Hamacher pointed out. "So we have to figure out a way to compensate the physician's office for the phone consultation."

Pooling their purchasing clout—the BHCAG represents about 125,000 covered lives in the Twin Cities area—has helped the members accomplish their health care reform goals, and so will the new education effort, Mr. Hamacher said. "Part of banding together was to achieve economies of scale and so each of us don't have to reinvent the wheel." BI

Primary care physicians

Continued from page 3

tioners' average net income was only $111,500.

"The salaries of primary care physicians should be more comfortable, more justifiable," said Dr. Ian Leverton, director of the Oakland-based Permanente Medical Groups Interegional Services.

Hours and workloads of primary care physicians also are likely to be altered in the future in an effort to make primary care more appealing.

"There are a whole bunch of reasons today to go into specialty training. The compensation has been traditionally better in specialties. The lifestyle is often better, with not as much on-call work. And most young physicians are taught and trained by mentors who are specialists," said Dr. John Ludden, director of the Harvard Community Health Plan and a member of the GHAA's board of directors.

But more than just pay raises and reduced hours are needed to curb the decline in primary care practitioners, health care experts agree.

"When money is the sole incentive to becoming a primary care physician, you might not necessarily get the physicians who are right for your program," said CIGNA's Ms. Fletcher.

And, Marcus Merz, president of Minneapolis-based HMO Preferred One, said that any pay raises in the area of primary care would have to be considerable in order to allow generalists to adequately compete with highly paid specialists.

Compounding the problem is the public perception that primary care physicians are lower-skilled doctors, said Mr. Merz. "The general perception is that a primary care physician is not a specialist—that only a cardiologist is a specialist. But family practice is a specialty."

The one place that primary care could receive a definite boost is at the medical school level, according to HMO officials.

"To make the changes, we're going to have to go back and fix the problem, to make changes in where the medical training occurs and who the role models are," Dr. Ludden said.

Among other things, Dr. Ludden said, more training programs must be offered that focus on HMOs, as opposed to private practices and traditional hospitals.

"We are very interested in seeing medical school policies changed to encourage more medical students to pursue primary care fields," agreed Pamela Mittelstadt, director of medical affairs for the GHAA.

The group is currently working with the Assn. of American Medical Colleges to develop residencies based in HMOs, Ms. Mittelstadt said.

According to Kaiser's Dr. Leverton, medical school training must be geared more toward primary care practices, with more primary care physicians—rather than specialists—providing instruction.

However, creating such an environment where primary care physicians are instructing future doctors could take well over a decade to implement, he warned.

"It's unlikely that the supply of primary care physicians is going to be able to catch up with the demand in the near future," Dr. Leverton said. BI

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF FLORIDA
TALLAHASSEE DIVISION
----------X

In re:

INEZ LEE-BOOTH, a/k/a : Case No. 93-07011
MARGARET INEZ LEE : Chapter 7

Debtor :
---------- X

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Environmental insurance

Unified Germany a natural to set European EIL trends

By Robert K. Meyers

THE FEDERAL REPUBLIC of Germany, formally established in October 1990 upon the unification of the West Germany and East Germany, is uniquely situated in the epicenter of Europe.

By virtue of its location, the impact of German policies—whether they be social legislation, economic policy or new trends in insurance—is felt throughout Western and Eastern Europe.

The country is slightly smaller than the state of Montana and has nearly 70 million inhabitants. Belgium, France and the Netherlands form Germany's border to the west, to the south is Switzerland, to the north is Denmark and to the east are Czechoslovakia and Poland.

By the time of German unification in October 1990, West Germany was among the world's largest exporters, in terms of U.S. dollars. Its economy, led by a highly skilled and well-paid workforce manufacturing technologically advanced goods, was one of the strongest in the world. By comparison, East Germany's economy, after 40 years of centrally planned communist leadership, was near collapse.

Following economic, monetary and social union in 1990, adjustment and integration of the two economies have moved forward, but not without cost. Western Germany's growth in 1991 slowed to 3.1%, the lowest rate since 1987.

While a slight recovery in the East is projected based on growth in construction, transportation and services, the process of shedding obsolete heavy industries that dominated the economy during the Communist era will most likely not keep up with wage demands or federal borrowing to ensure that modernization programs continue at their current pace.

It is unclear how long the new German government can support the estimated annual aid bill of $80 billion for eastern Germany. Private investment shows signs of quickening, but concerns about property rights and environmental liabilities continue to hover over most proposed investment strategies.

However, Germany's Environmental Liability Law, which was enacted Jan. 1, 1991, and other proposed legislation could affect Europe's response to the problem of air, soil and water pollution, as well as force national and multinational corporate insurance buyers to review more carefully their commercial insurance strategies for this exposure.

The impending liberalization of the German insurance industry is influencing the issue of environmental liability insurance in Germany. By July 1994, most of the regulations that make Germany one of Europe's most restrictive insurance markets will be dismantled. It is projected that price wars will accompany deregulation—similar to past experiences in the United States and the United Kingdom.

This has already occurred to a certain extent with respect to commercial and industrial property insurance. However, German insurers have learned—as have other insurers—that poor underwriting cannot always be made up by investment income: German insurers have experienced smaller gains and sharper losses compared with other institutional participants in recent German stock market activity.

For the corporate insurance buyer, the dissolution of the insurance monopoly should allow for the application of risk management techniques encompassing deductible structures, retentions, the use of a single insurer, as well as decisions as to what property is or is not to be insured.

A strict German environmental impairment liability policy should not be surprising in light of the following factors.

For a number of years, Germany has assumed the leading role in Europe on environmental issues. This is due to the politically influential Green Party, which focuses on environmental issues, as well as the perceived need for environmental preservation in a country that is both heavily populated and industrialized.

The Water Resources Act, introduced in 1961, provided for coverage on a loss occurrence basis, including compensation for loss avoidance costs. This early legislation was limited to water sources, but nonetheless imposed strict liability on facility owners and other non-facility polluters for bodily injury, property damage and pure economic loss experienced as a result of changes in physical, chemical or biological composition of a water source—including the soil above groundwater.

Liability was incumbent upon any owner/operator of an installation or plant which in itself pollutes the water. There was no limit of liability and whether the water pollution had occurred by accident or gradually, or intentionally or merely by negligence, was irrelevant. When enacted, this legislation created a strong demand for insurance protection from both individuals and corporate insurance buyers.

Since unification, the heightened sense of environmental liability must be seen in light of the experience of the former German Democratic Republic, or East Germany. The pollution of the eastern part of the country has been a continual theme for the German media and is commonly perceived by most Western observers as typical of of the entire Eastern European region.

Finally, deregulation of the insurance market will allow German liability insurers some gains while adapting to a new playing field. Terms and conditions are likely to be narrowed through reduced limits or exclusions for an increased exposure. German legislation, both requiring and narrowing environmental liability, solidifies a market and protects liability insurers from potentially adverse exposures.

The Environmental Liability Law of 1991 broadens the tenets of the Water Resources Act to include impairment of soil and air. The act provides for strict liability for any property damage or bodily injury caused by the pollution of the air, soil or water. Similar to the Water Resources Act, the operator/owner of certain plants is still liable, but the definition of installation/plants is narrower. A limitation of liability also has been proposed: The act stipulates a maximum amount of 160 million marks ($94.8 million) per installation/plant for bodily injury and the same for property damage.

The act also provides a legal obligation to buy insurance or a bank guarantee, for certain types of plants or installations that are deemed particularly dangerous.

Mandatory minimum amounts of coverage, it has been estimated, will be between 10 million and 30 million marks ($5.9 million and $17.8 million). The demand for capacity will increase, but the extent of coverage will be reduced. Some other key aspects of the new act are:

- Losses before Jan. 1, 1991, are excluded.
- Compensable loss avoidance costs have been newly defined as only those "objectively necessary."
- A three-year "limitation clause" was established for claims that occurred while the contract was in force but manifest themselves after termination.
- Losses resulting from normal business operations are excluded unless the policyholder can prove that, according to the state of technical knowledge, the potential of such losses could have been foreseen.
- An alternative coverage trigger from claims-made or occurrence is used: Manifestation is to be defined as the verifiable first discovery or identification of a bodily injury or property damage.

It is likely that coverage will be written on a per-policyholder basis with an annual aggregate, not on a per-plant or installation basis. Claims resulting from the same environmental impact, or from the same cause or from different environmental impacts that result from the same cause, are considered to be one claim.

For the industrial manufacturing insurance buyer, all plants, equipment and containers that are considered to be an exposure will have to be declared individually; this strict declaration requirement will cause considerable administrative work.

In general, environmental liability will be tightly restricted by the new legislation. The corporate insurance buyer should note that the general liability policies will in the future contain a total pollution exclusion.

Also, no coverage will exist for soil contamination within the policyholder's premises, which will necessitate alternative funding mechanisms. Pure financial losses are excluded except in certain cases—for example, lack of use of ground water for a brewery or distillery.

While promulgation of this law dates from Jan. 1, 1991, revisions and analysis have delayed final implementation. However, it is expected that by 1993 year-end renewals or by early 1994, German liability insurers will incorporate this model or policy form into corporate programs. Some changeover to the new stricter liability has occurred and early trends indicate that:

- Liability policies will provide for higher-than-customary self-insured retention.
- The new conditions will not only be applied to plants or installations but to all commercial risks that might be subject to pollution exposure.
- Existing CGL policies with high limits of liability will be reduced by insurers as soon as possible.

Increasingly strict environmental liability in Germany most likely will set the precedent to be followed by the rest of Europe. As mentioned at the outset, the unique location of Germany and its history regarding this issue lend particular weight to its role as the standard-bearer for environmental legislation for the rest of the European Community. Liability coverages that are seen as distinctly German may, sooner rather than later, be commonplace throughout Europe and even in the United States.

The deregulation of the German insurance industry will most likely enable the insurance buyer to more freely and effectively apply risk management concepts and risk transfer structures to exposures in Germany. On the property side, price wars will likely occur but will settle quickly. From a liability perspective, German insurers will narrow terms, and capacity shortfalls may occur. This will increase prices.

German and other European insurers and reinsurers reluctant to address environmental liability insurance will ultimately set the standard for determining coverage conditions and pricing for the issue of environmental impairment. BI



Robert K. Meyers is senior vp and manager of the International Department of Johnson & Higgins in New York. His column appears quarterly.

Rooting for Sir Riskalot

The right questions could improve insurance industry's image

By Brent A. Winans

IS ANYTHING MORE IMPORTANT than asking the right questions? Fourteenth-century French chivalry illustrates what can happen when a powerful institution persists in asking the wrong questions. Instead of asking, "How can we win wars and protect our nation?" the knights in shining armor asked, "How can we gain personal glory and enrich ourselves?" The result was The Hundred Years' War with England, which for a time saw France ruled by an English king. France did not regain its sovereignty until a peasant girl, Joan of Arc, changed the question to, "How can we fulfill God's purpose to drive the English from our soil?"

Is the insurance industry also asking the wrong questions? Is "Sir Riskalot" battling windmills rather than the real giants at hand? In recent years the image of the insurance industry has suffered. In response, many within the industry have asked, "How can we make consumers understand our problems so they will think more highly of us and not propose such misguided legislation?"

Is this the right question? Of course, consumers do not understand the problems of the insurance industry. They do not understand those of the restaurant, retail, or yo-yo industries either. And they do not want to. They want service, not explanations.

Does this mean the insurance industry should stop trying to educate its clients? No. But educating the consumers will do little to improve the image of the industry. If it did, agents and brokers would have a high opinion of the industry themselves. Often, they do not.

To improve its image, the industry must learn to deliver. As a former broker and now a risk manager, I believe these are some of the right questions:

• How can we empower our underwriters? At a recent international meeting of underwriters, a terrorist sent a time bomb to the Swiss underwriters. The Swiss passed it on to the London underwriters. They, in turn, gave it to the Americans. The Americans are still waiting for instructions from the home office.

While humorous, this rings regretfully true because of the humiliating lack of authority commonly given to U.S. underwriters. All too often, companies undertrain and underpay their underwriters. Then, finding their field underwriters underqualified to do their jobs, they centralize authority at the home-office level. This prevents even the highly competent local underwriter from being responsive to clients. Any broker or risk manager knows a referral to the home office is almost always a referral to a black hole.

As Tom Peters points out in his excellent management book, "Thriving On Chaos," companies that succeed at client service are those that train and empower their employees to make on-the-spot decisions that meet the customers' needs.

To promote this needed professionalism and authority, the greatest training, respect, authority and compensation should go to underwriters. We will know that the industry is making true strides in this area when insurance companies consistently hire top talent away from brokers, rather than the other way around.

If insurance is a service business, insurers must find ways to empower those delivering the service.

• How can we convert ourselves from a risk financing to a risk management industry? Isn't it better to build a fence at the top of the cliff than a hospital at the bottom? Large corporations have realized that to really reduce costs, they must prevent losses, not just find creative ways to pay for them. They have turned to their insurance companies and brokers for help, but have often been disappointed. This disappointment has driven many to self-insurance.

The situation in workers compensation illustrates the point. Costs are skyrocketing, but many sound loss control and claims management practices can limit them. Self-insurers as a group are far ahead in implementing these practices. Why? Because insurance companies see themselves as risk financing companies, not risk management companies. They habitually respond to higher costs with higher rates, instead of better loss control programs.

Consumers believe they know why. When I was a personal lines agent, I used to hate all the customer complaints generated by a rate increase. On the other hand, I cried all the way to the bank. A rate increase for them meant a pay increase for me. Policyholders are not blind to this conflict of interest.

It is difficult to escape the conclusion that insurance companies and agents actually prefer that their policyholders pay higher premiums. The liability crisis, skyrocketing medical costs, social inflation—these are the fuels that fire the insurance engine.

But, the public is not sure just how much insurers and brokers want to throttle that engine. That is why they become self-insured and pass initiatives like Proposition 103. They perceive a conflict of interest between themselves and the insurance industry. They believe the insurance industry is like an undertaker trying to look sad at an expensive funeral.

The public 'perceives a conflict of interest between themselves and the insurance industry. They believe the insurance industry is like an undertaker trying to look sad at an expensive funeral.'

To overcome this problem, the industry must convert itself from a risk financing mechanism to a risk management partner, and it must publicize its conversion. It must emphasize loss control and claims management as never before. Insurers must also encourage the high deductibles that will motivate policyholders in the loss control effort.

• How can we issue policies and endorsements promptly and accurately? How much different the world might be if God had put an insurance company in charge of issuing the 10 commandments. They would still be typing and would be missing half the "nots."

One of the mysteries of the insurance industry is why insurers that spend millions of dollars advertising their services seem to place so little importance on timely and accurate issuance of policies and endorsements.

During soft markets they cannot staff up because they are losing money. During hard markets they cannot get to it because they are quoting so many accounts.

If policies and endorsements have to be issued eventually, would it not be more cost-effective to issue them promptly?

Accuracy is as big a problem as timeliness. In the seven years I have spent as a risk management consultant and risk manager, less than 10% of the policies I have reviewed have been issued without error.

Sometimes the errors are comparatively minor—wrong premiums, wrong addresses, wrong policy forms—but at other times I have found endorsements that eliminated the very coverage that was supposed to be provided.

Underwriters do not receive the respect they deserve, but policy assemblers fare even worse. Insurers have forgotten that these are legal contracts. It makes a difference which endorsements and exclusions are attached.

If your insurance company cannot issue an accurate policy within the gestation period of an elephant, do you want to trust your business to it? If America can learn to assemble a quality car, can it also learn to assemble a quality policy?

• How can we remove unconscionable policy provisions? There are some policy provisions that consumers see as blatantly unfair and even unethical. Provisions in some claims-made policies are the worst offenders.

For instance, what about the policies that will not provide coverage for a claim that the policyholder learns about on the last day of a policy period but does not have time to report in writing? What about the much more common provision that allows the policyholder to exercise the extended reporting provisions only when the company cancels or refuses to renew but not when the insurer increases the premium fivefold or adds exclusions that strip the policy of its value?

These provisions may appear fair from the insurer's standpoint, but they border on fraud in the buyer's eyes. An insurance industry that truly wishes to improve its image must do what is fair from the customer's point of view.

• How can we establish an "extra mile" claims handling policy? It is a wonder to me that America's top insurers include both companies that are well-known for trying to cover claims and those that have a reputation for denying them. The president of one such company was quoted as saying that when it comes to marginal claims, "We teach our adjusters how to say no."

Perhaps that is a profitable way to run an insurance company. Perhaps it is cheaper in the short run to wear down a policyholder in court and win a compromise settlement than to pay a valid claim.

It certainly is not the way to solve the problems of the insurance industry, because those consumers will be back. They will be back at the office discussion, at the legislature and at the voting booth. Do not try to talk to them then about understanding the problems of the insurance industry. They are not interested.

Unfortunately, insurance consumers are not very discriminating. They are prone to lump all insurers together. So after a bad experience with one, all others are painted with the same brush. Because of this, it should be the insurers themselves pushing the hardest to improve claim practices. Make the bad players behave so the good players can compete on an even field.

We are rooting for you, Sir Riskalot! The insurance industry is a great and vital part of American business. We desperately need the resources and expertise of insurance companies and brokers. We want to see Sir Riskalot succeed, and I believe he will, if he strives to ask the right questions. How can we empower our underwriters? How can we become a risk management industry? How can we issue the paperwork promptly and accurately? How can we remove unconscionable policy provisions? How can we establish an "extra mile" claims handling policy? BI



Brent A. Winans is vp-risk management for Concord Services Inc. in Denver.

INTERNATIONAL

Deutsche Bank expands its insurance ties

By DON LEWIS KIRK

FRANKFURT, Germany—Deutsche Bank is strengthening its presence in the insurance industry with the takeover of Deutscher Herold A.G. Holding and the pending acquisition of a 23.1% share of Nurnberger Versicherungs Group.

The German bank plans to boost its insurance holdings to expand the insurance products it offers, says Georg Krupp, a member of Deutsche Bank's board of directors. The new products the bank plans to sell include commercial property insurance, annuities, mortgage guarantee insurance and other personal lines coverages.

Deutsche Bank also acts as a commercial lines insurance broker for the Gerling Group.

The sale of insurance products through German banks is growing in importance, Mr. Krupp said.

"Banks have client access and credibility, and it benefits both sides." In addition, the bank is better equipped to fulfill its corporate clients' demand for complete financial services, he said.

The purchase of insurance through banks is well-accepted by small and midsize corporate clients, a target group for the bank, said Mr. Krupp. "Today it is no longer a question whether banks should sell insurance products or not, it is a question of how."

In 1992, Deutsche Bank acquired a majority holding in the Deutscher Herold Group (*BI*, Oct. 19, 1992). Deutsche Bank last year also acquired a 30% stake in Gerling Konzern Versicherungs A.G., Germany's largest industrial insurance company (*BI*, Aug. 17, 1992).

Deutsche Bank announced earlier this month that it would complete its takeover of Deutscher Herold and that the bank recently has applied to the German cartel office for approval of its acquisition of a 23% stake of Nurnberger Versicherungs Group, a German multiline insurer.

In addition, the bank has two insurance subsidiaries that it formed five years ago: DB Lebenversicherungs A.G., a personal life insurer, and DB Firmenlebensversicherungs A.G., a group life company.

DB Lebenversicherungs A.G. will become part of the Deutscher Herold insurance group. DB Firmenlebensversicherung will become part of the Gerling Group.

Cooperation between Deutsche Bank and Gerling is good, says Mr. Krupp. When Deutsche Bank acquired its stake in Gerling, the insurer in turn gained access to the bank's personal lines business for corporate clients, and is now seeking to increase its presence in that arena.

Deutsche Bank plans for its 200 branches to employ financial consultants who will work on a commission basis and sell life insurance, property insurance and health insurance.

"Traditional distribution channels are losing market share," said Mr. Krupp. "Between 1970 and 1987, the percentage of sales made by insurance agents dropped from 90% to 70%. . . Some studies indicate that traditional insurance distribution channels will make up only 30% of sales by 1998. Even if that is only half true, it means a substantial structural change."

Mr. Krupp claims the high cost of maintaining insurance agents in the field is a major reason for the decrease in size of traditional insurance distribution channels. "The sale of insurance products over the counter is fundamentally more cost-effective than sales via an outside sales force. The cost of making an insurance sale is on the average 50% higher than over the bank counter," he said. BI

New reinsurer covers catastrophe risks

By ROGER SCOTTON

HAMILTON, Bermuda—Renaissance Reinsurance Ltd., the new Bermuda-based catastrophe reinsurer that began underwriting June 15, expects to write approximately $100 million in premiums during its first year.

Renaissance has been capitalized at just more than $140 million, including $70 million from Warburg, Pincus Investors; $25 million from trustees of General Electric Pension Trust; $25 million from GE Investment Private Placement Partners; and $20 million from USF&G Corp.

Chairman and Chief Executive Officer James Stanard says the company plans to write property and short-tail casualty reinsurance worldwide through brokers.

BERMUDA

Renaissance's initial focus will be on property catastrophe business. Mr. Stanard predicts about 63% of this business will come from the United States and 37% from the rest of the world.

It also intends to write marine and aviation catastrophe reinsurance and will consider catastrophe quota-shares and other types of covers for short-tail risks with a significant catastrophe component.

"Much of our business will be participations on catastrophe programs led by recognized lead underwriters," said Mr. Stanard, who helped form F&G Re, a unit of USF&G, in 1983. "However, in special circumstances, we will quote terms on layers where our capacity allows us to write a significant share" of the layer.

Renaissance offers "normal program" limits of up to $5 million, he said. Any exposure with a material casualty component will only be written with a sunset clause or similar reporting limitation. And any catastrophe-exposed proportional or per-risk excess business will only be written with a per-occurrence limit.

"The key is managing our aggregates in different geographic zones, and we will be paying very careful attention to this to make sure we don't get too exposed in any particular zone," he says. Mr. Stanard said Renaissance will use "state-of-the-art catastrophe modeling systems" to monitor the risk characteristics of its portfolio.

He believes Renaissance will help provide coverage in a market severely constrained by a reduced supply of catastrophe reinsurance after Hurricane Andrew and other catastrophic events.

The company says it will do all underwriting, negotiating and binding of contracts from its offices in Bermuda, where it expects to have a staff of eight in place by March 1994.

The company, which stresses that it is a new and separate business from F&G Re in Morristown, N.J., also aims to open a London contact office.

Hardy bankrupt

Businessman Mark Hardy, the former chairman of insolvent Focus Insurance Ltd., has been adjudged bankrupt by an English court.

The bankruptcy ruling had been sought by Bermuda-based liquidators of the failed company.

However, Mr. Hardy warned that his legal battle is "far from over." He has long claimed that he would not receive justice until a negligence suit that Focus liquidators filed against him in Bermuda was brought before an English

Continued on next page

Winterthur's U.K. affiliate given more responsibility

By STACY SHAPIRO

LONDON—Winterthur Insurance Co. (U.K.) Ltd. will expand and become a regional office of its Swiss parent after a new managing director moves to London in September.

Kees van der Ploeg, senior vp of the international division of the Winterthur Insurance Group, will move from the company's headquarters in Winterthur to become managing director of Winterthur U.K. on Sept. 22.

He will replace Andrew Fleming-Williams, who is pursuing other opportunities in the London market.

His arrival means that the London office will be upgraded and given more responsibility, say London market sources.

Mr. van der Ploeg confirmed that he will be responsible for one of the three regions of Winterthur's international division. He will oversee the United Kingdom, the Netherlands, Scandinavia and the Asia Pacific from London. Another region mainly covers French-speaking countries, and the other comprises mainly German-speaking countries.

"We intend to strategically expand in the U.K. and have regional responsibility outside of the U.K.," Mr. van der Ploeg said earlier this month.

About 38 of the 300 employees in the international division are based in the United Kingdom.

Winterthur Insurance Group's consolidated profits declined 6% last year to 247 million Swiss francs ($168.5 million at appropriate exchange rate) from 262.9 million Swiss francs ($193.8 at appropriate exchange rate) in 1991. The decline was due to "one-time charges" which affected 1992 results, the company said, though the charges were not explained in detail.

Winterthur's non-life pretax profits declined 22.4% to 265.5 million Swiss francs ($181.2 million) from 342 million Swiss francs ($252.1 million) in 1991, largely due to natural disasters and other large claims adversely affecting the group's reinsurance business.

The company's gross premium volume rose 6.2% to 15.5 billion Swiss francs ($10.58 billion) last year.

New Zealand insurance laws

Recommendations worry insurers seeking tighter regulation

By KATE McILWAINE

AUCKLAND, New Zealand—New Zealand underwriters and brokers are awaiting a new outlook on insurance company regulation from the government.

Draft legislation is expected to follow closely the recommendations of a two-member subcommittee composed of Don Brash, governor of the New Zealand Reserve Bank, and Ian McLean, chairman of the Earthquake and War Damage Commission.

The subcommittee reported to the government late last year and the report was open for public comment until the end of March.

Brokers and underwriters expect the government will now prepare draft legislation, but they have not yet seen a copy of a draft. General elections will be held in New Zealand by November, and the government is likely to want to have legislation passed before then, suggest brokers and insurers.

While the industry has argued in favor of greater regulation for insurers, reservations have been raised about the government's intent.

Despite the quantity of natural disaster risks in New Zealand, there are virtually no regulations governing entry into the market nor the behavior and performance of insurers in the market, said David Sargeant, chief executive officer of the Insurance Council of New Zealand.

Although insurers are required to file an annual return, many do not, and penalties are "minimal." A deposit of only $500,000 New Zealand ($268,950) is required to be filed with the New Zealand Public Trustee, under the Insurance Companies Deposits Act.

Although no major insurers have failed since the early 1960s, the lack of regulation has left policyholders highly exposed, Mr. Sargeant said. The government's deregulation of earthquake insurance coverage increased the risk of a failure (*BI*, Feb. 3, 1992).

Only "good fortune and. . .some unique factors" prevented the collapse of a major insurer, Mr. Sargeant said. Limited exposure to flood and windstorms and the fact that earthquakes were, until now, underwritten by the government-run Earthquake and War Damage Commission, contributed to the insurers' "good fortune."

The Insurance Council had repeatedly asked the government to regulate insurers before deregulation of earthquake coverage began, because the private insurers are now underwriting riskier business, Mr. Sargeant said.

"Our concern is that policyholders must be protected against companies coming into the market with neither the financial security nor the intention of paying claims in the event of a major catastrophe," he said. But he stressed that the ICNZ does not want regulation to the point of rate control.

The Brash-McLean committee recommended that insurers be required to have a credit rating and to disclose it on all documents.

However, Mr. Sargeant said the ICNZ wants to establish a number of early warning "triggers" that would prompt the government to investigate insurers. And, he said, minimum capital requirements should be required.

While the committee report focused on insurers' assets, "international experience with failed insurers shows that claims reserving is crucial to an insurer's financial health," the group said.

Malcolm Congdon, executive director of the Auckland-based Corporation of Insurance Brokers of New Zealand, said brokers are concerned that the new rules would apply only to insurers registered in New Zealand and not to offshore insurers that insure New Zealand risks, particularly major commercial risks.

CIBNZ wants a minimum cash capital requirement of not less than $5 million New Zealand ($2.7 million) for all insurers, and says the legislation should apply to all

Continued on next page

INTERNATIONAL

BERMUDA

Continued from previous page
judge (*BI*, Sept. 28, 1992; July 15, 1991).

"This matter is under immediate appeal and has been referred to the Lord Chancellor's department on the basis that a man should not be prevented by a Mareva injunction from defending himself," said an angry Mr. Hardy.

The former Focus chairman, whose worldwide assets have been frozen by injunctions issued by the Bermuda Supreme Court, has repeatedly insisted he is prepared to stand trial on the merits of the suit brought by liquidators David Lines and Peter Mitchell.

The liquidators won a $19.7 million judgment-in-default against Mr. Hardy in January and filed a statutory demand for payment against him in the United Kingdom three months later.

Mr. Hardy, who also is in contempt of the Bermuda court for violating the injunctions, later failed in his efforts to block the payment demand, which is a key part of the bankruptcy proceedings (*BI* Jan. 4).

As a bankrupt individual, Mr. Hardy, who lives in England, has been ordered to surrender his estate to an official receiver attached to the Colchester and Clacton County Court in southeast England.

On June 4, Mr. Hardy began a $90 million legal action in the English High Court against 13 defendants that he alleges conspired to maliciously institute bankruptcy proceedings against him.

New Zealand regulations

Continued from previous page
direct-writing non-life companies, including mutuals and managing agents.

"Recognizing that there are only a limited number of locally owned non-life companies. . .there may need to be an alternative system for overseas-owned companies operating an office in New Zealand," Mr. Congdon said.

The government also is introducing a new Companies Act—to be effective Jan. 1, 1994—which would replace an old act that contained minor provisions relating to insurers. It would be sensible for the new insurer regulations to come into effect on the same day, Mr. Sargeant noted.

Provisions in the current Companies Act relating to insurers are removed in the new bill. Insurers will be "left in limbo" if there is a gap between the time the new companies law comes into effect and the date new insurer regulations are imposed. BI

Mentor deadline

Mentor Insurance Ltd. creditors are being reminded of a June 30 filing deadline for claims against the estate of the insolvent Bermuda company, which collapsed eight years ago.

Joint liquidator Charles Kempe says that, under the terms of a scheme of arrangement sanctioned by the creditors in February and approved by the Bermuda Supreme Court in March, he has "no latitude to consider claims submitted after June 30" (*BI*, March 1).

According to legal notices published by the liquidators recently, parties who have not previously filed a claim form and who fail to file a notice of claim on or before June 30 "shall not be entitled to rank for any dividend payable under the scheme and shall have no further rights under the scheme or in the liquidation of Mentor."

"There may still be a small number of creditors likely to claim in respect of asbestosis and environmental impairment losses," said Mr. Kempe. Admitted claims in the liquidation currently total $323 million.

Under the plan, which represents a pioneering effort to use actuarial methods to value outstanding unreported claims, the bulk of Mentor's remaining $175 million of assets are to be distributed by the end of 1994. The final distribution is expected to be worth about 15 cents on the dollar and will follow the first 25-cent dividend declared last year when almost $78 million was paid to Mentor's 700 British and U.S. creditors.

Mr. Kempe said the scheme of arrangement will result in the fastest liquidation of its kind and could be used as a blueprint for the resolution of similarly complex reinsurance insolvencies.

Exporters Insurance

Increased premiums, lower loss reserves and tighter operating cost controls have combined to put Bermuda-based Exporters Insurance Co. back in the black.

According to its latest financial statement, the credit insurer, which suffered a $338,000 net loss in 1991, had profits of $389,000 last year.

The company, a group captive insurer formed three years ago to write export credit, political risk and related coverages, reported 1992 gross premiums of just over $2 million from its 24 member policyholders, which include banks, manufacturers of capital goods and trading companies that extend short-term credit to their buyers.

Net written and earned premiums rose 54% and 74%, respectively, to $811,000 and $471,000. Exporters' provision for losses dropped to $217,000 last year from $433,000 in 1991, while shareholders' equity rose to $13.4 million from $12.1 million in 1991.

President Robert Svensk said a restructuring of the company's preferred stock was "of great importance" in 1992.

As a result of the restructuring, "the company's capital has been freed of all contingent liabilities. . .which will enhance both the security and financeability of the insurance policies issued by the company," he noted in Exporters' annual report.

Exporters' gross outstanding liabilities under its insurance contract stopped $153 million last year, with its net exposure totaling $57.5 million. Credit insurance for account receivables arising from export sales constitutes the biggest portion of the company's portfolio.

Exporters, which has an aggregate risk limit of 20 times its capital and surplus, as well as specific country limits, offers a maximum per-risk limit of $6.4 million, with a maximum net retention equivalent to 10% of shareholders' funds on a per-risk basis.

Mr. Svensk said capacity remains tight and that Exporters is "uniquely positioned" to respond to gaps now emerging in the markets it covers. BI

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REQUEST FOR PROPOSALS

REQUEST FOR PROPOSAL

The Massachusetts Workers' Compensation Advisory Council, Department of Industrial Accidents, extends an invitation to all eligible applicants interested in bidding on the following project: Conduct a study to evaluate the advantages and disadvantages of adopting an employee's hours worked as a methodology for establishing Workers' Compensation premiums.

Funding will range from $30,000 to $35,000, available from approval date through March 30,1994. This study is to be conducted by a party with expertise in the analysis of policy and financial issues relating to workers' compensation.

The Request for Proposal is presently available, and can be obtained by contacting **Matthew A. Chafe, Executive Director, Massachusetts Workers' Compensation Advisory Council, Department of Industrial Accidents, 600 Washington Street, 7th Floor, Boston, MA. 02111 at 617/727-4900 ext. 378. Proposals must be submitted no later than 4:00 PM on July 23, 1993 to receive consideration.** THE COMMONWEALTH OF MASSACHUSETTS IS AN EQUAL OPPORTUNITY EMPLOYER.

REQUEST FOR PROPOSALS

The Massachusetts Workers' Compensation Advisory Council, Department of Industrial Accidents, extends an invitation to all eligible applicants interested in bidding on the following project: Conduct a study of the economic impact of changes to the Wage Replacement Rates for partial and temporary total benefits on workers, employers and insurers.

Funding will range from $30,000 to $35,000, available from approval date through March 30, 1994. This study is to be conducted by a party with expertise in the analysis of policy and financial issues relating to workers' compensation.

The Request for Proposal is presently available, and can be obtained by contacting **Matthew A. Chafe, Executive Director, Massachusetts Workers' Compensation Advisory Council, Department of Industrial Accidents, 600 Washington Street, 7th Floor, Boston, MA. 02111 at 617/727-4900 ext 378. Proposals must be submitted no later than 4:00 PM on July 23, 1994 to receive consideration.** THE COMMONWEALTH OF MASSACHUSETTS IS AN EQUAL OPPORTUNITY EMPLOYER.

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Health reform

Continued from page 3

will be "a compromise," he observed. And regardless of what plan is chosen, "two-thirds of Americans will think there is a better plan."

So opponents of the bill will find it easy to muster support to kill it and "wait for a better one," Mr. Blendon said.

"But if you decide to wait, we will not have reform," he told the GHAA members.

In order to support health care reform, HMOs must address three issues, Dr. Lawrence said. Those issues are: "criticisms of managed competition as a template for reform; our need to prove our quality; and. . .the fact that, alone, managed competition-based reform and the managed care organizations encouraged within that reform model cannot deal with the complex problems of health status and quality of life in the communities we serve."

First, HMOs must convince the public that managed competition is not "a gamble, an untested theory," Dr. Lawrence said. "Far from a gamble or a theory, I know as do you that competition is transforming the health care industry," he asserted.

"Who among us has not felt the pressure from a competitor to improve cost structure or lower hospital utilization rates?" he asked.

And HMOs are prompting other providers to take steps to improve, Dr. Lawrence said. For example, in Minneapolis—where HMOs have a large market share—fee-for-service clinics now are publishing their cancer detection rates and improving their preventive care services, he pointed out.

"Our second major issue is proof of quality," Dr. Lawrence continued. He said this goes beyond such quality measures as compliance with guidelines established by the National Committee for Quality Assurance, a non-profit group that reviews and accredits HMOs.

HMOs must give evidence that they provide "demonstrably superior treatment in terms of impact on clinical outcomes and quality of life" as well as in meeting patients' "expectations and sensitivities," Dr. Lawrence said.

"We are far from achieving proof of this comprehensive impact," he asserted.

One reason for that lack of proof is that HMOs must improve their response to an increase in chronic diseases. "We have only begun to explore how to work with the complex array of providers and support systems necessary to restore those with chronic diseases to their highest level of function," he said.

"As an industry, we are far from achieving the full power of the integrated systems we aspire to be. Most managed care organizations continue to be economic arrangements that bundle the elements of care delivery into salable packages. Full integration of care, I would guess, occurs in but a handful of the organizations represented in this room," Dr. Lawrence told attendees.

The third issue HMOs must address in supporting reform is how the organizations—which will be pitted against one another under managed competition—can come together to "work with those providing social and support services," he said.

HMOs must show that they can work "with those involved in building and maintaining the infrastructure of our communities—education, housing, transportation and the economy itself—to significantly improve the conditions of those we serve and materially increase the quality of their lives," Dr. Lawrence asserted. BI

Health insurance futures may pay off

By LOUISE KERTESZ

SAN FRANCISCO—Trading in health insurance futures—expected to begin in early 1994—could be an effective way for health insurers and self-insured employers to recoup higher-than-expected claims costs, some say.

By hedging their losses with futures contracts, insurers may be able to keep premiums stable despite an unexpected increase in claims, guarantee a certain payment level to providers and experiment with new products.

For some self-insured employers, trading in health insurance futures may even become a substitute for stop-loss reinsurance.

These are among the anticipated benefits of using these financial instruments, according to two consultants who spoke at the recent Group Health Assn. of America Inc.'s annual Group Health Institute in San Francisco.

Trading in catastrophe insurance futures began at the Chicago Board of Trade late last year (*BI*, Dec. 21, 1992), but they are off to a slow start with relatively few contracts being traded.

The CBOT is "going slowly in introducing the health insurance future, waiting to see how it will fit into (the Clinton administration's) health reform proposal," said James A. Hayes, president of James A. Hayes & Associates in Placitas, N.M., and a former CBOT consultant.

So far, the CBOT is the only exchange that has received all federal approvals and established regulations for trading in health insurance futures, but other exchanges can be expected to follow suit if trading is successful, he said.

Health insurance futures offer "great possibilities" for employers that self-insure their health plans, asserted Robert J. Nelsen, a health insurance consultant and broker in Green Bay, Wis.

"It doesn't take a big investment to understand and to prepare" to trade in health insurance futures "and to consider what it could do for an organization," said Mr. Nelsen, who was formerly a business development executive at Employers Health Insurance Co. in Green Bay.

Mr. Nelsen said he played a major role in educating the health insurer about futures. He added that Employer's Health, a unit of Lincoln National Corp., plans to trade health insurance futures when they are introduced and has agreed to be among the insurers that will submit claims data on which a health insurance futures index will be based.

"The probability of trading (in health insurance futures) is very high early next year. There will be a big advantage to being involved and being there first," Mr. Nelsen said.

The first health futures to be traded will be based on claims experience under small group fee-for-service contracts, he said. Health maintenance organization contracts will be added later if the first contracts are successful. The one-year futures contracts can begin at any quarter.

According to materials provided at the session, "A futures contract is a standardized agreement to buy or sell a commodity or financial instrument at some time in the future at a price agreed upon today on an organized futures exchange.

"The underlying commodity or financial instrument of the health insurance futures contract is actually an index that traces the insurance losses of a minimum of 10 health insurance carriers, including Blue Cross & Blue Shield plans and commercial insurance companies."

According to Mr. Hayes, "A futures contract is designed so that when claims, medical expenses or any measure (decided upon) goes up unexpectedly, the contract also goes up by about the same amount."

Consequently, if a health insurer buys a contract for $80,000 and later sells it for $90,000, it will have made $10,000 with which to pay higher-than-expected claims, he said.

To trade successfully, "the key is correlation," Mr. Nelsen said. The insurer or self-insured employer must "find the correlation between your block of business and the (health insurance futures index). Claims have to fluctuate both within your business and the index."

To establish the correlation, an insurer or self-insured employer should analyze its claims by cost components. Mathematical techniques can be used, based on historical information, to determine the proper correlation, Mr. Nelsen said.

For self-insured employers, trading in health insurance futures could be "inexpensive reinsurance," because the administrative and trading costs involved in futures trading are less than the cost of premiums for stop-loss insurance, according to Mr. Nelsen.

For example, the transaction costs to trade $80,000 in futures would amount to about $20 to $80, he said.

Trading in futures can allow a company to better predict future results and flatten the variability of its costs, thus helping to maintain continuity of operations, he added.

But, Mr. Nelsen warned, there are risks in trading in health insurance futures—both for insurers and self-insured employers—because it requires "a different expertise. . .it's not your primary business."

The names of the 10 contributors to the health insurance futures index—which have all been recruited on a voluntary basis—will be made public before trading begins, a CBOT spokesman said.

The contributors will provide small group market claims data to the CBOT on a monthly basis. BI

Metzenbaum

Continued from page 2

Labor. The department wanted legislators to overturn a recent Supreme Court ruling in which the justices said that pension plan advisers are not liable for monetary damages to plan participants who claim the advisers helped plan trustees breach their fiduciary responsibilities.

As long as advisers weren't acting as fiduciaries—those who actually make decisions rather than provide advice—they cannot be sued for losses caused by plan trustees' mismanagement or fraud, the high court ruled (*BI*, June 7).

But the Metzenbaum amendment would have done far more than overturn the Supreme Court decision in *Mertens vs. Hewitt Associates*.

Under the proposed amendment, plan participants would have been able to sue employers or advisers to recover the "full economic value" of benefits that were lost because of ERISA violations.

The proposal did not define "full economic value." That omission itself would cause an "entirely new spate" of litigation on what the term means, according to the letter by employers, benefit advisers and benefit trade associations.

Currently, plan participants can sue employers to recover the actual benefits that were lost because of ERISA violations. Courts also have the discretion to award attorneys' fees to participants.

The amendment apparently also would have permitted punitive damages against employers and advisers.

A provision in the Metzenbaum amendment said a participant would be unable to seek punitive damages from a pension or health care plan, leaving open the possibility that participants instead would be permitted to seek punitive damages from employers and their advisers.

As has been the case with much benefits legislation in recent years, the Metzenbaum amendment was hastily put together without any hearings.

"This was really a cheap shot. Those who would have been most affected—employers and their advisers—weren't given an opportunity to comment. I was really hopping mad," said Lynn Dudley, director of retirement policy at the Assn. of Private Pension & Welfare Plans in Washington.

The haste with which the amendment was put together was evident in its failure to define some terms or to make clear if punitive damages could be awarded.

"This was a shoddy effort. Courts would have been appalled at the drafting effort," said Mark Ugoretz, president of the ERISA Industry Committee in Washington.

If the amendment had open the door to punitive damages for ERISA violations, employers and their advisers would have been flooded with lawsuits, some say.

"You give the plaintiffs bar a powerful incentive to sue," said Towers Perrin's Mr. Langan.

Benefit consultants also said it would have been unfair to make them liable for decisions made by employers. BI

GHAA meeting draws 2,600

SAN FRANCISCO—The 43rd annual Group Health Institute, sponsored by the Group Health Assn. of America, was held in San Francisco June 13-16.

This year's meeting attracted 2,673 registered attendees, compared with only 1,952 last year.

The Washington-based HMO trade association was founded in 1959. Among other things, the GHAA provides continuing education programs for its members and collects data on HMO enrollment and the number and costs of HMOs nationwide.

The next Group Health Institute will be held June 5-8, 1994, in Miami Beach, Fla. For more information, contact the GHAA, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036.

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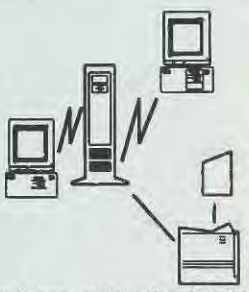
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Risk-based capital

Continued from page 1

who is Virginia's insurance commissioner.

Currently, most states technically require property/casualty insurers to meet fixed capital standards of only $1 million to $3 million. Regulators then limit the amount of business insurers can write against their capital.

"The primary objective of risk-based capital is to raise the safety net for insurance consumers," Mr. Foster said. "Additionally, the standards relate the capital required of insurers to risk, provide for greater consistency among the states, and provide the regulatory authority to take action when an insurer's actual capital falls below the standard. This is a big plus for consumers and regulators alike."

The formula released for public comment "is a great improvement over the original exposure draft," said Phillip Schwartz, vp-financial reporting and associate general counsel of the American Insurance Assn. in Washington. However, he said he still is waiting to see how the formula performs in tests with AIA member insurers.

The formula also is likely to improve as the subgroup examines additional issues, such as how the formula will treat loss-sensitive business, like retrospectively rated coverage, as well as liability coverage written on a claims-made as opposed to an occurrence policy form, he added.

"The National Assn. of Independent Insurers is pleased. We see some signs of progress that regulators have heard the needs of the smaller companies," said Robert L. Zeman, the NAII's assistant vp and assistant general counsel. For example, drafters have eliminated elements of the formula that would have penalized small insurers simply because of their size, he said.

The formula's most vocal critics are the Alliance of American Insurers and six individual insurers that prefer "cash-flow simulation modeling"—instead of risk-based capital—as a tool to gauge solvency.

That approach, developed by David E. Cummins, a University of Pennsylvania insurance professor, measures an insurer's solvency by starting with the company's current financial resources and liabilities and simulating its net cash flow over time and under various scenarios, like falling interest rates.

Risk-based capital standards adopted last year for life/health companies are to take effect in March 1994 when insurers file their 1993 annual statements (*BI*, Sept. 28, 1992).

Once a formula for property/casualty insurers is adopted, the NAIC plans to include it in its existing risk-based capital model law, which now includes the life/health formula.

The NAIC risk-based capital panel intends the formula to apply only to "regular" stock and mutual property/casualty insurers, said Vincent Laurenzano, chairman of the panel and assistant deputy superintendent and chief examiner of the New York Insurance Department's Property Companies Bureau.

The formula is not designed for mortgage guarantee or financial guarantee insurers, title insurers, state funds, county mutuals or other single-state, limited-risk entities. However, states will individually decide the other types of insurers to which the formula will apply, he said.

The formula also is not intended to be used for ratemaking or rating insurers, though consumers are expected to use the data produced by the risk-based capital formula to gauge insurers' financial strength.

Once the model law is approved by the NAIC, each insurer will be required to list on in its 1994 annual statement both its actual capital and the minimum amount of capital it is required to have under the risk-based capital formula.

To derive that required minimum, property/casualty insurers will group assets and liabilities into categories that reflect the different risks they face, including the risk that the value of assets may decline, rates and reserves may be inadequate, premiums or reinsurance may be uncollectible and any problems caused by excessive growth.

Line items in each category are multiplied by a predetermined factor to derive the required amount of capital that will be required. The riskier the asset, the more capital needed to support it.

Factors used in the property/casualty formula vary somewhat from those previously adopted for life companies. For example, the unaffiliated common stock in an insurer's portfolio is assigned a 15% factor; for life/health companies the factor is 30%. Thus, a property/casualty insurer with $100 million in such stock would need $15 million in

Continued on next page

The IRI Difference:

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A) Fahrenheit or Celsius;
B) temperature;
C) emissivity setpoint;
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For information on how to borrow the IRI infrared scanner, or concerning our global underwriting, loss prevention and claim handling capabilities, contact your servicing IRI office or call IRI Marketing (800) 243-8308 (in Connecticut, call Trish Sasso, 520-7412).

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capital and surplus to support that investment, while a life insurer would need $30 million.

The required capital for each category is then combined in accord with actuarial principles to yield a total risk-based capital amount that an insurer should have. That sum is then multiplied by four-tenths to determine the "authorized control level," which is the amount of capital at which a regulator is authorized to seize an insurer.

Regulators in states that approve the model law will use the risk-based capital numbers to determine whether regulatory action should be taken. The model specifies that:

- A regulator must seize an insurer whose base capital is 0% to 70% of the authorized control level.
- A regulator may seize an insurer whose base capital is 70% to 100% of the ACL.
- A regulator must examine and require corrective action of an insurer whose base capital is 100% to 150% of the ACL.
- A regulator must order an insurer whose base capital is 150% to 200% of the ACL to file a financial plan that identifies problems and specifies remedies to solve them.

"Testing results indicate that the formula is not Draconian and only a small segment of the industry fails to meet the standard," Mr. Laurenzano said.

For example, a test of 1,807 unidentified insurers found that 1.9% had risk-based capital levels of less than 100% of the ACL and 4.3% had levels below 200%.

By type of company, regulators would have been required to seize 17 stock companies, nine mutuals and one reciprocal.

"The working group is open to input and willing to make changes to improve the formula," he said. Pending issues include claims-made business, loss-sensitive business and interest rate risk.

That includes reviewing the Alliance's cash-flow proposal, Mr. Laurenzano said. However, he said he was not committed to testing it.

The Alliance plans to provide regulators with insurer financial data in hopes that NAIC officials will test its cash-flow proposal, said Rodger S. Lawson, president of the Alliance.

The Alliance criticizes the risk-based capital formula for, among other things, not distinguishing between claims-made and occurrence business, and for rewarding under-reserving by insurers.

The Alliance circulated a letter endorsing the cash-flow approach signed by representatives of American International Group Inc., CNA Insurance Cos., Fireman's Fund Insurance Cos., Kemper National Insurance Cos., Liberty Mutual Insurance Co. and SAFECO Corp.

The NAIC subgroup plans to accept public comment and refine the formula between now and November so it will be ready for formal adoption in December.

States are expected to have to adopt both the life/health and property/casualty risk-based capital regulatory standards for NAIC accreditation. BI

State Farm acts on solvency plan

CHICAGO—State Farm Group has taken the first step under a new system it maintains will ensure insurer solvency.

Under the Solvency and Financial Enforcement Trust program developed by State Farm, the company last week signed an agreement with Illinois insurance regulators to place 50% of its current claims obligations, an amount totaling $8.1 billion, into custodial accounts with three financial institutions.

Bloomington, Ill.-based State Farm will retain primary control over trading activities within the accounts, but can make no withdrawals without state approval. The program is designed to ensure assets available to pay losses despite an insurer's fortunes (*BI*, June 22, 1992).

The SAFE-T program is not intended as an alternative to the risk-based capital requirements the National Assn. of Insurance Commissioners plans to adopt, said Philip R. O'Connor, chairman of Palmer Bellevue Corp. in Chicago and a former Illinois insurance director.

Risk-based capital is "an analytical technique," while SAFE-T is "a simpler, direct enforcement technique," said Mr. Palmer, who helped develop the program.

Specifically, the SAFE-T program would require property/casualty insurers to deposit liquid assets equal to their reserves for losses and loss adjustment expenses. During a five-year phase-in period, 50% of the required assets would be deposited in the first year and another 10% each successive year until the account is fully funded.

Full funding for State Farm would be $16 billion, based on its 1992 year-end financial statements.

An NAIC subgroup is considering the SAFE-T proposal, which the National Assn. of Mutual Insurance Cos. endorses.

—By Meg Fletcher

New excess insurer

Continued from page 2
Group and De Beers Consolidated Mines, both of South Africa.

AIG, along with General Re, also is expected to invest in a new property catastrophe reinsurance facility, Tempest Reinsurance Co., which is being formed in Bermuda by investor Donald Kramer, who recently resigned as chairman of NAC Re Corp.

Starr and Tempest are just two of the new wave of insurance and reinsurance facilities being formed in Bermuda (*BI*, June 21). These companies could attract more than $1.2 billion in capital to Bermuda in the next several months.

Although Starr could consider submissions as early as this week, it is not expected to be operating in time to quote on July 1 renewals.

Starr will compete almost directly with X.L. Insurance Co. Ltd., which also offers $100 million in excess liability limits, though the X.L. coverage attaches as low as $25 million. X.L. also offers D&O limits of $25 million excess of $25 million.

X.L. President Brian O'Hara noted that his company already competes with commercial insurers in the United States and Europe as well as the American Excess Insurance Assn. line slip.

"Only time will tell how Starr will affect us," Mr. O'Hara said. "It will be the end of the year before things become clear. Depending on how they operate in competing for business, Starr could turn out to be a destabilizing force in the market."

AIG's plans to form a Bermuda-based excess liability insurer have been in the works since at least last fall, when the New York-based company proposed the formation of Global Excess Liability Insurance Co. in a prospectus (*BI*, Oct. 12, 1992).

Johnson & Higgins and Goldman Sachs & Co. are in the process of forming a property catastrophe reinsurer with a similar name, Global Capital Reinsurance Ltd. BI

Fronting

Continued from page 1
by year end.

In addition, participating in a captive reinsurance pool could cause a captive to be subject to the proposal unless the pool complied with strict guidelines added to the draft model law last week.

The Special Issues Committee will vote on the proposal at the NAIC's September meeting. If the committee approves the proposal, it would be considered by all 50 state regulators at the NAIC's December meeting, said Sandra M. Siegel, assistant deputy New York insurance superintendent, who chaired the Special Issues Committee meeting last week.

One regulator, though, is urging risk managers and others to continue their fight to convince regulators that some captives should be exempt.

"The captive industry needs to come forward to educate regulators and explain specifically how their captives and pooling arrangements work," said Elizabeth Costle, Vermont's insurance commissioner.

Many regulators on the Special Issues Committee—including regulators from New York, North Carolina and Virginia who also served on the task force—support the proposed "Fronting Disclosure and Reporting Act" as a means to protect policyholders and ceding companies participating in fronting programs with unauthorized reinsurers that may not have sufficient financial incentives to stay solvent.

Specifically, the act seeks to ensure proper disclosure and regulation of transactions in which an insurer delegates underwriting or claims settlement authority to an unauthorized reinsurer.

The act does so by establishing requirements for reporting, record-keeping and reinsurance contracts, among other things. A handful of transactions, including those with "a single-parent captive insurer," would be exempt from the reporting and disclosure requirements.

But "single-parent captive" is very narrowly defined and two changes to the definition became the focus of some heated discussions during the meetings of both the Reinsurance Task Force and the Special Issues Committee.

Before last week's NAIC meeting, the proposal exempted reinsurance transactions with single-parent captives that are "owned by one or more affiliated persons and domiciled in a jurisdiction which is accredited under the (NAIC's) financial regulation standards," so long as the captive only reinsures: risks of the owners of the insurance company and affiliates of the owners; (and/or) risks related to or arising out of the business or operations of the owners and affiliates; (and/or) risk-sharing pools formed by groups of captives.

In order to maintain a captive's exemption, the risks reinsured by these pools must be "homogeneous" and each captive participating in such a pool must retain "more than 50% of its risks net of all other reinsurance cessions."

Vermont's Ms. Costle recommended the Reinsurance Task Force change "homogeneous" to "similar or related" to help clarify the act's intent. The task force approved that change along with numerous minor changes distilled from written comments sent to regulators.

However, when the Special Issues Committee reviewed the task force's report containing that wording, North Carolina Deputy Insurance Director Ray Martinez proposed new wording.

The half-page of text he then circulated emphasized that the parent companies of captives belonging to a reinsurance pool must all be members of the same industry. In addition, all captives belonging to a pool must cede "the same" kinds of coverages to the pool.

For instance, one captive could not cede only property risks to a pool if another pool member only cedes workers compensation risks.

Ms. Siegel, who collaborated on the new wording, said the "similar or related" language adopted by the task force as Ms. Costle's suggested was "not clear and leaves the door open for group captives."

Ms. Costle protested the change, arguing among other things that it was procedurally inappropriate because Special Insurance Committee members had not been previously notified of the change.

However, Virginia Insurance Commissioner Steven T. Foster, who chaired the task force, emphasized that the change was "a clarification," similar to changes that Ms. Costle herself had proposed previously.

"What's good for the goose is good for the gander," remarked Mr. Foster, president of the NAIC.

Despite the vocal opposition of Ms. Costle and her supporters—Iowa Commissioner David Lyons and District of Columbia Supervisor Robert Willis—the majority of regulators on the committee voted to release the draft of the proposed model law for public comment. Interested parties should send their comments to the NAIC by Aug. 15.

Representatives of captive owners are concerned about regulators' willingness to listen to them.

"The major flaw in the bill is that it puts captive reinsurers on the same footing as unscrupulous managing general agents who have been 'given the pen' by fronting companies, though that comparison is totally inaccurate," said Jay Waters, director of Risk Management for Forest City Enterprises in Cleveland and co-chairman of the Coalition of Alternative Risk Funding Mechanisms (see story, page 7).

"The CARFM Steering Committee has concluded that this is no longer a solvency proposal; rather it has become one narrowly focused on captive regulation. The current draft exempts entire insurance industries, such as life, credit and surplus lines," said Richard C. Heydinger, director of risk management for Hallmark Cards Inc. in Kansas City, Mo., and co-chairman of CARFM.

"The exemption to the single-parent captive is still too narrow," Malcolm Butterfield, Bermuda's registrar of companies, told the task force. Under the current proposal, all Bermuda captives would be subject to the proposal's disclosure and reporting requirements. BI

Punitive damages

Continued from page 1
ownership of property.

Two years earlier, in *Haslip vs. Pacific Mutual Life Insurance Co.*, the Supreme Court indicated there might be some ratio of punitive-to-compensatory damages beyond which a punitive award would be clearly unconstitutional, but the justices did not define that ratio (*BI*, March 11, 1991).

Writing for the majority in *TXO*, Justice John Paul Stevens repeated the court's opinion in its 1991 Haslip decision: "We need not, and indeed we cannot, draw a mathematical bright line between the constitutionally acceptable and the constitutionally unacceptable that would fit every case."

He noted that in the Haslip ruling the court had said a "general concern of reasonableness" enters into questions about the constitutionality of large punitive damage awards. And, he said the court hinted in *Haslip* that the punitive award, which was four times the compensatory damage award, "might be close to the line" of constitutional reasonableness.

Justice Stevens noted TXO maintained that a punitive damage award that was more than 526 times compensatory damages was "grossly excessive."

But the justice said the Supreme Court, like the state high courts in both *TXO* and *Haslip*, does not follow an "approach that concentrates entirely on the relationship between actual and punitive damages."

"It is appropriate to consider the magnitude of the potential harm that the defendant's conduct would have caused to its intended victim if the wrongful plan had succeeded, as well as the possible harm to other victims that might have resulted if similar future behavior were not deterred," he wrote.

"The punitive damages award in this case was certainly large, but in light of the amount of money potentially at stake, the bad faith of (TXO), the fact that the scheme employed in this case was part of a larger pattern of fraud, trickery and deceit, and (TXO's) wealth, we are not persuaded that the award was so 'grossly excessive' as to be beyond the power of the state to allow," Justice Stevens said.

However, Justices Sandra Day O'Connor, David Souter and Byron White dissented.

"This court's decision in *Haslip* promised that, even if juries occasionally failed to fulfill their function faithfully, trial and appellate courts would provide meaningful review sufficient to discern impermissible influences and guarantee constitutional results. In my view, today's decision fails to make good on that promise," Justice O'Connor wrote.

There's no harm in breaking that promise, said American University Law School Dean Andrew F. Popper, who wrote a brief filed on behalf of Consumer Union in support of Alliance.

In fact, he contended, more harm will be done if the Supreme Court continues to review punitive award cases.

"I think it would be a terrible waste of resources to continue to pursue the Supreme Court to engage in a substantive review of punitive damages," Mr. Popper said. "What this case says to me is that the state courts are the appropriate venue to review the process and the amount of a punitive damage award. What this case will be known for is the clear rejection of a mathematical bright line based on, for example, compensatory damages."

But Ted Boutrous, an associate with Gibson, Dunn & Crutcher in Washington, which filed a brief in support of TXO on behalf of Allstate Insurance Co. and others, didn't see the decision as a total loss.

"I think it's significant that the court indicated that the due process clause does establish outer limits and endorsed the analysis in *Haslip*," namely that there is some point after which punitive damages become unconstitutional.

The *TXO* decision also indicated that "in cases where juries aren't provided with adequate guidance, it could violate the due process clause," Mr. Boutrous said.

•

TXO Production Corp. vs. Alliance Resources Corp. et al.; U.S. Supreme Court, No. 92-479

Update

Auditor wants verdict set aside

Continued from page 2

Coopers' auditors failed "to properly study and evaluate (World's) internal accounting system" and advise the company of weaknesses, according to Maureen McGrath, Coopers co-counsel. Ms. McGrath is in private practice in Omaha.

World also charged that Coopers' alleged negligence made it difficult for a subsequent auditor of the electronics chain to issue an audited annual statement, Ms. McGrath said.

In its suit, World charged that when Coopers audited the results for the year ended June 2, 1984, it failed to account for an $879,000 debt owed to an inventory financier.

But, Ms. McGrath said, "the records regarding that debt were not included in the company's business records and were withheld from Coopers & Lybrand. . . .(World) contended Coopers should have found them from references in other documents."

She called the verdict excessive, noting that plaintiffs' witnesses testified that the company was worth $8 million to $11 million.

If the verdict is not set aside, Coopers will appeal, she said.

Liberty files comp fraud suit

BOSTON—Liberty Mutual Insurance Co. is suing a Boston-area contractor for $12 million, claiming the company misrepresented its payroll and misclassified the tasks of construction workers to lower its workers compensation premiums.

Liberty Mutual filed suit in Massachusetts State Court last week, charging N.B. Jon-Son Steel Erectors Inc. with classifying "hard-hat" construction workers as clerical staff and submitting false payroll records to drive down its 1991 and 1992 workers comp premiums.

N.B. Jon-Son was assigned to Liberty Mutual by the Massachusetts residual market when the construction company was awarded a contract to work on a project designed to connect the Massachusetts Turnpike with Logan International Airport.

The lawsuit says N.B. Jon-Son paid Liberty about $335,000 over the two-year period. But a field audit conducted by Liberty Mutual claims the contractor should have paid about $12 million.

"We'll fight this aggressively because it's this type of fraud that hurts everyone," said Neil Johnson, director of field operations and field audits with Liberty Mutual.

N.B. Jon-Son subsequently changed its name to Mohawk Construction Co. to avoid paying the back premiums, the suit alleges. Mohawk is named in the suit along with N.B. Jon-Son.

Officials for the construction firm could not be reached.

EPA stuck with cleanup tabs

WASHINGTON—The Environmental Protection Agency does not expect to collect roughly $270 million in cleanup costs from alleged polluters.

A spokeswoman for the agency said last week that much of the unrecoverable money involves so-called "orphan sites" for which no responsible parties could be found. In other cases, the EPA decided that pursuing the polluters would cost more than it could recover.

Separately, an EPA official last week said the agency plans to encourage greater use of alternative dispute resolution in reaching settlements for Superfund site cleanup.

EPA Deputy Administrator Robert Sussman said the agency hopes to identify about 20 sites where ADR can be used as part of a general goal of reducing transaction costs. Sites chosen would be those where settlements with small waste contributors appear likely, he said.

Briefly noted

Monarch Life Insurance Co. has added Ernst & Young to a **$250 million professional malpractice suit** that is pending against Boston law firm Ropes & Gray in a Massachusetts superior court. The defendants, which also represented former Monarch Life parent Monarch Capital Corp., knew about or assisted in Monarch Capital's alleged diversion of millions of dollars of Monarch Life's assets, the suit claims. . . .The Senate last week confirmed **Olena Berg** to be the new assistant secretary at the U.S. Department of Labor's Office of Pension and Welfare Benefits Administration. Most recently, Ms. Berg had been chief deputy treasurer for the state of California. . . .**Wind, hail, tornadoes and flooding** caused an estimated $220 million in insured property damage to portions of eight states stretching from Oklahoma to Connecticut June 7-9, reports the Property Claim Services division of the American Insurance Services Group. . . .John L. Gazitua, an organizer of the fraudulent **International Forum of Florida Health Benefit Trust**, has been sentenced to 97 months in prison and ordered to pay $34.5 million in restitution after pleading guilty to racketeering and other charges related to IFFHBT's collapse. . . .The three-member **Texas Board of Insurance** will be dissolved Sept. 1 under a bill that Gov. Ann Richards allowed to go into law June 21 without her signature (*BI*, June 21). . . .Beleaguered members of Lloyd's of London syndicates formerly managed by **Gooda Walker Ltd.** are required to pay another 157 million pounds ($235.5 million) in cash calls by July 31 for losses from 1983 to 1991. Total losses of the syndicates recently audited for year-end 1992 amount to 900.1 million pounds ($1.35 billion). . . .The **New York Compensation Rating Board** is seeking an 18.7% workers comp rate increase, effective Oct. 1. Hearings before Insurance Superintendent Salvatore Curiale are set to begin July 7. . . .Philip Morris Cos. Inc., R.J. Reynolds Tobacco Co. and tobacco industry groups are suing the Environmental Protection Agency over a report earlier this year that blamed **secondhand smoke** for 3,000 deaths a year (*BI*, Feb. 8). . . .**Harvey Rosenfield**, author of California's Proposition 103, is leaving Voter Revolt, the group that sponsored the initiative. He is succeeded as executive director by Jennifer Frank.

Outcomes

Continued from page 1

a hospital's financial outcomes to determine which providers charge more or hospitalize patients longer.

But, physicians and academic researchers say they lack confidence in these systems' ability to accurately measure clinical quality. They caution against accepting quality rankings from any system as the final word, since all of the systems have flaws.

And, they say, employers should not fall for marketing pitches that such systems will lower their health care costs. In fact, some of the more complex severity adjustment systems require a six-figure investment and are very labor-intensive.

While in-depth evaluation of various severity adjustment systems is a task best left to health policy researchers, experts say employers should at least recognize there are major differences among the commercially available systems—in terms of cost and in the way they abstract data and make conclusions about provider quality (see story, page 23).

"Outcomes research in general is going to be a major developing field in the future, but our capability to assess outcomes today is pretty crude," noted Dr. Jerry Gardner, associate chairman of St. Louis University's department of internal medicine.

Because the field of outcomes research is still in its infancy, employers should not make hasty decisions about contracting based on the findings of one particular software system, he said.

"This is all first-generation stuff," explained Dr. Arnold Milstein, managing director with William M. Mercer Inc. in San Francisco. "It's like the first car built: You have to ask, 'Is this a good means of transportation given where I want to go?' "

The medical community isn't very supportive of the current models.

"It's important to note that what comes out of these systems are not absolute measures of quality," asserted Dr. John T. Kelly, director of the American Medical Assn.'s office of quality assurance in Chicago.

Physicians' lack of confidence in available outcomes measurement systems is one reason "the overwhelming majority of hospitals have chosen not to invest in" them, Dr. Kelly said.

"You see the most activity in states where data collection has been mandated or where major payers have demanded" that area hospitals prove they are providing value, he pointed out.

Indeed, a growing number of states—including Colorado, Iowa and Pennsylvania—have passed legislation requiring hospitals to collect and disseminate some type of information about the cost and efficiency of the services they provide. Some of the projects use commercially available software systems, but other states, like California, have decided against those systems.

Researchers in California studied all the commercially available systems and concluded, "Nothing out there was worth the state investing in," Mercer's Dr. Milstein said.

"Reviews by the academic research community of most of the available commercial tools are not favorable," he pointed out. Those researchers say customized risk-adjusters, not generic ones, are needed to really get a handle on severity-adjusted outcomes, he said.

And, some of the data on outcomes is not useful for all employers, especially given the cost of collecting and analyzing it.

"Four years ago, we took a look at severity adjustment systems and made the decision that it would be too costly and too much of a burden on our employer members given what these systems yield," said Andrea Castell, executive director of the Health Care Purchasers Assn., a coalition of 100 large employers in Washington state.

"Clearly, we are interested in quality measures, but the systems measured organ failure," not things like immunization rates or other preventive services. And, she said, "The bulk of our employees receive treatment in the outpatient area, so we wanted a system that measured outcomes in both arenas."

Moreover, the jury is still out on whether outcomes research will lower health care costs. Most experts say the main reason employers should invest in outcomes research is to improve employee health, not cut costs.

"We have no evidence that improving hospital quality reduces costs," said Dr. Robert Brook, director of the health sciences program at Rand Corp. in Santa Monica, Calif., which has completed a variety of well-respected outcomes studies.

"We may find from our appropriateness research that if we eliminate unnecessary surgery we'll reduce costs, but there is no direct evidence that quality health care is less expensive." In fact, "It costs money to upgrade the level of quality in a hospital," he said.

"Cost containment is not a fundamental objective of outcomes research," stressed Dr. Harry Wetzler, senior scientist with the Health Outcomes Institute in Bloomington, Minn., which coordinates the development and refinement of instruments used to study outcomes.

The real key to cost control is squelching Americans' appetite for medical care, Dr. Wetzler said. "Most of the things done in medicine are done because there is some perception of a benefit. But, if you don't have any incentive not to consume, you'll do something even if the benefit is small."

Others disagree.

"Clearly, in our view, increasing quality eliminates inefficiency and therefore costs decline," said Dr. William Mohlenbrock, medical director of Iameter Inc. The San Mateo, Calif.-based company markets a severity adjustment system that currently is being used by four major employers in Cincinnati (*BI*, Dec. 14, 1992).

The employers—which represent 168,000 employees and dependents in a community of about 365,000—requested that 14 hospitals in Cincinnati measure variations in treatment and resource use for major diagnostic categories using Iameter's system. Based on the findings, many physicians changed their practice patterns, resulting in a $75 million decrease in hospital charges community-wide (*BI*, April 12).

Dr. Mohlenbrock stressed that a change in physician behavior, not simply the use of Iameter, was the key to lowering costs.

"The system itself won't lower health care costs," agreed Bruce Hutchinson, manager of institutional contracting and payment for Blue Cross & Blue Shield of Minnesota. "Clinical data is nothing more than data. It's of no use in a vacuum. Creative use of the data to change provider behavior is what leads to saving money."

The Minneapolis-based BC/BS plan has been using Medisgroups, a severity adjustment system marketed by MediQual Systems Inc. in Westborough, Mass., since 1986 and now links payment with provider performance, Mr. Hutchinson said. "It's difficult to measure if we've impacted adverse outcomes" by using the system, "but we know what we are paying for now."

Above all, users of outcomes measurement systems should be aware that each model has limitations and should not be the sole rationale behind health care purchasing decisions, health care researchers say. Using such systems to compare different hospitals is misguided, they say.

"My main concern with any system is people in the business environment may be tempted to pick a system and use it as the gold standard or final statement on the quality care in a particular setting," said Mike Hendricks, assistant professor of the hospital and health administration program at the University of Iowa in Iowa City. "These systems should be used only to suggest areas of strengths and weaknesses. They are the first stage, not the final word." BI

A sampling of systems

Outcomes management systems vary widely in what they measure, what data they are based on, and price. Here are thumbnail sketches of three popular systems.

Acuity Index Monitor

Marketed by Iameter Inc. of San Mateo, Calif.
Measures a patient's length of stay given certain characteristics contained in hospital discharge record.
Comparative data base includes 20 million patient records.
Users: More than 100 hospitals and payers.
Cost: $20,000 to $75,000 annually.

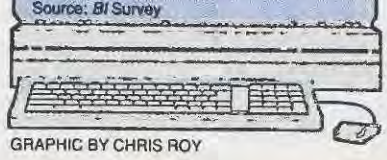
Medisgroups II

Marketed by Medical Systems Inc. of Westborough, Mass.
Measures probability of organ failure based on 500 key clinical findings from patient medical records.
Comparative data base includes 15 million patient records and 550 hospitals.
Users: More than 500 hospitals and payers; required for use by some hospitals in Pa., Iowa and Colo.
Cost: $40,000 to $200,000 annually.

Apache III

Marketed Apache Medical Systems Inc. in Washington, D.C.
Measures mortality risk of intensive care unit patients based on clinical data collected through the patient's stay.
Comparative data base of more than 17,000 patient records.
Users: Include Cleveland Health Quality Coalition; 12 other hospitals.
Cost: $95,000 to $300,000 annually.

Source: *BI* Survey



GRAPHIC BY CHRIS ROY

Buyer's guide to outcomes management systems

Here are what health care experts say a benefit manager—or another purchaser—should know before investing in an outcomes measurement system.

Generally, most agree that hospitals and physicians—not health care purchasers—will gain the most from using the high-level, most expensive severity adjustment systems:

• "If I were a purchaser, I would look for a system that is in the public domain," said Dr. Robert Brook, director of the health sciences program at Rand Corp. in Santa Monica, Calif.

Some marketers of severity adjustment systems have kept secret the research behind the development of their products, he said. "As a researcher, I don't like black boxes. Purchasers should have an absolute right to know what is in a severity adjustment model—that shouldn't be kept proprietary. It would be like saying, 'Take this drug to get better, but I'm not going to tell you its name or chemical compound.' "

• "I would look for evidence that the system can accurately predict the outcome you want to use as a performance measure," said Dr. James Rohrer, head of the University of Iowa's hospital and health administration graduate program and the center for health services research.

The problem with evaluating quality management software systems is they all use different definitions of "severity." Some base their measure of severity on the probability that a patient will become sicker or die after leaving the hospital with a certain diagnosis, while others use the probability of organ failure and others the chance of death in the intensive care unit specifically, Dr. Rohrer explained.

Other systems define severity in terms of length of stay or use of resources.

• "Time and money are the major issues to discuss when you are deciding to buy a developed system or create one yourself with local providers and researchers," said Dr. William Mohlenbrock, founder of Iameter Inc.

Some of the commercially available systems are much more expensive than others because they require a great deal of data collection.

Medisgroups, for example, is based on patient medical records, not hospital discharge data.

"The system can track total hospital and physician charges over time, resource use over time for different disease groups, length of stay variables and ancillary charges," among other things, said Mike Hendricks, an assistant professor in the hospital and health administration program at University of Iowa in Iowa City, who has studied Medisgroups. "In order to get that much information, it's extremely labor-intensive. It costs five figures just to license the system and costs about six figures a year to keep it running."

Also, the complexity of the system means it takes a long time to learn how to use it, Mr. Hendricks said. "If you really want to look at specific clinical findings to improve hospital quality, it might be worth the investment."

But, less expensive systems, based on discharge rather than clinical data, are fine for users looking for information on resource issues like length of stay, he said.

—By Christine Woolsey

Heart transplants

Continued from page 3

Mr. Via's health care benefits—for both procedures because prior approval was not obtained. Humana also specifically denied coverage for the Jarvik transplant because it considered such a procedure "experimental."

"Although it seems callous for Humana to deny coverage for a life-saving procedure and thereafter deny all subsequent hospital expenses—in essence saying to Mr. Via, 'We will not cover you because you should be dead'—Humana's humanity is not the issue here. This is a contract case and the language of the benefit plan controls. Again, Loyola and Mr. Via were certainly free to attempt these life-saving procedures, but the benefits plan does not require Humana to pay for them," wrote Judge Terence T. Evans, chief judge of the U.S. District Court in Milwaukee who was sitting on the appellate panel.

The case raises difficult questions about who will pay for experimental treatments under a reformed health care system that is based on managed care, consultants say.

"The whole idea of managed care is that someone has to make the decisions on what is covered, and we as a society haven't made those decisions yet," said Paul Sullivan, senior research consultant at Alexander & Alexander Consulting Group in Newburyport, Mass.

Another consultant defends insurers' role in setting limits on coverage for certain procedures.

"I believe physicians are preying on human emotion to receive funding for projects that would be better funded in other ways," said Robert Wesselkamper, managing consultant at Noble Lowndes in Chicago.

"I was relieved that the court was able and willing to put aside emotions and look at the contract language," said Robert J. Bates Jr. of Pope & John in Chicago, who represented Humana.

Loyola has not decided whether it will appeal. But a spokesman said the hospital will "continue to champion patients for their rightful benefits for techniques that are proven effective and are approved by the FDA." BI

Federal trials suspended after funding bill stalls

WASHINGTON—Many federal civil jury trials ground to a halt last week after Congress failed to pass a supplemental appropriations bill that would have pumped $5.5 million into the federal court system.

While trials that began before June 18 can continue, all other federal civil jury trials were suspended last Monday. This includes trials in civil rights, patent, personal injury and antitrust disputes.

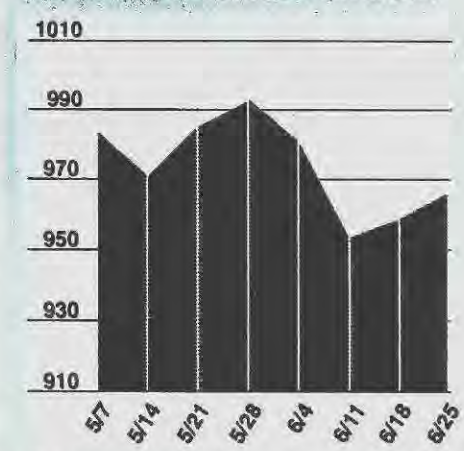
Although the Senate passed a supplemental appropriations bill last Tuesday, differences with the House version of the bill still must be worked out in conference committee, said a spokesman for the Administrative Office of the U.S. Courts.

The suspension of trials will have "a tremendous impact on Corporate America in resolving major disputes," the spokesman aid. "You can't settle a case unless you have a firm trial date." Most large corporate disputes are settled prior to trial, he explained.

Such a suspension of federal civil trials previously occurred in 1986, when funding was unavailable for 10 days.

—By Joanne Wojcik

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance industry stocks rose last week, as the *Business Insurance* Index climbed 6.8 points to 965.3 on June 25 from 958.5 on June 18. Advancing issues for the week were led by: Phoenix Re Corp., up 14.2%; ACE Ltd., up 10.1%; and Allied Group Inc., up 9%. Declining issues for the week followed: Seibels Bruce Group, down 13.3%; Safeguard Health Enterprises, down 8.6%; and Zurich Reinsurance Centre Inc., down 6.6%. The most active issue was Allstate Corp., 5.7 million shares traded. The *BI* Index was up 0.7%; the NYSE Composite was up 0.92%; the Standard & Poor's 500 was up 0.88%; and the Dow Jones 30 Industrials dropped 0.1%.

British Issues

June 24 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	600	N/M	32.5	5.4	610—600	
Genl Accident	595	N/M	35.7	6.0	595—585	
Gdn Royal Exch	186	N/M	9.3	5.0	186—180	
Royal	293	N/M	6.7	2.3	295—289	
Sun Alliance	357	N/M	19.0	5.3	359—356	
Brokers						
Bradstock	139	16.3	6.8	4.9	139—138	
CE Heath	335	16.1	20.5	6.1	335—333	
Hogg Group	216	18.9	10.9	5.0	216—202	
JIB Group	206	20.4	10.0	4.9	206—200	
Lloyd Thompson	301	24.3	7.5	2.5	302—301	
Lowndes Lmbrt	368	14.5	16.8	4.6	368—357	
PWS Holdings	63	9.4	5.3	8.4	63—61	
Sedgwick Grp	197	23.7	8.0	4.1	198—191	
Steel Brrl Jones	241	14.1	17.7	7.3	245—241	
Willis Corroon	219	20.4	8.8	4.0	220—214	

Source: Philip Olsen, London

BI Industry Stock Report

JUNE 21, 1993 THROUGH JUNE 25, 1993

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Acordia Inc	NYS	21.38	1.79	-0.58	24.75	15.13	54	0.44	2.06	13	7.01	3.05
Alexander & Alexander	NYS	26.63	2.90	0.47	28.88	21.25	145	1.00	3.76	23	10.00	2.66
E.W. Blanch Holdings Inc.	NYS	16.75	-5.63	N.A.	20.00	16.75	71	0.00	0.00	20	10.00	1.68
Gallagher Arthur J. & Co.	NYS	32.50	0.78	15.04	37.38	21.88	54	0.72	2.22	20	6.35	5.12
Hilb, Rogal & Hamilton	NYS	13.00	-4.59	-16.80	16.88	11.00	77	0.44	3.38	18	3.11	4.18
Marsh & McLennan	NYS	86.00	0.15	5.88	97.63	76.88	700	2.68	3.12	20	14.40	5.97
Poe & Brown	OTC	19.00	2.70	13.43	21.25	11.25	35	0.40	2.11	34	2.64	7.20
BROKERS	AVERAGE		-0.3	0.9					2.4	21		
INSURERS/REINSURERS												
ACE Ltd.	NYS	28.63	10.10	N.A.	32.00	25.50	820	0.40	1.40	10	34.06	0.84
AEGON N.V.	NYS	44.00	-3.03	5.71	49.38	34.50	98	2.94	6.68	8	34.06	1.29
Aetna Life & Casualty	NYS	54.50	-0.46	17.20	55.88	38.00	1079	2.76	5.06	118	67.08	0.81
Allied Group Inc.	OTC	36.38	8.99	14.57	45.50	21.50	474	0.76	2.09	8	11.29	3.22
Allmerica Prop. & Casualty	NYS	55.25	0.45	9.41	60.38	34.75	50	0.44	0.80	5	40.44	1.37
Allstate Corp.	NYS	28.50	3.17	N.A.	30.00	27.13	5708	0.00	0.00	-	-	-
American General	NYS	32.00	0.39	12.28	33.25	23.63	1213	1.08	3.38	13	39.89	0.80
American Heritage Life Ins.	NYS	23.00	-3.16	14.05	25.34	18.91	5	0.44	1.91	16	16.51	1.39
American Indemnity/Fin'l	OTC	14.25	3.64	137.50	15.25	4.75	21	0.08	0.56	7	14.43	0.99
American International	NYS	128.88	1.88	11.10	132.75	87.63	1604	0.60	0.47	16	54.21	2.38
American RE Corp.	NYS	33.88	2.65	-8.45	41.75	31.38	401	0.00	0.00	74	N.A.	N.A.
Aon Corp.	NYS	52.38	1.45	-3.01	56.75	43.75	312	1.80	3.44	17	27.17	1.93
Argonaut Group	OTC	30.88	0.41	1.23	35.25	26.00	114	1.00	3.24	9	21.70	1.42
AVEMCO Corp.	NYS	21.50	0.00	-8.02	27.88	18.50	5	0.40	1.86	25	7.33	2.93
Baldwin & Lyons Inc	OTC	41.00	0.00	12.33	41.00	29.50	3	0.48	1.17	10	30.85	1.33
Berkley W.R. Corp.	OTC	38.25	-0.65	-11.05	50.50	32.75	247	0.40	1.05	15	23.51	1.63
Berkshire Hathaway Inc.	NYS	15100.0	-5.33	28.51	16200.0	8925.0	1	0.00	0.00	-56	6437.3	2.35
Chandler Insurance	OTC	3.88	-3.13	-18.42	7.63	3.50	2	0.00	0.00	13	8.63	0.45
Chubb Corp.	NYS	85.88	4.25	-3.38	96.38	70.00	1287	1.72	2.00	13	40.67	2.11
CIGNA Corp.	NYS	59.88	1.70	2.13	68.00	47.13	606	3.04	5.08	11	81.73	0.73
CNA Financial Corp.	NYS	94.75	2.16	-3.32	102.88	83.25	113	0.00	0.00	-13	80.24	1.18
Continental Corp.	NYS	30.00	5.73	11.63	34.75	20.00	561	1.00	3.33	22	38.32	0.78
EXEL Ltd.	NYS	47.88	-0.26	1.32	52.25	35.00	801	1.00	2.09	8	N.A.	N.A.
Fund American Corp.	NYS	82.00	-1.20	13.89	86.75	67.50	23	0.00	0.00	14	81.85	1.00
Fremont General Corp.	NYS	23.00	1.10	-33.33	27.84	13.25	180	0.72	3.13	8	25.62	0.90
Frontier Insurance Group	NYS	42.50	-5.82	-2.30	49.00	32.00	21	0.60	1.41	14	13.97	3.04
Gainsco Inc.	ASE	13.75	-0.90	-2.65	18.56	9.41	61	0.04	0.29	17	2.65	5.19
General RE Corp.	NYS	114.38	4.81	-1.19	130.50	83.00	1254	1.88	1.64	16	46.07	2.48
Guaranty National Corp.	NYS	21.38	1.18	8.23	24.00	14.63	24	0.48	2.25	12	9.12	2.34
Harleysville Group	OTC	23.00	-6.12	-18.58	32.75	18.50	194	0.64	2.78	13	16.77	1.37
Hartford Steam Boiler	NYS	54.75	0.46	-5.19	59.88	52.50	142	2.12	3.87	20	19.74	2.77
HCC Insurance Holdings	OTC	24.50	0.00	20.99	24.75	12.25	8	0.00	0.00	25	10.12	2.42
ITT (Hartford Group)	NYS	83.75	-1.18	16.32	85.75	62.75	920	1.96	2.34	-36	68.23	1.23
Kemper Corp.	NYS	35.00	3.70	18.14	43.00	20.75	796	0.92	2.63	-8	37.66	0.93
Lawrence Insurance Group	ASE	6.38	0.00	-26.09	10.25	5.50	1	0.12	1.88	-	4.66	1.37
Liberty Corp.	NYS	31.00	0.00	9.73	33.88	25.00	97	0.56	1.81	13	18.43	1.68
Lincoln National	NYS	76.63	2.51	4.79	83.63	60.25	409	3.04	3.97	10	58.92	1.30
Markel Corp.	OTC	35.88	3.24	14.80	36.50	23.00	122	0.00	0.00	11	20.24	1.77
Mutual Risk Mgmt. Ltd.	NYS	34.50	0.00	-14.81	46.00	26.25	72	0.28	0.81	19	7.51	4.59
NAC Re Corp.	OTC	33.88	-0.73	-16.36	44.75	25.75	585	0.16	0.47	48	13.60	2.49
National Re Corp.	NYS	31.88	2.82	7.59	39.63	17.63	681	0.12	0.38	12	N.A.	N.A.
Navigators Group	OTC	32.50	-1.52	0.00	36.00	28.50	3	0.00	0.00	24	15.69	2.07
Nobel Insurance LTD.	OTC	6.75	-0.92	14.89	8.25	4.25	13	0.00	0.00	3	3.91	1.73
NWNL Companies	NYS	30.25	-1.22	18.92	32.44	17.63	396	0.80	2.64	13	22.94	1.32
Ohio Casualty Corp.	OTC	63.38	0.20	0.40	68.75	54.25	215	2.84	4.48	12	43.08	1.47
Old Republic Int'l	NYS	23.25	0.54	-6.53	27.38	19.50	925	0.44	1.89	8	18.63	1.25
Orion Capital Corp.	NYS	37.75	0.33	6.71	46.38	27.41	29	0.80	2.12	8	28.62	1.32
Phoenix RE Corp.	OTC	30.25	14.15	92.06	34.00	9.00	1305	0.20	0.66	-66	13.32	2.27
Provident Life	NYS	26.38	-0.94	-7.46	31.50	21.00	39	1.04	3.94	10	30.38	0.87
Re Capital Corp.	ASE	14.38	-0.86	-12.88	16.63	12.25	9	0.28	1.95	29	16.88	0.85
Reliance Group Holdings	NYS	7.25	5.45	18.37	8.50	4.25	403	0.32	4.41	3	2.94	2.47
RLI Corp.	NYS	26.25	0.96	6.06	28.63	18.75	7	0.52	1.98	12	17.92	1.46
St. Paul Companies	NYS	80.00	0.63	3.90	83.25	67.88	351	2.80	3.50	-13	59.79	1.34
SAFECO Corp.	OTC	57.63	3.13	1.54	66.75	48.38	925	1.80	3.12	15	35.37	1.63
SCOR U.S. Corp.	NYS	16.50	-0.75	-5.71	20.75	13.13	19	0.32	1.94	206	14.39	1.15
Seibels Bruce Group	OTC	0.81	-13.33	-56.64	6.13	0.38	81	0.00	0.00	0	6.22	0.13
Selective Ins. Group	OTC	25.50	3.03	15.91	25.75	19.00	258	1.12	4.39	14	20.22	1.26
Statesman Group Inc.	OTC	11.13	2.30	-7.29	16.50	5.00	409	0.20	1.80	6	6.71	1.66
TIG Holdings	NYS	25.25	5.21	N.A.	26.50	22.88	660	0.00	0.00	-20	-	-
Tokio Marine & Fire	OTC	59.75	3.02	24.48	64.50	37.88	7	0.00	0.00	-	70.93	0.84
Torchmark Corp.	NYS	53.50	2.88	-5.73	64.75	43.41	723	1.04	1.94	14	14.87	3.60
Transatlantic Holdings	NYS	53.13	3.16	-5.35	56.75	31.75	40	0.28	0.53	18	21.85	2.43
Traveler's Corp.	NYS	31.88	8.05	16.97	31.88	17.13	3017	1.60	5.02	-5	43.85	0.73
Trenwick Group Inc.	OTC	42.25	3.68	3.68	49.75	27.50	159	0.88	2.08	16	23.87	1.77
United Fire & Casualty	OTC	35.13	0.36	-15.36	43.00	35.00	4	1.00	2.85	82	28.47	1.23
Unitrin	OTC	43.50	-1.14	1.75	46.75	33.00	282	1.20	2.76	14	36.51	1.19
UNUM Corp.	NYS	53.25	0.95	0.47	58.38	38.50	419	0.80	1.50	14	21.83	2.44
US Facilities Corp.	OTC	9.00	-5.26	-10.00	11.50	6.50	281	0.00	0.00	11	9.64	0.93
USF&G Corp.	NYS	17.75	4.41	43.43	19.63	9.88	1185	0.20	1.13	-	10.29	1.72
USLICO Corp.	NYS	18.13	0.00	0.69	20.00	15.00	60	0.24	1.32	-6	29.80	0.61
USLIFE Corp.	NYS	39.88	1.92	10.00	42.63	29.34	80	1.20	3.01	12	64.90	0.61
Washington National	NYS	22.88	1.10	-0.54	28.00	19.25	63	1.08	4.72	12	30.27	0.76
Zenith National Ins.	NYS	24.00	1.59	21.52	29.25	16.38	4	1.00	4.17	20	14.81	1.62
Zurich Reinsurance Centr.	NYS	30.13	-6.59	N.A.	36.38	30.13	634	0.00	0.00	-	23.99	1.26
INSURERS/REINSURERS	AVERAGE		0.8	5.4								
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	27.75	0.00	38.75	29.00	14.50	1683	0.00	0.00	26	9.61	2.89
Pacificare Health Sys.	OTC	38.00	0.00	-25.49	57.50	25.50	215	0.00	0.00	19	3.90	9.74
Safeguard Health Enter.	OTC	8.00	-8.57	-17.95	12.25	7.00	39	0.00	0.00	10	4.03	1.99
Sierra Health Services	ASE	19.13	2.00	-11.56	21.69	9.00	287	0.00	0.00	16	2.01	9.51
TakeCare Inc.	OTC	40.63	2.85	-8.71	50.25	25.75	421	0.00	0.00	15	2.01	20.21
United Healthcare Corp.	NYS	61.63	2.92	8.35	68.00	38.69	1114	0.03	0.05	34	4.68	13.17
United Medical Corp.	ASE	9.38	0.00	47.06	9.75	6.13	0	0.20	2.13	17	10.30	0.91
U.S. Healthcare	OTC	48.00	2.67	7.56	59.75	31.00	4354	0.52	1.08	24	3.60	13.33
Wellpoint Health Networks	NYS	26.88	-4.02	N.A.	39.75	23.00	564	0.00	0.00	15	-	-
HMOs	AVERAGE		-0.2	4.2					0.4	20		
ALL COMPANIES	AVERAGE		0.1	3.5					2.1	17		

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