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

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Updates

California regulators seize comp insurer Superior National

CALABASAS, Calif.—The California Insurance Department has seized control of Superior National Insurance Group, one of the state's largest workers compensation insurers, after concluding that four of its units are "severely underreserved" and insolvent by a total of $247.1 million.

State regulators took over the company Friday and said they would go to state courts in Los Angeles and Sacramento on Monday for orders placing Superior National's operating units under the management of the Insurance

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Reliance cashes in strongest unit

By GAVIN SOUTER

NEW YORK—Reliance Group Holdings Inc. announced a turnaround strategy last week that included the sale of its best-performing unit for $580 million and a management shake-up that saw the longtime head of the struggling insurer step down as chief executive officer.

Analysts view the plan as positive, but say it is the first of a series of steps that need to be taken to revive Reliance's business.

The announcement of the turnaround plans, however, has done little to revive Reliance's flagging stock price. Reliance Group Holdings closed Friday at $4.00 a share, down 35.4% from $6.19 just before the announcement.

Having bolstered the company's capital, management must successfully implement the rest of the plan and improve Reliance's financial results, analysts say.

The insurer must also raise more capital or refinance its debt, which is now due in August, they say.

"They are still in the process of rebuilding their credibility," said Ken Zuckerberg, senior vp and equity analyst at Keefe, Bruyette & Woods Inc. in New York.

By selling its surety business to Travelers Property Casualty Corp. for $580 million in cash, the company has greatly improved its capital, but, at the same time, it has lost its best-performing business, he said.

In 1999, the surety unit's 79.6% combined ratio was the only Reliance unit whose ratio was lower than 125.0% (see chart). The consolidated operations posted a combined ratio in 1999 of 124.3%.

"There are two sides to the transaction," said Matthew Coyle, a director at Standard & Poor's Corp. in New York. "On the positive side, the sale goes a long way to addressing their liquidity and capital needs. But the negative side is that it's selling the best part of its business," he said.

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Reliance selling a profit center

dollar figures in millions

Divisions	Net premiums written 1999	Net premiums written 1998	% change	Combined ratio 1999	Combined ratio 1998
Reliance National [1]	$1,060.70	$1,013.70	5%	131.2%	102.6%
Reliance Insurance	693.2	775.5	-11	125.2	106.7
Reliance Reinsurance	247.2	217.3	14	129.3	102.5
Reliance Surety	**213.4**	**204.4**	**4**	**79.6**	**72.4**
Reliance Personal [2,3]	346.1	226.8	53	125.8	111.3
Consolidated [3]	2,560.40	2,438.30	5	124.3	102.1

1. restated to exclude Reliant, a non-standard auto insurer, which is now part of Reliance Personal. 2. represents the combination of Reliant and personal auto insurance marketed through direct channels 3- Reliance personal and Consolidated include 8.1 combined ratio points and 1.0 combined ratio points respectively for the $24.0 million pretax restructuring charge taken in the first quarter.

Source: Reliance Group Holdings Inc.

Auditor's sale of consulting arm may stir market

By JOANNE WOJCIK KOCHANIEC

NEW YORK—Ernst & Young L.L.P.'s plans to shed its management consulting operations may not only ease regulatory



pressure, but also could enhance competition in the risk management and employee benefits consulting marketplace, observers say.

New York-based Ernst & Young last week said it would sell its management consulting business—including its risk management and benefit consulting operations—to Paris-based computer consultant Cap Gemini in a cash-and-stock deal valued at $11 billion.

The Ernst & Young deal comes on the heels of moves by two other Big 5 accounting firms to demonstrate to the Securities and Exchange Commission that their core tax and auditing practices and management consulting operations are separate and do not pose conflict-of-interest issues.

PricewaterhouseCoopers said Feb. 17 that it was planning to "disaggregate" its business into two or more separate operating units, and last August, KPMG L.L.P. announced a plan to spin off its management consulting practice with an initial public offering in mid-2000. KPMG sold off regional units of its employee benefit consulting practice in 1998 to Watson Wyatt Worldwide and ASA Inc. of Somerset, N.J. As it happens, the risk manage-

See **Consultants** *on page 35*

Fraud suit crosses pond

Reinsurer suing Stirling Cooke in London

By DOUGLAS McLEOD

LONDON—A U.K. reinsurance unit of Fairfax Financial Holdings Ltd. has filed new fraud charges in London against brokerage units of Stirling Cooke Brown Holdings Ltd. after similar allegations were dismissed by a New York court.

Sphere Drake Insurance Ltd., formerly known as Odyssey Re (London) Ltd., sued Stirling Cooke units and others in London's High Court last week, only days after a New York federal judge ruled that the United Kingdom is the proper forum for the litigation.

Like the New York legal action, Sphere Drake's London lawsuit charges that Stirling Cooke and London-based managing general underwriter Euro International Underwriters Ltd. fraudulently used the reinsurance company as a dumping ground for underpriced workers compensation business.

The Sphere Drake lawsuit names a pair of U.K.-based Stirling Cooke brokerage subsidiaries, along with the former managing director of Stirling Cooke, Nicholas Brown; Euro International; and Euro principals John H. Whitcombe and Christopher R.

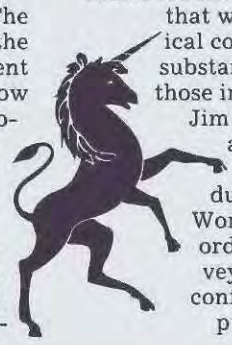
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Texas chapter seeks benchmark

RIMS launches comp poll

By SALLY ROBERTS

FORT WORTH, Texas—The Dallas/Fort Worth chapter of the Risk & Insurance Management Society Inc. wants to know whether the medical cost component of workers compensation in Texas is in line with those elsewhere in the nation.



In an effort to determine this, the chapter last week embarked on an ambitious plan to survey risk managers across the country about their companies' workers comp medical costs.

RIMS members in Texas think that workers comp medical costs in the state are substantially higher than those in other states, said Jim Green, risk manager for manufacturer Justin Industries Inc. in Fort Worth, Texas, and coordinator of the survey. "We'll either confirm that or dispute it," said Mr. Green, who also is vice chairman of the external affairs team of national RIMS.

By comparing the medical costs for similar injuries and industries in various states, risk managers will be better equipped to go to state workers comp regulators and legislatures to ask for changes, said Mr. Green.

"If we're going to make recommendations to address a perceived problem, we need to know that it's a real problem, not a perceived

See **Survey** *on page 34*

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NEWSPAPER

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Superior National seized

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Department's Conservation and Liquidation Office.

Included in the takeover are California-based Superior National units California Compensation Insurance Co., which regulators found insolvent by $145.8 million as of last Dec. 31; Combined Benefits Insurance Co., found insolvent by $2.5 million; Superior National Insurance Co., found insolvent by $40.3 million; and Superior Pacific Casualty Co., found insolvent by $58.5 million.

In addition, regulators will seek an ancillary receivership order against Commercial Compensation Insurance Co., a New York-domiciled Superior National unit.

On Feb. 28, the Insurance Department received a letter from Superior National President and Chief Executive Officer J. Chris Seaman reporting that the Superior National companies "are impaired" under the rules governing preparation of their annual financial statements.

Mr. Seaman and other Superior National officials could not be reached.

In Sept. 30, 1999, financial statements—the latest available—Superior National reported a $60 million underwriting loss and a combined ratio of 134.8%for the first nine months of the year. The group wrote $480.6 million in gross premiums during the first three quarters of last year, compared with $136.2 million for the same period in 1998. The 1999 total includes premiums of Business Insurance Group Inc., which Superior National acquired in December 1998.

The insurers will continue to operate and pay claims under regulatory control, a California department spokesman said. Insurance Department officials are hoping to improve the group's financial condition, possibly through a finite risk reinsurance arrangement, he added.

Superior National stock plunged to less than $2 per share from $4.13 before the NASDAQ National Market halted trading Friday afternoon.

The majority of Superior National's stock is owned by investment funds affiliated with Fort Worth, Texas-based Insurance Partners L.P., according to Securities and Exchange Commission filings. Other large shareholders are Centre Solutions (Bermuda) Ltd. and Superior National management, including Mr. Seaman.

Superior National had been delaying release of financial data, leading analysts to expect "something bad," noted Bob Farnam, an analyst with A.M. Best Co. in Oldwick, N.J.

"It's been rumored for a while that they were pretty deficient," Mr. Farnam said, adding that the extent of the impairment "is a little surprising but not entirely unexpected."

Best downgraded Superior National units to B from B++ last Wednesday, and on Friday it reported that the insurers were under regulatory control.

Aetna neutral on takeover bid

HARTFORD, Conn.—Aetna Inc. continues to limit its response to an unsolicited $10.5 billion takeover bid, saying little more than that the company's board "will review the letter in due course."

Hartford, Conn.-based Aetna confirmed Wednesday that it received a letter Feb. 24 from WellPoint Health Networks Inc. of Thousand Oaks, Calif., and ING America Insurance Holdings Inc., expressing their desire to start discussing a $70-per-share purchase of Aetna.

The offer, subject to due diligence and other conditions, comprises $44 in cash and $26 in WellPoint common stock per Aetna share, and, according to one analyst, is "a pretty fair bid."

"I actually think it's about right," said James A. Lane, a vp at Salomon Smith Barney Inc. "I think the total company value is about $15 billion. They have about $4.6 billion in debt."

Mr. Lane noted that it's now up to Aetna to decide whether it will allow the bidders to "to do the kind of due diligence they want to do."

In a statement Friday, Moody's Investors Service Inc. said it will monitor the proposal's outcome but noted that any related rating actions are premature at this stage.

Aetna's stock price jumped on the news of the proposed deal, closing at $53 Wednesday, a 29% increase over Tuesday's close. It closed Friday at $53.44 a share.

Harvard Pilgrim plan to be filed

BOSTON—Health maintenance organization Harvard Pilgrim Health Care, which was placed into receivership in January, will continue to operate as a non-profit entity and provide coverage under terms of a rehabilitation plan to be filed this week, said Massachusetts Insurance Commissioner Linda Ruthardt.

"The gist of it" is that a rehabilitation plan the HMO's current management proposed last summer "appears to be working, which is great, because it allows the company to effectively continue without any disruption," she said.

Ms. Ruthardt said the basic concept calls for the HMO's temporary receivership to end but for Harvard Pilgrim to remain under the administrative supervision of both herself and state Attorney General Thomas Reilly. The supervision will last until the HMO becomes profitable, which is expected in 2001, she said. The state Supreme Judicial Court must approve the rehabilitation plan.

Ms. Ruthardt said the HMO, which is the largest in the state, has paid $338 million to providers since it was put into receivership on Jan. 4—including $198 million of obligations generated before that date—and has $200 million in cash.

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Errors & omissions

• A Feb. 28 article on a coverage ruling involving Reliance Insurance Co. misidentified an attorney representing the policyholder in the case. The attorney is Robert E. Frankel.

Small rate raises seen

Survey of producers shows jumps in comp, commercial auto

By MARK A. HOFMANN

WASHINGTON—Commercial insurance rates have begun hardening, if only slightly, according to a survey of intermediaries released today by the Council of Insurance Agents & Brokers.

The Commercial Insurance Market Index found that, regardless of the size of the account, pricing for property/casualty insurance has increased—generally by less than 10%—between February of this year and February 1999. On a line-by-line basis, hardening was most evident in commercial automobile and workers compensation.

The survey results have "reaffirmed there is some movement in the marketplace, and I think it put some real information underneath the stories we'd been hearing about market swings," said Ken Crerar, president of the Washington-based CIAB.

Mr. Crerar said the CIAB decided to conduct the survey after hearing members' anecdotal reports of changes in the marketplace over the past few months. "Part of the genesis was to give our members tools, and this is a planning tool," he said.

"We're seeing a modest upswing, and there are no indicators there is any severe hardening," he said.

The survey on which the index is based was conducted by the CIAB between Feb. 18 and 25.The CIAB plans to issue the index on a quarterly basis, with the next survey being conducted around the middle of April, said Mr. Crerar.

The results are based on the responses of about 100 members of the CIAB, said Mr. Crerar. In addition to soliciting information about commercial auto and workers compensation, the survey asked respondents to report pric-

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Union balks at Boeing cost-sharing plan

Talks grounded over benefits



PHOTO: REUTERS

A union of professional engineers on strike at Boeing opposes a health benefits cost-sharing proposal.

By MICHAEL PRINCE

SEATTLE—Boeing Co. has declared its negotiations with striking engineers deadlocked, as the two sides have dug in their heels over the issue of employee contributions for health benefits.

But the striking union has stated it does not believe the negotiations are at an impasse and instead will file an unfair labor practices charge with the National Labor Relations Board.

If the union agreed an impasse exists, labor laws would give Boeing the option to implement its final offer, which was rejected by the Society of Professional Engineering Employees in Aerospace, or operate under the contract that expired in December.

"SPEEA's positions on the Feb. 26 offer, as communicated to the company before negotiations concluded, reflect what both sides have known for some time, namely, that there are substantial differences

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Bonfire inquiry hits snag

By MICHAEL BRADFORD

COLLEGE STATION, Texas—Consultants and engineers investigating the bonfire collapse at Texas A&M University are scrambling to find insurance that will pay potential expenses that the school is prevented from covering.

In the wake of the Nov. 18 accident that killed 12 and injured 27, the university formed a special commission that has set a March 31 deadline for determining the cause of the collapse. The commission has a $1 million budget and has hired five consulting and engineering firms to conduct an investigation.

Determining the cause of the accident by the deadline "is the sole objective" of the investigation, said Leo E. Linbeck Jr., chairman of the commission and chairman of Houston-based construction company Linbeck Corp. Additional funds and time might be needed to finish the job, however, he said.

The bonfire is an annual Thanksgiving tradition held at the Texas A&M campus before the football game with its archrival, the University of Texas. Students handle the engineering and building of the giant bonfire's log structure.

The collapse occurred around 2:30 a.m. a week before the game, as dozens of students worked to complete the structure.

Last month, the five-member special commission was created,

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PHOTO: NEWSMAKERS

Rescuers at Texas A&M dig through the fallen bonfire structure.

Inside

• The planned sale by Ernst & Young of its consulting operation is a welcome separation of auditing and consulting services that will eliminate potential conflicts of interest and, we hope, inspire other accounting firms to follow suit, this week's editorial says. **PAGE 8**

• A High Court battle between Lloyd's of London and 235 names who accuse the insurance market of fraud will begin in earnest this week. **PAGE 27**

• Premiums for commercial liability insurance in the United Kingdom, including employers liability coverage, could rise by 30% if guidelines for pain-and-suffering awards are increased. **PAGE 27**

• The report into the abuse of children in state-run foster care in Wales is recommending a review of U.K. law to clarify the position of local authorities and their insurers in inquiries into the conduct of public employees. **PAGE 27**

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Spotlight report



Crowded online benefits field awaits employers seeking help

By JUDY GREENWALD



Numerous companies are emerging online that offer employers administration of health benefits programs, but employers should be cautious when selecting such vendors, because many are new and untested entities.

Unlike long-established benefits consulting firms, most of these newer companies began as online vendors, and many are so freshly minted that officials at companies only a few years old may brag about their longevity and experience.

"It's a tricky marketplace," said John Garner, manager for Pasadena, Calif.-based consultant NetWorking Employee Benefit Solutions L.L.C. When an employer is looking for something "more traditional," such as a group health insurer, third-party administrator or health maintenance organization, "you look for a solid track record of performance."

"When you're talking about the leading edge of technology, nobody has that same kind of solid track record. Although there are firms that have growing client lists. . .it's not quite the same," said Mr. Garner.

The right online benefits partner, though, can make life easier for employers.

Ken Mabry, human resources manager for Atlanta-based Avivra Inc., a 500-employee company that sets up managed care and provider networks, has worked with Atlanta-based Employease Inc. since August, with satisfactory results.

"Now all you need is the Web address" to access various functions, he said, adding that the company's human resources department has found the program particularly helpful because the system is "very intuitive for anyone who has used the Internet."

Furthermore, he said, the system saves a lot of time. Under the old approach, a human resources person had to go to payroll to generate a special report; now, everyone has access to all the same information "and it's very easy to learn," he said.

The strengths of online benefits administration vendors vary, and those differences should be considered when selecting a vendor.

While some companies are run by people well versed in benefits administration, others are, essentially, technologically oriented and their employees may have little, if any, benefits background.

In addition, the firms often have different client bases. While some see employers as their primary market, others concentrate on offering their online products to brokers, third-party administrators, health care providers and insurers.

And while some focus solely on benefits administration—including providing online enrollment and bill reconciliation services and main-

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Employees log on to manage 401(k) accounts

By JOANNE WOJCIK KOCHANIEC



Employees in Black & Decker Corp.'s far-flung U.S. locations no longer have to go to their local human resources personnel with questions about the company's 401(k) plan.

Instead, they can get the information they need by logging on to Black & Decker's HR home page on the World Wide Web. And for employees who lack Internet access at work and at home, the company is quickly installing worksite "kiosks."

Since Black & Decker switched to the Internet-based 401(k) administration system managed by Baltimore-based T. Rowe Price about three years ago, plan communication "has been a lot more consistent," said Raymond Brusca, vp-benefits in Black & Decker's corporate headquarters in Towson, Md. Mr. Brusca explained that, historically, there had been a lot of confusion about the plan because so many different people were explaining it to employees in the company's numerous locations. Black & Decker has a total of about 12,000 employees, located throughout every state.

At first, "there was a little backlash" among the HR personnel in the field, who were concerned they weren't getting "training" after they were told 401(k) administration was being moved online, Mr. Brusca said. "But that lasted for about a month," he said.

And now that employees can "see" their investments laid out on a computer screen, rather than trying to visualize them while calling the company's interactive voice response system, "they're becoming more aggressive" in saving and making investments, Mr. Brusca said. He added that employees perhaps are also being influenced by the two pages devoted to investment education in the company's hard-copy benefits newsletter. The newsletter is published by consultant William M. Mercer Inc. using information obtained by monitoring the employees' investments.

"We can access all the information to see how employees are investing" and suggest broad investment strategies, Mr. Brusca explained.

The online administration system lets employees easily change their contributions and their investments online, after doing computer modeling to project their retirement income using T. Rowe Price's "Decisions" software. The software is also available via the Internet, or an employee can purchase it on disk for $3, according to Mr. Brusca.

Sue Nelson, benefits manager at Dallas-based Texas Instruments Inc., is in the process of negotiating with providers to install a similar self-service system that will put online all of the company's "financial benefits," including its 401(k) and employee stock purchase plans.

See **401(k)** *on page 12*

Group health plans increasingly for sale on the Net

By MICHAEL PRINCE

Books, pet supplies and computers, yes, but health plans?

Indeed, group health insurance plans are available for sale online.

Many of these Web sites have moved beyond providing online health care information and administration and now sell health insurance policies directly to employers.

Despite having similar goals, however, each site approaches the task with a slightly different twist. Some act as brokers and sell health plans directly to employers, while others continue to use brokers to consummate the sale. Most focus on the small-employer market, while others look to midsize and large employers. And while some look to bring health plans to buyers, others bring buyers to the plans.

Some of the Internet sites also have positioned themselves to take advantage of employers' growing interest in a so-called defined contribution approach to paying for health care benefits. The sites also are well suited if an employer adopts an individual voucher system for providing health care to workers.

While it's too early to tell which model, or models, will ultimately prevail, it's clear that online marketing of health insurance is undergoing rapid growth.

Employers have shown growing interest in buying health insurance over the Internet, said Randall Abbott, senior consultant with Watson Wyatt Worldwide in Philadelphia. While talk abounds, there has not been "a whole lot of action on the part of employer-sponsored plans," he said.

One reason is that buying coverage



online marks a sea change in how health insurance is usually purchased. Eventually, however, he envisions employers replacing the old face-to-face negotiations with pointing and clicking.

"I would not be surprised to see the day when you can go on eBay and buy group health care benefits," he said.

While leading Internet auction site eBay Inc. might not yet offer health insurance, online auctions of health insurance have taken place elsewhere.

Hewitt Associates, the benefit consulting firm, broke new ground last year by conducting the first online auction for health insurers to bid for three employers' business (*BI*, Nov. 29, 1999).

This year, Hewitt will conduct further auctions, possibly involving up to 50 employer plans, said Tom Beauregard, a principal in Rowayton, Conn.

Selling directly to employers and eliminating brokers is one of the Internet's great advances, Mr. Beauregard said. "The Internet will disintermediate a lot of the people that stand between the buyer and seller," he said.

Beyond Hewitt, numerous recently formed Internet businesses have emerged looking to enter the multi-

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taining employee eligibility information—others are prepared to assist with a wider range of human resources administration functions, such as resume tracking.

These emerging companies' relationships with established, major benefit consulting firms are complex.

In some quarters, the two types of firms view one another as competitors. In others, they are seen as occupying separate market niches. The consulting firms often serve large, Fortune 500 employers with individually developed online benefits administration packages that can cost millions of dollars to develop. In contrast, the Internet companies are generally geared to provide economical, readily customizable online programs for small and medium-sized employers.

Generally speaking, the major benefit consulting firms "are focused more on the outsourcing, and they are providing online services for the companies for which they do outsourcing as employee benefits administrators," said Mr. Garner.

In contrast, he observed, the online companies "are focused on providing applications that allow employers to do employee benefits administration and communications via the Internet. . .and so they've got a different orientation. They're not looking to provide this as part of an outsource package; they're just looking at that particular niche."

Several of the major benefit consulting firms, though, have also established alliances and work closely with one or more of these Internet companies, with the consulting firms contributing their benefits expertise and the Internet companies lending their programming talent.

Meanwhile, because the online benefits administration field is so new, it remains in a state of flux. As a result, many companies that begin with one strategy may later switch to another.

Some companies "found out their initial strategy did not serve them very well," said Greg Davidson, who is the Milwaukee-based e-business leader for Willis North America Inc.'s national benefits practice.

"Some of these organizations have trouble targeting their market," said NetWorking's Mr. Garner. They may, for instance, begin focusing on insurers and then switch to providers he said.

Some consultants predict that, over the next few years, many of these firms will disappear, others will be acquired or merge with one another or with the more traditional benefit consulting firms, while some will expand their product offerings. And, in the meantime, new ones are likely to have sprung up.

The market is not yet mature, and "no one's sure what's the best model out there," said Charlie McCarthy, vp at the Segal Co. in New York.

"I think you're going to see carnage before two years," predicted Jeff Graves, chief executive officer of El Segundo, Calif.-based iBenefits Inc., an online benefits administration company. "There will be consolidation within our industry, but it's only those companies with good technology" that will ultimately survive. "Many are more sales-and-marketing focused and are all about hype," he said.

Mr. McCarthy said he believes that if they are to survive, the new online companies are "going to have to offer more than just benefits services. They're going to have to be less dependent on (companies') internal human resources systems. They're going to have to offer more complete solutions for companies."

Because the market is still developing, it is particularly important that employers carefully select their online administrators, observers say.

"What you need to be looking for is the right mix of employee benefit understanding with cutting-edge technological ability," said Alan N. Cohen, president of Westbury, N.Y.-based Online Benefits Inc.

"Some of these companies are purely technical, but some of these companies are made up of former benefit administrative experts," noted Segal's Mr. McCarthy.

"You really want someone to take care of your administration. You'd better make sure they're talking about administration first and technology second," he said.

"I think you've got to look at the domain experience behind the organization," said John Nail, CEO of Atlanta-based digitalBenefits, an online benefits administration firm. "Are they folks that know human resources and employee benefits, or are they technologists experienced in building online applications?

"Can you start trusting to have functions you have done yourself before move to the Internet?" Mr. Nail asked. "You must be darn sure those delivering it to you know exactly what they're doing," he said. "It's a lot harder to deliver these applications on the Internet than people think."

Mr. Garner said, "I think most employers are looking for somebody that has done this at least a few times successfully for other organizations, but as the technology emerges, that's not always possible.

"Particularly with certain types of benefits or uses, an employer may need to accept that they're going to be the first one to do a particular thing, and that can slow down the deployment process, as new programming is necessary," he said. "But the new products are emerging."

Many online firms, however, "don't know yet what they don't know," said Mr. Graves.

Mr. Davidson recommends that employers meet with these firms' senior officers "and talk about their forward strategy."

"I find that fascinating," said Mr. Davidson, who works with a number of online benefits administrators. "'Some of these companies do not have a forward strategy," despite the fact that the one thing that is known about the Internet is that it will change, he said.

"If the management is really not thinking about that, do you really want to partner with that kind of company—that does not share your vision of the Internet? Because once you put your data out there" on someone else's system, it can be very difficult to retrieve, said Mr. Davidson.

Being wary of "vaporware"—products that are merely theoretical or prototypes—is also important.

"I would say that the majority of the companies that I'm aware of today are either in the first or the final stages of their getting venture capital, so it's a very good point when you look at some of these things, you have to really ask the right questions," said Mr. Davidson.

"Does this exist today, or is it something that's going to be phased out sometime in the future? A buyer can easily get lost and find out what they thought they were buying is really just vaporware today," he said.

"It's definitely something employers have to watch out for," agreed Mr. Garner. "It's much easier to create a good looking demo than it is to have a

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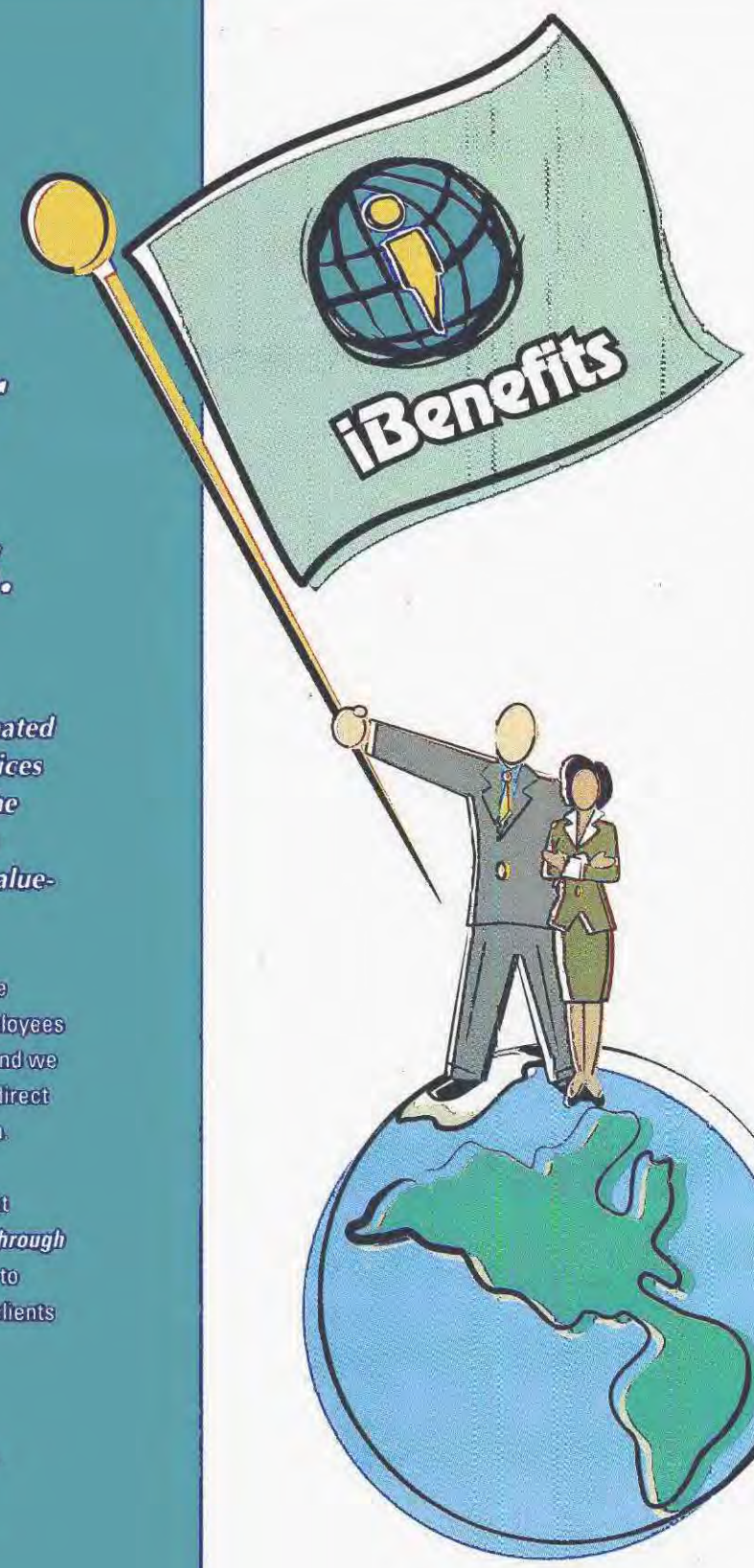
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real, functioning product."

Consequently, unless employers are willing to have the bugs tested on their own systems, "they want to check with the existing clients and find out how well the system is working," said Mr. Garner.

Mr. Cohen said, "We consistently run into prospective clients who've heard about the amazing thing that the XYZ Co. can accomplish, but the truth is, because those companies are technologically oriented, they don't understand the complexity of saying what they can do in an employee benefits and human resources environment, and it ends up being vaporware."

Mr. Cohen said he has learned of presentations given at 100-employee firms where employers are promised everything can be done online, when, in fact, their local HMOs do not accept information electronically.

"Don't be dazzled by the pretty pictures on the browser," warned Mr. Nail. They may look great, but "this is a business application. It's not an entertainment site," he said.

Companies should make sure a system's architecture is "scalable" and can grow with the company, said Mr. Davidson.

Compatibility with existing systems is another consideration as well, he said. For instance, most companies today use computerized payroll systems, so employers should be sure the online benefits administration system they choose is compatible with those systems.

"It's not just selecting a product. You're really selecting a partner in many ways, and throughout the due diligence process, you want to make sure it's compatible with all the systems a company may offer," said Mr. Davidson.

Bob Burnett, a principal in Buck Consultants Inc.'s San Francisco office, agreed, saying that employers need to look at how the online benefits administration system will work with their human resources and payroll systems "to fully integrate in an automated way, so you can pass data back and forth without having to do a lot of manual input or data entry."

"It needs to cover all of the services that you need," said Mr. Burnett, whose consulting firm has established a partnership with Santa Clara, Calif.-based Healtheon/WebMD, which is lending its Internet expertise.

"It needs to provide data eligibility, have rules of benefit programs housed within the system so it can determine who's eligible for XYZ health plan based on the data you put into the system. . .you have to have it generate premium billing and reconciliation, " said Mr. Burnett.

There should be a "good match between the employer's needs and the capabilities of the systems," said Mr. Garner. "If an employer really wants people to be able to sign up for 401(k) participation online, and the system doesn't do that, that's an important drawback; or they have to be willing to be the first one to do it and wait for the custom programming," said Mr. Garner.

In addition, some firms tout that they offer a total package that includes not only online enrollment, but also services such as COBRA administration and flexible spending accounts, he said. But "if you've already got vendors in that area you're happy with and you don't want to disturb those relationships, vendors with the packaged approach aren't a good match for your company," said Mr. Garner.

Mr. Burnett said another factor to consider is whether employers can establish links to all of their vendors' Web sites, as well as how quickly and cost-effectively they can make changes, such as adding new employees to the plan and updating contributions.

Benefits administration data should also be available not only on an employer's intranet but also via the Internet, he said. Many people mistakenly assume these applications will be used only at work, said Mr. Nail. But employers should bear in mind that many employees will access the site from their homes.

Another critical factor is computer security, which is relevant in light of recent attacks on Web sites. "If you're putting your data on someone else's server, what kind of security can make sure the data is always safe?" Mr. Davidson asked. BI

Employers taking healthy interest in online information sources

By LEE FLETCHER

Employer cost savings can be just a few keystrokes away thanks to a variety of online health care services that are helping to promote wellness and make workers better-informed consumers.

A growing number of employers are placing links on their corporate intranets to health care Web sites that offer information on illnesses, treatments and prevention, according to benefit consultants and others.

Valerie Wedin, Minneapolis-based global director of communication practice with Watson Wyatt said, "What all of this technology really does is it enables you to go after" the most valuable online information and get it to employees.

Health care information Web sites can help workers become better informed about not only their own health but also that of dependents, observers say.

"I really believe that employers are going to find that these (online health sites) pay for themselves in terms of increasing productivity and in keeping their workers engaged and highly productive," she said.

Bruce Kelley, who is also with Watson Wyatt in Minneapolis, said it is becoming more common for benefit managers to link their company's benefits intranet to these contracted health care information sites.

"A number of employers are linking through their company's intranet. That way, their employ-

Continued on next page

Continued from previous page

ees can get on and set up their own personalized pages. For example, if the employee is particularly interested in nutrition and physical activity, he or she can log on and find customized information on those topics. It's kind of a mass-customization approach," Mr. Kelley said.

Ms. Wedin said, of the companies using an intranet, "at least a third of them are thinking about how to expand their wellness information and include these external sites."

Karen King, vp of benefit resources for Marriott International Inc. in Washington, said online health sites provide good information to employees and that offering access through the company's intranet is the best approach.

"I think one of the most obvious advantages is that you can update your information immediately. You don't have to rely on the print media to print and distribute information, which can become quickly outdated on someone's shelf. Also, it's easily available and accessible for people," she said.

Although Marriott currently doesn't use any third-party information vendors, it does offer Marriott employees company-specific information via its intranet.

"We have linked things like provider lists, forms and information, and that's worked well," Ms. King said.

One of the advantages of online information sources is they can lead to early intervention, reducing treatment costs, according to Dan McCarthy, senior vp of e-commerce for Magellan Health Services in Salt Lake City.

Magellan's online employee assistance program, MagellanAssist.com, specializes in behavioral health, particularly mental health and substance abuse problems.

Through MagellanAssist.com, employers can offer their employees online, confidential help. For example, employees can log on and quickly receive a referral to a counselor. The site also offers information for supervisors and managers on how to manage stress, as well as a way for practitioners to check benefit coverage.

"If we can get a hold of a problem early and identify it early, it's much easier to treat, and it's usually treated at less intensive levels. It really ends up being a win for the consumer, but also a win for the business and the health plan," Mr. McCarthy said.

The online format often makes it easier to communicate, thus promoting earlier intervention, he added.

David Hines, president and founder of Boston-based Consumer's Medical Resource Inc., agrees that these medical intervention programs benefit both employees and their employers. CMR, a telephone-based health care assistance service, is staffed by physicians who received degrees from and teach at Harvard Medical School.



CMR has helped several patients find alternatives to high-cost treatments such as transplants and surgery. In one instance, for example Mr. Hines said an intervention saved about a quarter of a million dollars in treatment costs.

While providing health care information online can be helpful, the volume of data available can be confusing, he said.

"The Internet is kind of a two-edged sword where, on the one hand, we have better access, but it can also be overwhelming," he said.

Many health care sites allow employees to create their own health profiles, pointed out Mr. Kelley. "The employee-specific factor is what's really unique about these sites. They help people manage their own illnesses. If you let the site know what your illness is, they'll sift through all of the information that's specific to your illness."

Often, health care Web sites offer users questionnaires for self-diagnosing health care concerns.

"We remind people that this is not a professional assessment and that maybe, if you've taken the quiz, you might want to get a professional assessment," Mr. McCarthy said.

Magellan provides an toll-free number as well as links to other Web sites so individuals can obtain additional information. "Our job is to encourage utilization," he said.

Mr. McCarthy emphasized that because MagellanAssist.com assists employees in the behavioral health area, "it's difficult for some people to be an educated consumer of mental health services, because there is a stigma to it."

"Part of the goal of our Internet strategy is to create informed, responsible health consumers. While there are other avenues to get health information in most areas, it's difficult to get the standard word-of-mouth information about mental health issues. People don't raise their hand at the benefits meeting at the beginning of the year to ask about the mental health benefits," he said.

Despite the increasing use of these sites, some online wellness program operators acknowledge that technology will never fully replace human contact.

"We view the technology as a way of doing some things better or more efficiently than we can do without the technology," said David Anderson, vp of programs and services for The Staywell Co. in St. Paul, Minn.

StayWell offers an Internet-based service, StayWell Online, that allows employers to give their employees access to customized health risk assessments and other tools.

"We don't believe that there will ever come a time when the technology can do everything. There's a quality in the human interaction between a professional and an employee that adds something," Mr. Anderson said. BI



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Opinions

Division of labor welcomed

THE MOVE BY ERNST & YOUNG to sell off its consulting operations is bound to draw scrutiny from other large public accounting firms, as well as rejoicing by competitors in the consulting arena.

As we report on page 1, the Securities and Exchange Commission has been pressuring the major accounting firms to focus on their core tax and audit practices, as that traditional role has become dwarfed at several big firms by the broad range of consulting and other services they offer.

While we don't necessarily advocate the forced sale of these operations—many of which are market leaders in their own right—we do support more sharply drawn boundaries between audit services and unrelated consulting operations.

That's because we see a potential problem in having the same companies that are hired to provide audit services also providing the same clients with consulting and other services. We see a potential conflict of interest in this arrangement—namely, that a client may feel compelled to purchase services or follow advice provided by an accountant in order to win a clean audit opinion.

Regardless of whether the accounting firm actually leverages its audit relationship in this manner, the mere existence of such concerns should be reason enough for the firms to build higher walls to separate their professional services from their audit activities.

We frequently hear questions raised about the potential conflict of interest created for the public accountants by their non-audit activities. Just in case accounting firms think these concerns are raised only by competitors, it should be noted they also are voiced by risk managers of client companies and by investors concerned about corporate governance.

This is especially an issue outside the United States, as certain countries are beginning to require that the boards of publicly traded companies report on their organizations' risk controls and risk reporting structures, making those facets part of an auditor's purview.

At the October meeting of the Federation of European Risk Management Assns., for example, someone asked the chief executive of U.K. asset manager Hermes Pensions Management Ltd. whether he sees a conflict when an audit firm also provides risk management advice.



"We sometimes wonder if we should limit the amount of non-audit work that auditors do. Could it compromise their oversight? It would be very dangerous if all risk control systems were set up by the company auditing it," he said.

The expanding array of services provided by public accountants has created giant consulting operations, particularly within the risk management and employee benefit consulting fields. A separation of accounting and auditing from unrelated consulting services would be welcomed there, too, as it would allow clearer comparisons of the accountant-owned consultants with others in the field. At the very least, it would eliminate competitors' charges that the size of the accountant-owned consultants is unfairly inflated by inclusion of unrelated tax and audit services.

Ernst & Young's plan to sell its consulting operations to another consulting firm will put to rest all such questions about conflicts and fairness. The remaining question, then, is: Will the other accounting firms follow suit?

Letters

Perceptions of TPAs may lack focus

To the editor: Have you ever read a description of something you are familiar with. . .and not recognized the description? That's the way I feel.

After 20 years as president of the national association of employee benefit third-party administrators, I found myself wondering what was being described in many of the comments about "TPAs" in a Feb. 21 article, "TPAs Working to Improve Service to Employers."

The story detailed a survey by the Risk & Insurance Management Society Inc. and the Quality Insurance Congress of risk managers' experiences with "TPAs."

This letter is not to criticize RIMS members or the people quoted. Instead, this is a valuable opportunity to see the tricks that vocabulary differences can play on us.

There is no uniform definition of "TPA." When I am asked how many TPAs are in existence, I say to pick a number from about 450 to 4,000—and you'll hear wild numbers as high as 25,000. Many are "TPAs of convenience"—such as insurers, consultants and brokers—that quickly change their label when ERISA fiduciary limitations or other inconveniences arise. It is a telling detail that the entities that get licensed as TPAs in states that require such licensing are vastly different from the many entities that simply claim to be TPAs.

The Internal Revenue Service and Department of Labor also tell us that a great many so-called TPAs are suddenly invisible when government compliance is required.

I have had some of America's largest corporations swear to me that over 50% of their income comes from doing TPA services. (These are well-known companies that you would never associate with being in the TPA business!) There are also differences in culture and focus for TPAs that do different services, such as workers comp TPAs.

So to have an article describe "TPAs" is like having a discussion on the nature of "mankind."

I was alarmed that the article never mentioned the incredible time, effort and expertise that TPAs need to comply with fast-changing government regulations in order to protect their clients. Government compliance is the largest risk to employers in employee benefits. It affects every function and decision of a benefit plan.

Discerning how to interpret and implement hundreds of complex laws and rules for each plan situation is a major challenge. Often, there is insufficient official guidance or laws that conflict with one another. The 435 TPAs that are members of the Society of Professional Benefit Administrators make this a major priority.

Sometimes it takes longer to figure out these tough questions, but that's better than having the client employer face crippling penalties later. Rushing your TPA is like rushing the brain surgeon operating on you.

I also did not recognize some of the problems raised.

Failing to report to and pay attention to clients? SPBA members tend to generate the opposite reaction! Part of prudent government compliance is to interact frequently and to share information with the client on a wide range of issues. I often hear clients of SPBA-member TPAs wishing they were not so well in-

See **Letters** *on page 32*

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401(k)

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"It's the prototype for how we'll deliver all HR information in the future," she said. "This will bring people through a single HR portal in a simple, easy-to-use, accessible format."

Other benefit managers and consultants agree that the Internet is a great boon with regard to 401(k) administration.

"Using (interactive voice response) on the telephone, you need fund numbers or you have to get a menu. Then, by the time you've gone through the menu several times, you may as well talk to a person," said Michael Pikelny, corporate actuary and employee benefit consultant at Hartmarx Corp. in Chicago. By contrast, "the computer screen allows you so see so much more," he said.

While Hartmarx does not yet have an HR Internet portal, employees can still conduct 401(k) transactions electronically by logging onto the Web site of the company's plan administrator, Vanguard Group, Mr. Pikelny said.

"To try to do a fund reallocation via IVR takes an inordinate amount of time," concurred Margaret-Ann Cole, a principal at Kwasha HR Solutions in Fort Lee, N.J. "But if you do it online, you can do it in a matter of seconds. The amount of information you can obtain online would take a couple of menus via IVR."

The move toward Internet-based 401(k) administration and investment education is "a definite trend in our business," observed Don Biron, director of business development for administrative services at Towers Perrin in Philadelphia.

"We've seen companies in the last year starting to want Web access for information purposes and seeing balances—and then quickly move to transactions," he said.

While all of Mr. Biron's employer clients that are negotiating for 401(k) administrative services still want IVR and live-person access, "there is also the expectation that the Web will be offered as well," he said.

And Web access is being sought by all kinds of employers, regardless of how widespread onsite Internet usage is at their companies, according to Tom Rossi, a consultant at Watson Wyatt Worldwide in Philadelphia.

"At first, I thought it would be more acceptable to companies that were wired, but at some companies, their employees are better wired at home," he said.

Often, "it's the employees who are putting pressure on their employers to put 401(k) administration online," pointed out Ms. Cole. "They can do everything else online, so they want to do their 401(k) online, too. Everything is going to e-business."

The trend toward online 401(k) administration shows that employers are now more comfortable with the Internet than they were in the past, suggested Paul Heller, a principal at Vanguard Group in Malvern, Pa., who heads the company's defined contribution business.

"A few years ago, plan sponsors were still fairly paranoid" about online administration, pointing to concerns about security and employees spending too much time on the Internet during working hours, Mr. Heller said.

"But this has changed. Now, more than 95% of our clients allow Web access," he said.

Employers are starting to realize that making such services as 401(k) plan access readily available online often makes employees more productive, because they can do more in less time, said Ms. Cole.

Because of the growth in the ownership of personal computers and e-commerce, the Internet "has become the largest single channel for accessing 401(k) benefits today," said Frank Armo, vp of Fidelity Investments' institutional retirement group in Boston.

When T. Rowe Price introduced its online service in 1997, fewer than 20 of its 401(k) recordkeeping clients made the service available to their employees. But today, nearly all of its approximately 800 employer clients are online, according to Steve Sanchez, assistant vp and manager of commercial product development in Baltimore.

And as access is becoming more widespread, usage is growing, he added.

"Back in 1997, Internet utilization was probably 1% of total interactions. In 1999, we had more log-ins to the Internet than phone calls to a live person," Mr. Sanchez said. Last year, 17% of all 401(k) transactions handled by T. Rowe Price were conducted on the Internet, while 65% were done using IVR and 15% were handled by a live person, Mr. Sanchez said. By comparison, in 1997, 1% of transactions were conducted on the Internet, while 75% were done using IVR and 24% were handled by a live person, he noted.

Growing interest in employee benefits outsourcing also is fueling demand for online 401(k) administration services, industry observers say.

"Benefits offices have fewer people to do the work," said Vanguard's Mr. Heller. The online approach "is a terrific tool for this."

Internet-based 401(k) administration involves outsourcing the more-tedious functions, noted Kwasha's Ms. Cole. "This has freed up HR staff to focus more on strategy than on pushing paper," she said.

In response to this increasing demand for online 401(k) administration, "providers are adding Internet capability at light speed," said Gregory Metzger, director of defined contribution at Watson Wyatt in Los Angeles. And along with providing Internet access, 401(k) recordkeepers are also adding investment education services, usually for an additional fee.

"Advice is one of the hot topics in 401(k) business right now," said Ron Hurt, vp at Metropolitan Life Insurance Co. in New York.

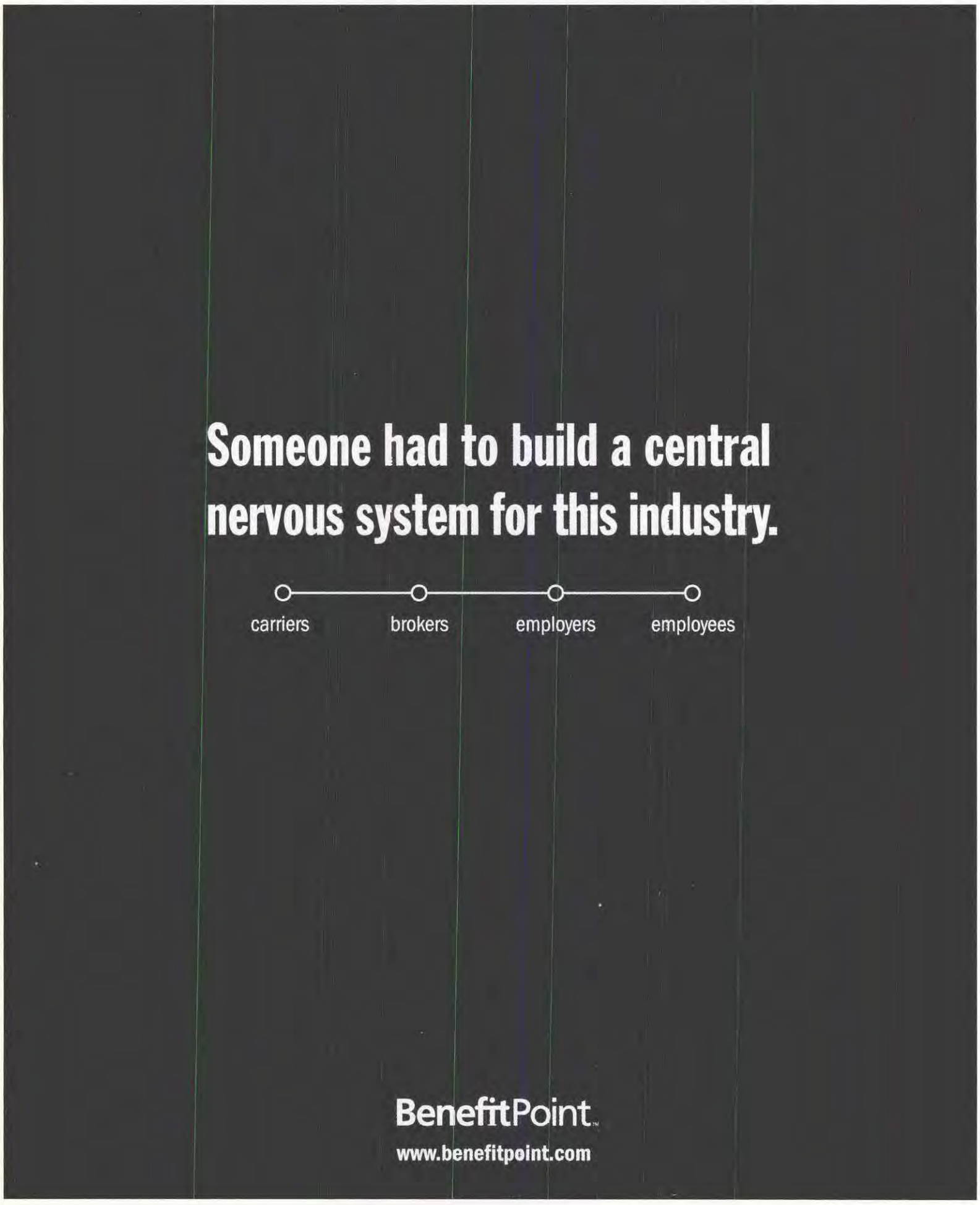
The main reason the 401(k) administrators are adding this option is that employers, by law, cannot provide financial advice to their employees unless they are registered with the Securities and Exchange Commission as investment advisers, Mr. Hurt explained.

"Plan sponsors have been concerned with liability," agreed Tim Murphy, a consultant at Hewitt Associates L.L.C. in Lincolnshire, Ill. "The risk in the past was in having a person give the advice, because people interpret things differently based on their emotional perception of the advice-giver," he explained. "But when the advice is delivered via the computer, there's no human interface. The computer model seems more objective."

While some 401(k) administrators are already registered with the SEC to offer investment advice, others are contracting with registered investment advisers to provide this service to clients.

For example, Hewitt has teamed up with San Francisco-based mPower, formerly known as 401(k) Forum, and MetLife has entered into an agreement with New York-based Standard & Poor's Investment Advisory Services L.L.C., to make investment

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Spotlight report

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advice available online to their 401(k) clients and participants.

When an employer purchases the investment advice service from either Hewitt or MetLife, an employee can get specific recommendations, based on the available investments in the plan, via the Internet. Then, if the employee wishes, he or she can switch investments with a simple click of the mouse.

Fidelity's PortfolioPlanner module allows a participant to project retirement income, in current dollars, at various ages based on the current investment mix, according to Mr. Armo.

Prompting users with various questions about likely future expenditures, the program also conducts a "savings-gap analysis" and recommends changes that may be needed to improve retirement income, he explained.

In some cases, the online investment advice provided by 401(k) administration vendors goes beyond preparing for retirement and addresses such goals as saving for a new home or paying for a child's college education, noted Vanguard's Mr. Heller.

The Internet "takes investment education to a whole new level," he said. "We started out with getting them to save, then to save more. Now we're taking a more events orientation," gearing education toward preparing for specific life stages, he said. "And the Web is such a terrific medium to do it."

"Having 401(k) online and integrating it with other types of financial planning is creating a more engaged, involved and informed participant," said Fidelity's Mr. Armo. BI

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Online

Continued from page 3

billion-dollar health insurance market. While the leading ones vary in their specifics, they share one basic tenet: matching buyers and sellers of health care plans. Some are totally automated, performing all tasks over the Internet, while some still employ a broker for placing the coverage.

In essence, the Hewitt online auction model is the flip side of the Internet sites marketing coverage. The Internet sites present numerous plan options for the buyer. The auction, by contrast, gives health plans numerous employers to bid on. Eventually, however, they can be used in conjunction with each other, said Mr. Beauregard.

For example, an employer can use an Internet site to narrow the number of plans to a handful. The employer can then put the business out for auction among the chosen plans, which bid for the business, he noted.

Bernard DiFiore, chief executive officer and president of BenefitMall.com in Dallas, said the critical point for success as an Internet seller of health plans is choice. His site currently has more than 4,000 products from 42 health insurers with more on the way.

In addition to selection, BenefitMall.com offers real-time, interactive, live capabilities. This allows the buyer to revise the benefit plan and "really shop," he said. For instance, the buyer can plug in different deductible levels for a plan and get a revised, accurate quote right back.

To be successful as an Internet seller, he stressed that a site must offer the user more than price quotes. It also needs to offer interactive capabilities, allowing for a real-time, back-and-forth exchange of information between the buyer and the Web site.

Unlike some sites, BenefitMall.com doesn't permit the buyer to make the purchase. When a buyer selects a policy, the system provides a list of preselected brokers. So rather than act as a broker itself, BenefitMall.com strives to match the buyer with the most appropriate product.

"Our goal is to have the broker be a benefits consultant," he said.

Another site actually acts like a broker. At eHealthInsurance.com, small employers go to the Web site, answer questions from the system about their health care needs and input information about their employees. The software then matches the employer to a product the company offers from its growing roster of more than 30 health insurers.

In addition, the software will educate the buyer along the way, said Gary Lauer, the CEO of eHealthInsurance.com in Sunnyvale, Calif.

See **Online** *on page 18*

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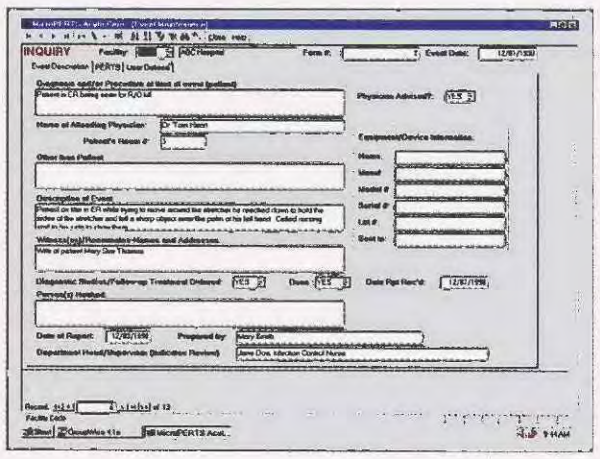
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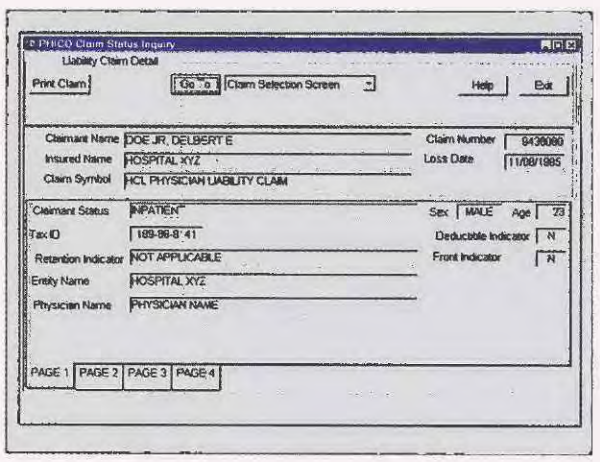
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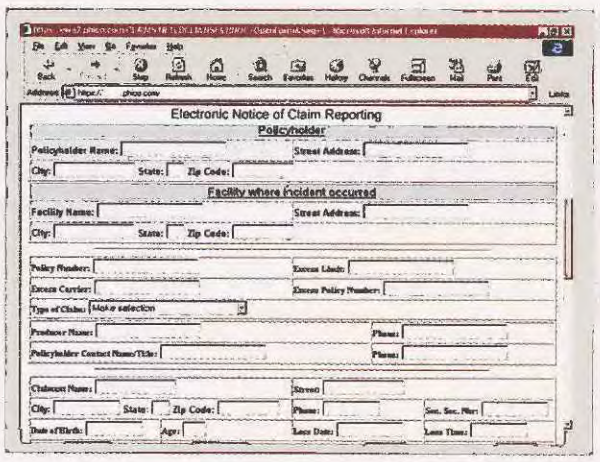
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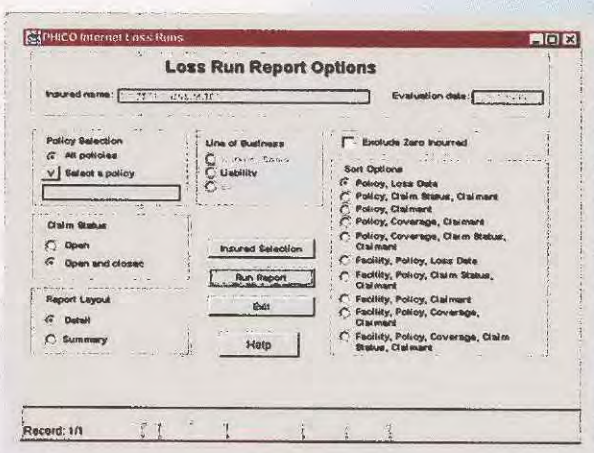


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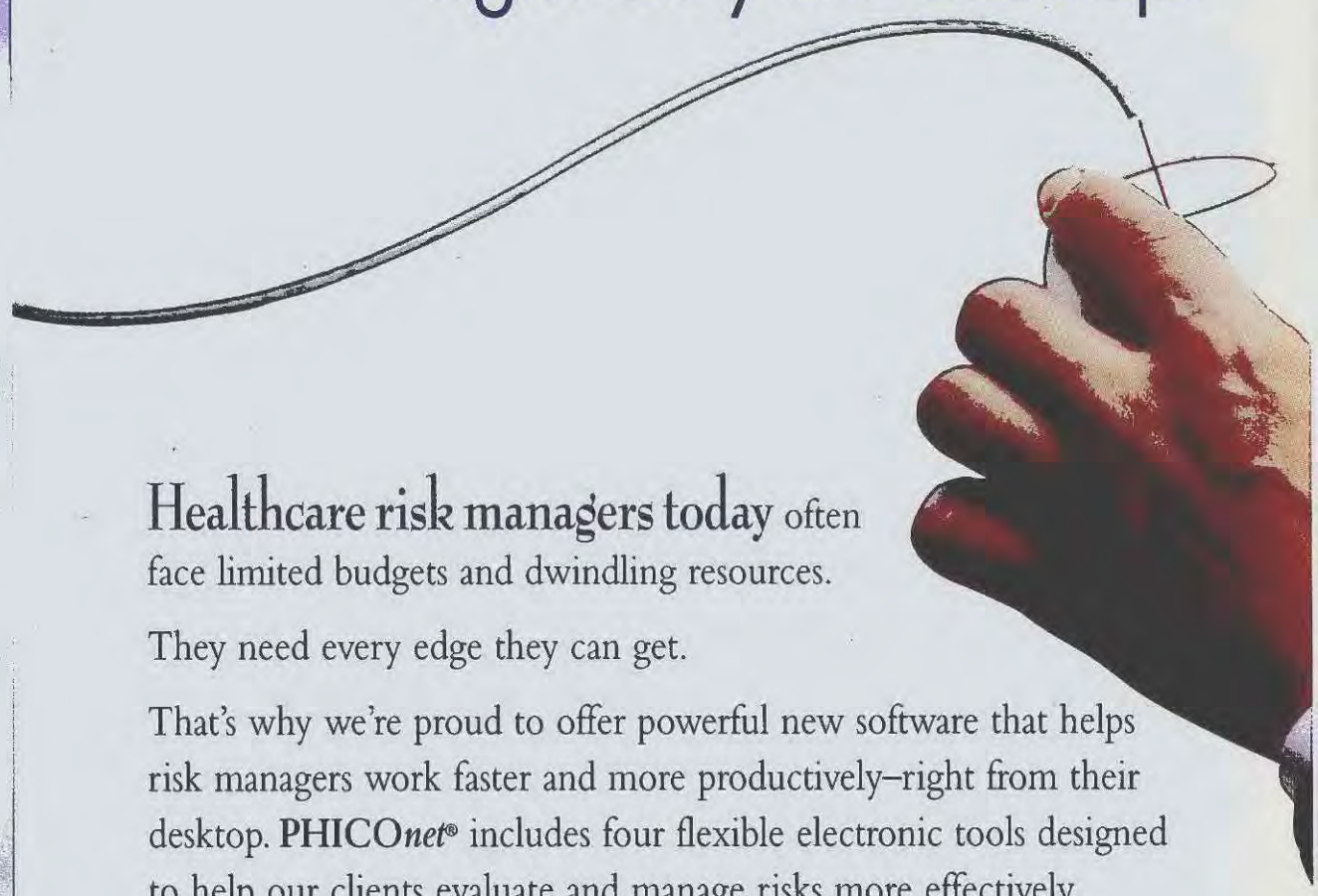
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Online

Continued from page 16

If that assistance proves insufficient, the company has more than 30 customer service representatives that can assist the buyer either by telephone or online.

When a desired health insurance product is identified, the buyer submits an application to the insurer via the Web site. From then on, the underwriting and buying is done offline, except for communication, which is handled through e-mail. The online application means fewer mistakes than paper applications, speeding the process.

"Almost every application that we send in is clean and ready to go," Mr. Lauer said.

The company is focusing on the small-business market because it has been underserved by the normal distribution system, he said.

For the buyer who wants a totally automated system, one place to turn will be HealthAxis.com. Starting later this year, the Web site will begin selling health insurance to employers with fewer than 50 employees.

HealthAxis transactions will be conducted entirely online. "The only way to succeed is to deliver all the information over the Net," said Michael Ashker, CEO of the East Norriton, Pa.-based company.

Besides providing for sales online, the HealthAxis system will handle enrollment, claims processing, updating of enrollment, and supplying the employees with information on their claims. The goal is "100% electronic self-service," said Dennis Maloney, the company's chief operating officer.

Not every online seller shuns mid-size and large employers. Minneapolis-based eBenX Inc. has successfully helped large employers with their administration through its Internet site. Starting March 7, the company also will have an online purchasing capability for employers, said Mark Tierney, the company's chairman in Minneapolis.

Unlike some sites, eBenX starts with the buyer and then looks for a health care policy. Buyers input all the information commonly used for paper-based health insurance purchasing. The buyer then selects which health plans it wants to receive the information. The health plans, having been notified of the buyer's interest, download the data and run it through their own underwriting system to generate a premium. The premium is transmitted back to the buyer, who compares the various quotes and makes a selection.

"This is not rocket science," Mr. Tierney said. "It moves the system from a paper process today to an electronic process."

If a plan is accepted, eBenX also can enroll employees, administer the plans and handle claims and payment to the health plans through its Internet system.

Online health insurance sales are not necessarily limited to start-up companies. One alternative would be for an established broker to turn itself into an Internet seller by using Web technology developed by ChannelPoint Inc., according to Mitch Bishop, vp of corporate marketing for the San Francisco-based firm that has targeted health insurance sales.

Newly created Web marketers are trying to build reputations and relationships with buyers from scratch, he noted. But brokers and insurers that already have a known brand name and strong relationships with buyers could build Web sites to sell online, thus gaining an advantage over newer competitors, he said.

Despite their differences, online health insurance sites' leaders all agree that the Internet is poised to take advantage of a shift to a defined contribution health care system.

Defined contribution "is a perfect area for a model like ours," said Mr. Lauer of eHealthInsurance.com.

In a defined contribution system, the employer gives employees a fixed amount for purchasing health insurance and provides a large selection of options. The employee then selects from the choices, paying out of his or her own pocket the difference between the employer contribution and the total premium.

A growing movement exists among employers to move to a defined contribution system for offering group health benefits, said Suzanne Mercure, an independent health care consultant in Falls Church, Va.

"Employers want to move the decision-making to the employee level," with the health plan or some intermediary answering the employees' questions about the coverage, she said.

This movement is part of a general trend of employers wanting to "have people become more familiar with talking directly to the plan and get out of a lot of hand holding," she said.

In addition, employers increasingly want to eliminate the paperwork involved with health insurance, which can be easily accomplished when employees buy their health care coverage over the Internet, Mr. Abbott of Watson Wyatt said.

Employees are also pushing for the shift, as they want more control over their health plan choices, just as they wanted more control over their retirement funds, said Mr. Ashker of HealthAxis.com.

And looking beyond a defined contribution system, the Internet is an ideal place for employees to buy insurance if their employer adopts an individual voucher system. Such a health system would give employees money to buy health insurance from the individual market, rather than a group plan. Barriers to such a system currently exist, including that the money given to the employee is not tax-deductible by the employer and is taxable to the employee. But Internet health insurance sites eliminate one traditional obstacle—the lack of a well-defined marketplace where individuals can shop for and buy health insurance.

The Internet is "essential if you're going to move to a voucher system," Ms. Mercure said. Despite the barriers that exist to adopting such a system, "more employers are interested in distancing more from the health care insurance system," she said.

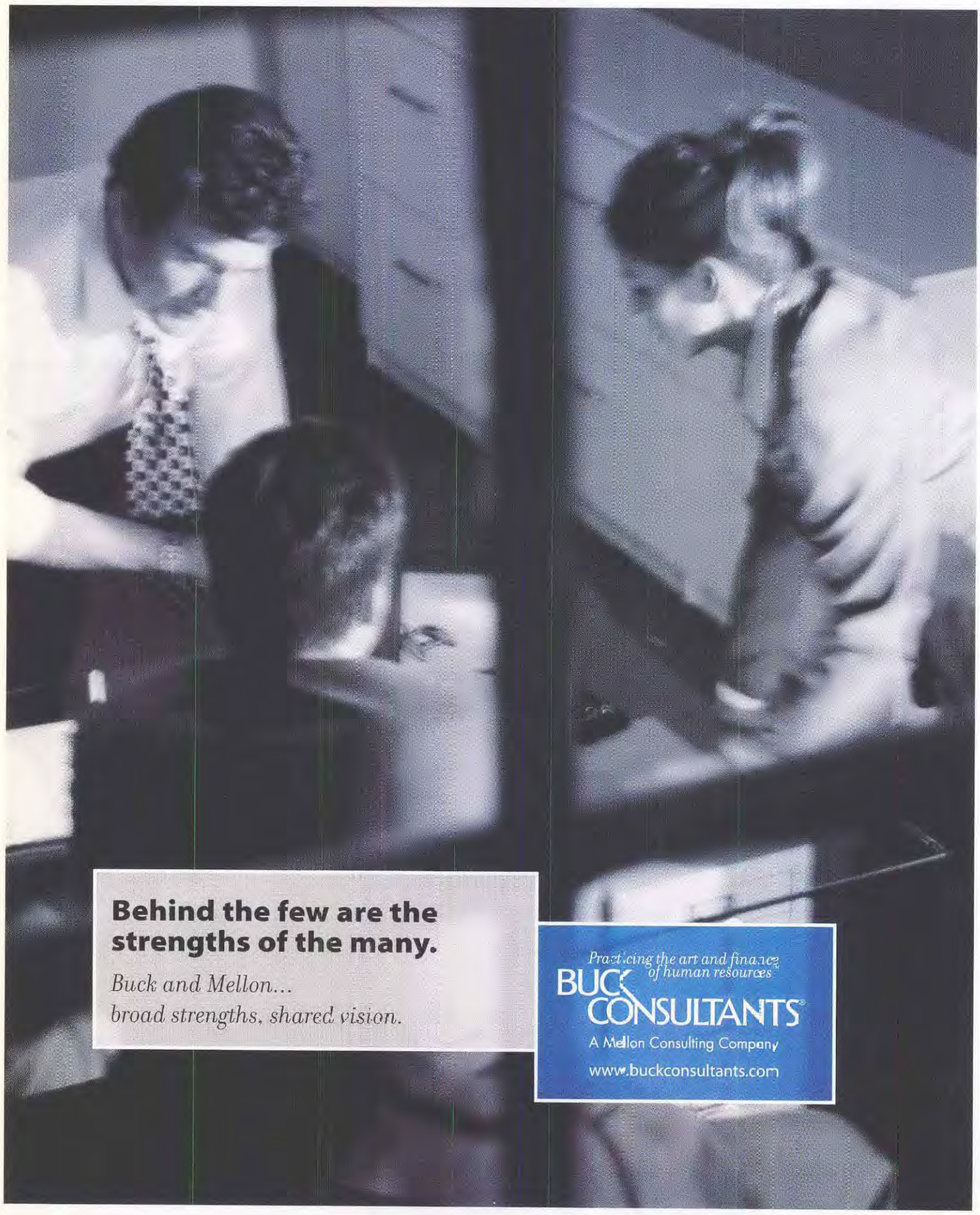
Even if the tax laws are changed to accommodate an individual voucher system, pricing becomes an issue. For example, individuals with an illness will have trouble finding a health plan, or a plan would charge a huge amount of money to assume this large risk. If an employer gives a fixed amount for each employee, the young and healthy ones will have plenty of options at a reasonable price. But the less-healthy employees will find few, if any, takers.

That concern could be addressed by creating a risk-adjusted voucher, said eBenX's Mr. Tierney. This voucher would slot an employee into a risk level based on an individual risk assessment, with the voucher's value set accordingly.

"The ones with the greatest risk end up with the most money following them," Mr. Tierney said.

This method might even turn the selection of risks by health plans on its head. Where today, health plans avoid sick people, in the future they might embrace them and the extra voucher money they would bring.

"For the first time, health plans and their capitated physicians will have an incentive to take the bad risks and find ways to manage it," he said. BI



Agent/Broker Topics

A monthly editorial section sent exclusively to agents, brokers and consultants

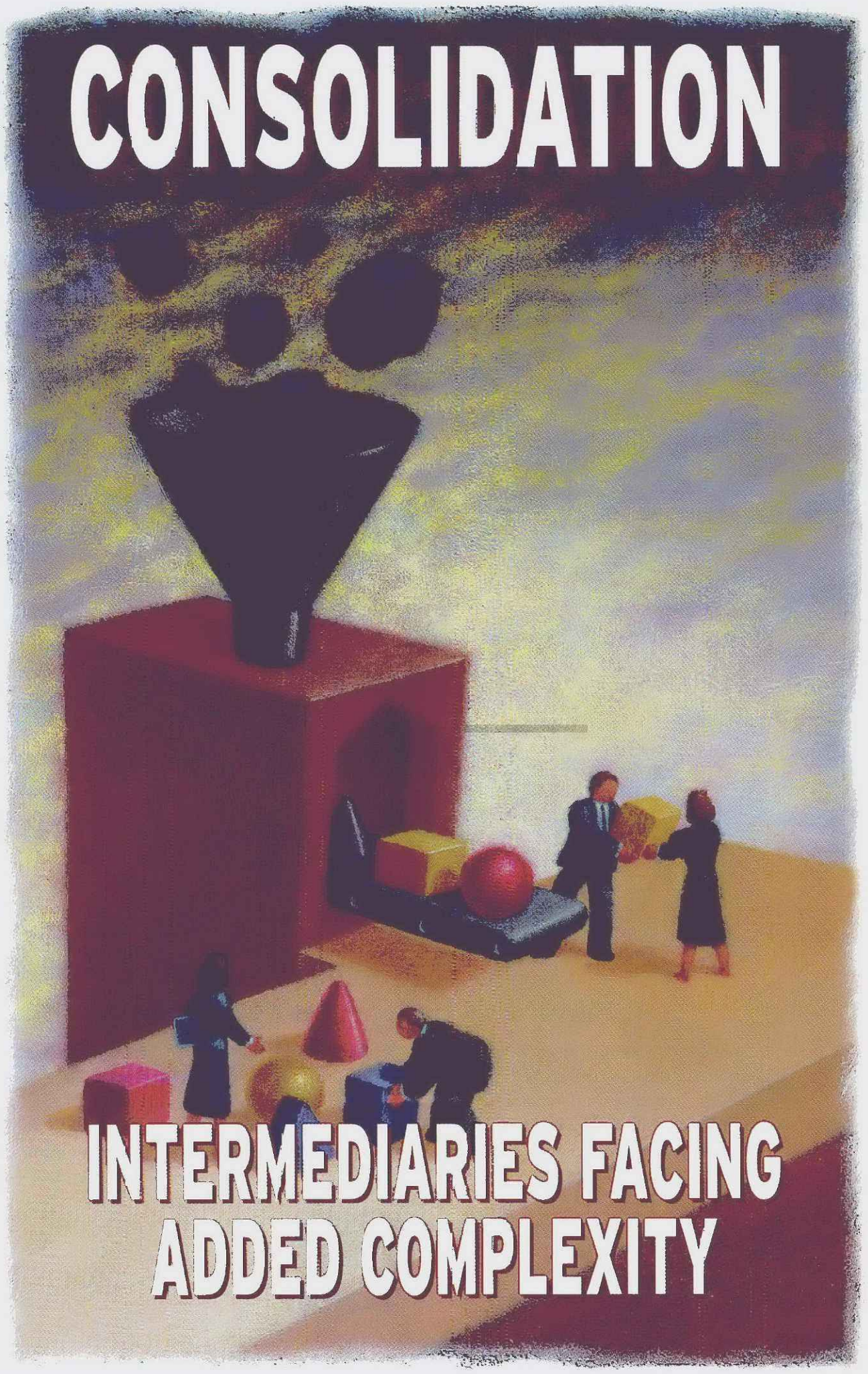
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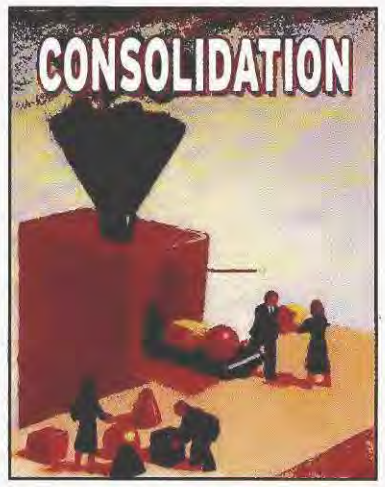
Agents hoping to repeal capital gains tax law
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Industry keeping an eye on privacy legislation
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Insurance regulation must evolve, lawmaker says
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Mergers abound for banks, agencies in 2000



By SALLY ROBERTS and RODD ZOLKOS

Merger and acquisition activity among insurance intermediaries will continue at a record pace this year, while the rate for deals among insurers may slow, consultants and analysts say.

The recent passage of the federal Financial Services Modernization Act, which removes many of the barriers that have prevented banks, insurers and securities firms from affiliating with one another, will prompt a flurry of bank/agency acquisitions beginning this year, according to agency consultants.

Insurance company interest in purchasing intermediaries—so-called vertical integration—also is on the rise, consultants say, as many insurers look to develop multiple distribution channels.

In addition, agents and brokers are likely to continue to acquire other agencies in 2000, as smaller firms grapple with the capital requirements needed to invest in talent and technology and increasing premium volume requirements from insurers.

"In the past, there was one channel of acquisition activity; now there are three," noted John M. Wepler, vp-merger and acquisition services for Marsh Berry & Co. Inc. in Concord, Ohio.

"There is so much momentum" in mergers and acquisitions right now, he said, predicting that there will be more agency consolidation this year than in any prior.

In fact, Marsh Berry predicts that by the end of 2010, the number of insurance agencies remaining in the marketplace will dwindle to 11,107 from the current population of 21,822, which also will result in a greater proportion of larger firms. Marsh Berry predicts that by 2010, the number of agencies with more than $10 million in annual revenues will jump to 393 from 211 in 2000. And those 393 agencies in 2010 will represent 61.7% of the entire insurance brokerage marketplace.

The story is a bit different for insurers, though, according to at least one analyst.

Barbara Stewart, president of Stewart Economics in Atlanta, said that the depressed condition of many insurance companies' stock price will likely make it more difficult for them to engage in consolidation in the year ahead.

"With stock prices of insurance companies where they are—I'm thinking primarily in the property/casualty area, and I'm sure in life, too—it's just not an easy time to do this," Ms. Stewart said. "My guess is that's going to put a crimp in the plans some companies have of doing these things."

According to SNL Securities L.L.C., a Charlottesville, Va.-based financial services research and publishing firm, the number of acquisitions reported in 1999 involving an insurer target was down 36% to 113 deals, compared with 176 deals in 1998. In 1997, 154 insurer deals were reported.

Douglas J. Elliott, a managing director and head of the insurance practice at Sandler O'Neill & Partners L.P. in New York, said he believes that the drop in insurance company acquisitions last year is related to declining company values, but that it has more to do with selling companies having to adjust to a lower purchase price than they might previously have expected to draw.

"I think we're over that now," he said.

"Basically, everyone at this point recognizes that the insurance industry needs to go through continued consolidation," Mr. Elliott said. Although there is an ongoing role for niche players in the insurance market, "I don't think you can really justify 1,500 or 2,000 individual insurance companies."

"Once an industry like this starts moving in a direction that makes economic sense, it has a certain momentum," Mr. Elliott said.

One area of consolidation that does not seem to be occurring is activity between banks and insurance companies.

Jack Gohsler, a senior vp at Conning & Co. in Hartford, Conn., said that he doesn't see the modernization law spurring much merger and acquisition activity between banks and insurers in the immediate future.

See **Mergers** *on page 18F*



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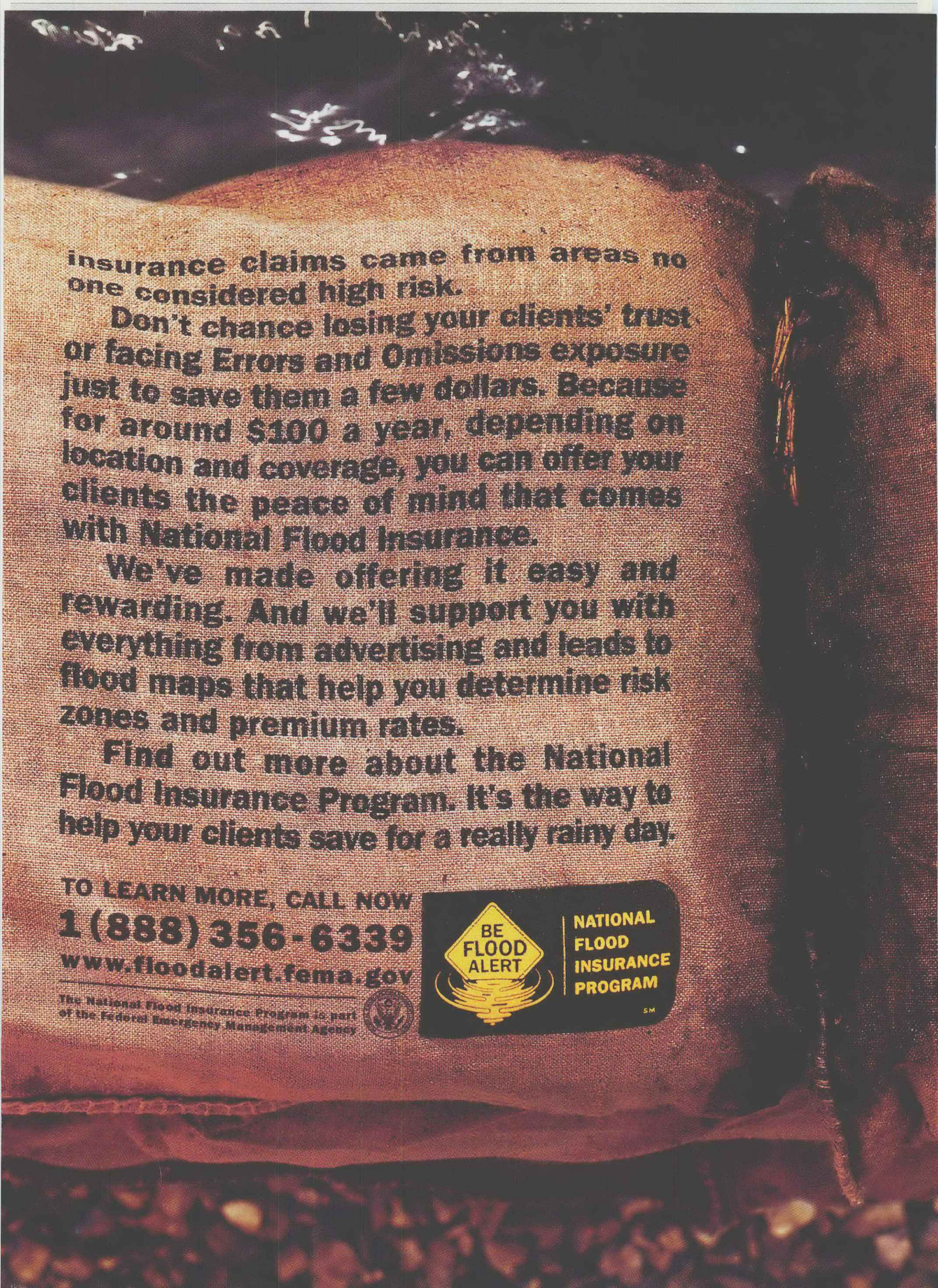
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Products

Continued from previous page

Those claims have yet to materialize, but they are a possibility, she explained.

To further complicate matters, legal decisions and the potential claims involving cyber losses are still evolving, leaving even the experts to wonder how those matters will finally shape up.

"We would love to come in and be very didactic on the topic," Ms. Carlson said. "But, the reality is, there are a whole lot of gray areas as far as how the law is going to come down and how the carriers are going to view the existing policies they have written. So we have a lot of areas where we have questions, but we do not have all the answers."

Many of Mr. Taffae's clients are confused because the perils have changed quickly, he said. For example, most traditional policies provide coverage only for claims originating in North America. With the Internet, though, even a small mom-and-pop business can have international exposure when someone on another continent accesses that business' Web site.

Thomas R. Cornwell, vp of Chubb & Son Inc.'s Technology Insurance Group in Warren, N.J., agrees that it will take many agents some time to grasp which claims are not covered under insurers' CGL policies. Meanwhile, the Internet is creating new forms of liability or increasing exposure to traditional perils, he noted.

But agents are starting to pay heed. Recent media attention on hacker intrusions and denial-of-service attacks is likely to stir broker interest, observers say.

When Chubb sponsored a breakfast in Los Angeles last month, brokers filled the room to hear about the insurer's products for e-commerce, intellectual property and communications. Sponsors cited the impressive attendance during a rainstorm as evidence of widespread interest in e-commerce. Attending brokers also said they were there because they expect to be selling more Internet coverages.

So far, interest in such products has been strongest in high-tech centers such as Silicon Valley and Boston, Mr. Cornwell said. Other regions, such as Los Angeles, are also catching on and Mr. Cornwell said he expects that attention will spread across the nation. BI

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Industry wary of states' privacy moves

By RODD ZOLKOS

While the new federal financial services modernization law specifically addresses the privacy of consumer financial information, a provision of the law allowing states to set additional requirements poses concerns for the insurance industry.

In the worst-case scenario, companies and agencies could face a regulatory nightmare of 51 different sets of conflicting privacy laws.

"It's a concern. It's a top priority for our membership," said Robert Zeman, vp-legislative affairs at the National Assn. of Independent Insurers in Des Plaines, Ill.

"If the flow of information is restricted too much, it could affect some of the industry's activities, like fighting fraud," Mr. Zeman said. "The states should take care and not move too quickly in enacting measures that address the topic."

At least one agency association is lending its voice to the issue.

"We are very involved in the privacy issue, both on a state and a federal level," said Robert A. Rusbuldt, executive vp of the Independent Insurance Agents of America Inc. based in Alexandria, Va.

"We've met with the AIA and the (Amercian Council of Life Insurance) and individual insurance companies to reach a consensus on how to deal with the privacy issue," he said. "We have no problem with states making their own decisions. . .but there is a time and place for uniformity, and we believe this is one of those times."

The National Assn. of Insurance Commissioners plans to hold a public hearing on the privacy provisions of the Gramm-Leach-Bliley Act this month at its meeting in Chicago.

Industry associations—such as the NAII, the Alliance of American Insurers and the National Assn. of Mutual Insurance Cos.—see that as a positive development. They say the NAIC's promotion of model privacy language as the basis for state legislation should help bring the uniformity they seek in the new regulations.

Already, 17 states have adopted the NAIC's privacy model. "We think the NAIC model on privacy is a good place to start," Mr. Zeman said. "If it needs to be modified further at the state level, so be it, but let's use that as a point to start."

The privacy mandates of the new law are to take effect Nov. 12.

Rey Becker, vp of property/casualty at the Alliance of American Insurers in Downers Grove, Ill., noted that the measures' protections are "not a radical concept."

Gramm-Leach-Bliley states that affiliated companies within a financial industry holding-company arrangement can share a client's financial information. But the act mandates that notice be given to the client before that data can be distributed outside the holding company "family."

Mr. Becker said that with the new federal act, consumers in many states immediately got greater protection of the privacy of their financial data than they ever had before.

But with new developments in communication and information technology making it ever easier to obtain information, privacy has become a hot topic, prompting a push in many states to enact their own consumer privacy measures.

"We have legislation in a number of states," Mr. Zeman said. "Not exactly a flood. Montana's enactment last year seems to be the only enactment so far, but we've got it in play in a lot of states."

"The point that it's an election year shouldn't be lost here," said Ann W. Spragens, senior vp and general counsel of the Alliance. Consumer privacy will be "one of the key positioning issues at the state level and maybe the national level."

"Privacy is coming up in so many contexts, and it's a very important issue, no doubt about it," Mr. Zeman said. "But we are cautioning legislatures not to do anything knee-jerk that goes too far."

Mr. Becker said the state privacy proposals fall into several categories.

One is "opt-in" provisions. Unlike the "opt-out" provisions of Gramm-Leach-Bliley, which would let consumers choose not to have their data shared among companies, these measures would prohibit the sharing of information unless a consumer specifically gives permission.

Such bills are being considered in Arizona, California, Delaware, Massachusetts, Minnesota and Washington, according the Alliance. Montana enacted such a law last year.

Another set of bills, including measures in California, Massachusetts and New Jersey, would bar discrimination against those consumers who choose not to allow the sharing of their financial information.

A bill restricting the collection of information has surfaced in Washington, according to Mr. Becker, and a similar measure was enacted last year in Montana.

Some bills with "admirable intentions," such as those that address identity theft, are cause for concern, because they could have unintended consequences, the Alliance suggests.

Among the states considering measures that would criminalize efforts to obtain personal financial information for fraudulent or criminal purposes are California, Delaware, Hawaii, Kentucky, Pennsylvania, South Carolina, Tennessee, Utah and Washington.

But some fear that flaws in the wording of such measures could also criminalize the efforts of law-abiding businesspeople. "Unintended consequences are a grave concern across this spectrum," Ms. Spragens said.

Other bills of concern to the industry are in the area of enforcement of consumer privacy. If passed, some of the new laws would encourage attorney involvement, by creating a private right-of-action in privacy cases, and others would mandate the involvement of state attorneys general, duplicating existing insurance department oversight.

"What we don't want to have happen is 51 different states passing laws and 51 different sets of hoops for people to jump through in order to be able to use this information," Mr. Becker said. "I think almost any reasonable person you talk to recognizes the desirability of uniformity," he said. "But they don't necessarily recognize the cost of the lack of uniformity."

And, said Mr. Zeman, while his organization is emphasizing its commitment to a state-based system of insurance regulation, the NAII is also stressing "our concern that the states maintain some semblance of uniformity." BI

Regulation must adapt to times: Speaker

By MARK A. HOFMANN

Evolution has been a key to the survival of state insurance regulation, according to a U.S. congressman who used to serve as his state's insurance commissioner.

Remarks made at a panel discussion during the recent Commercial Insurance Legislative Summit in Washington indicate, however, that the jury is still out as to whether state regulation can evolve quickly enough to deal with the challenges presented by the recent enactment of S. 900, the financial services modernization law.

S. 900, which was supported by much—but by no means all—of the commercial insurance industry, lowers many of the Depression-era barriers that have kept the businesses of insurance, banking and securities separate.

Rep. Earl Pomeroy, D-N.D., and both a former North Dakota commissioner and former president of the National Assn. of Insurance Commissioners, said that he thinks a federal alternative to the current system of state regulation would be a very bad idea, and he vowed to fight such a shift—but only if state regulation changes with the times.

The lawmaker cited several challenges that state regulators have faced in the more than 100 years since the NAIC came into being, including dealing with concerns over insurer solvency in the wake of the savings and loan debacle of the late 1980s. The next step for regulators is facilitating efficient national and international insurance business, which would include addressing licensing uniformity, he said.

But, Rep. Pomeroy added, "all too often, a state regulatory system—like some trade associations—is bound by its lowest common denominator." This would include some insurance agent-lawmakers in control of key state legislative committees who strive to block reforms for parochial reasons, he said.

While he several times stressed his opposition to federal insurance regulation, Rep. Pomeroy said that "if the state system can't meet its challenges," he would be among the first to introduce legislation in Congress that would transfer insurance regulation to the federal government.

Fred Smith, president of the Competitive Enterprise Institute, a Washington-based non-profit advocacy group that promotes free-market solutions as alternatives to government action, took a somewhat different view of S. 900 and its potential impact on state insurance regulation.

"Is this going to make it easier to be a state regulator? Frankly, I don't care," said Mr. Smith.

In a global economy, "it's harder to be an irresponsible regulator," said Mr. Smith. Business that is unhappy with regulation will go somewhere more to its liking, he said.

Turning to the issue of commercial insurance deregulation, Mr. Smith said that the time was opportune for such reforms, but added that several questions remain. For example, there must be a definition of what constitutes a "large firm" that would be exempt from insurance regulation, he said. "How big do you have to be before you can't blame someone else" for mistakes made in a deregulated environment? he asked.

Mr. Smith also cautioned his audience about the imposition of financial privacy regulations. Overly broad regulations could disrupt the flow of information and dry up credit, thus hurting the very consumers it was supposed to protect, he warned.

Rep. Pomeroy, though, had his own cautionary advice regarding privacy.

It would be a bad move "for the industry to take the position that privacy is of no concern to the public and Congress," he said.

"Trying to wish" the issue away would be an "absolute loser," he said.

Business Insurance Editor Paul D. Winston moderated the session.

The summit, which took place in Washington Feb. 7-8, was a joint undertaking of three Washington-based trade associations—the Council of Insurance Agents & Brokers, the American Insurance Assn. and the Reinsurance Assn. of America. BI

ministration have admitted the provision was a mistake, Ms. Berthoud

means the seller loses the ability to invest that money and garner inter-

pay income taxes on this additional money. BI

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WWW.AIG.COM

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BI directory of employee benefit information systems

A

ASA (Actuarial Sciences Associates Inc.)

270 Davidson Ave.,
Somerset, N.J. 08873;
800-230-2982; fax: 732-271-2680
www.asabenefits.com

Benefit systems since: 1986.

▶ **TOPAS (Total Pension Administration System)**

PC operating system: Other types: AIX Informix 7x.
Midrange/mainframe system: IBM (Model F50 RS6000 AIX);
Interactive requirements: Internet/intranet, electronic mail, interactive voice response system.
Multiple user.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1986.
Benefits managed/communicated: saving/investment plans, pension plans.
System features: recordkeeping, plan enrollment, check writing, retirement plan distributions, participant letters, eligibility verification, savings plan loan administration, government reporting.
Communication features: benefit plan descriptions, direct plan enrollment, savings plan investment selection, savings plan investment transfers.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance, e-mail; fax.
Officers: Michael J. Gulotta, president/CEO; Beverly Landstrom, Frank Becker, senior vps.
Contact: Andrea Katz, director-marketing; akatz@asabenefits.com.

American Financial Systems Inc.

9 Riverside Office Park,
Weston, Mass. 02493;
781-647-8700; fax: 781-647-8701
www.afs-link.com

▶ **The Deferral Tracking System**

PC operating system: Windows 98.
Multiple user.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1998.
Benefits managed/communicated: saving/investment plans, pension plans.
System features: recordkeeping, plan enrollment, accounting, retirement plan distributions.
Communication features: personalized benefit information, benefit modeling/projections, retirement savings modeling.
Generates reports via: printer, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: onsite training, telephone assistance.
Contact: Donna Zakszewski; dzakszewski@afs-link.com.

Aon Consulting Worldwide

123 N. Wacker Drive,
Chicago, Ill. 60606;
800-438-6487; fax: 312-701-4855
www.consulting.aon.com

Benefit systems since: 1993.
Total clients: 70
Systems sold in 1999 22
Total 1999 revenue: $656,000,000

▶ **Benefits on Call**

Service bureau basis price: $50,000 to $70,000 per installment.
PC operating system: Other types: phone.
Interactive requirements: interactive voice response system.
Multiple user.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1985.
Total benefit installations: 150.
Benefits managed/communicated: saving/investment plans, flexible spending accounts, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System features: recordkeeping*, plan enrollment, coordination of benefits, eligibility verification, premium deductions.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, flexible spending accounts information, personalized benefit information, benefit modeling/projections*, benefit options information/ advice*, managed care network information *, savings plan investment transfers, medical savings account information *, retirement savings modeling*, flexible benefit plan selection.
Generates reports via: mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance.

▶ **Self Service Now**

Service bureau basis price: $50,000 to $70,000 per installment.
PC operating system: Other types: Web browser.
Interactive requirements: Internet/intranet.
Multiple user.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.

*Optional system and communication features.

First installation: 1998.
Total benefit installations: 20.
Benefits managed/communicated: saving/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System features: recordkeeping*, plan enrollment, coordination of benefits, eligibility verification, premium deductions.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims*, savings plan investment selection, flexible spending accounts information, personalized benefit information, benefit modeling/ projections, benefit options information/advice*, managed care network information *, savings plan investment transfers, medical savings account information *, retirement savings modeling*, flexible benefit plan selection.
Generates reports via: printer, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance.
Officers: Daniel T. Cox, chairman-Aon Consulting Worldwide Inc.; Donald C. Ingram, chairman-Aon Consulting-Americas; Ron Amy, chairman-Aon Consulting Ltd.-United Kingdom.

Apex Data Systems

6464 E. Grant Road,
Tucson, Ariz. 85715;
520-298-1991; fax: 520-296-7948
www.apexdatasystems.com

Benefit systems since: 1975.
Total clients: 50
Corporate benefit clients 3
Systems sold in 1999 6

▶ **Cognac*Plus**

PC operating system: DOS; Windows 95 and higher, NT.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1980.
Total benefit installations: 45.
Benefits managed/communicated: short- and long-term disability, group health plans, COBRA, life insurance.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management, check writing, participant letters, claims administration, eligibility verification, COBRA billing, stop-loss reinsurance management, government reporting, health care utilization review*.
Communication features: benefit plan descriptions.
User support: onsite training, online support, telephone assistance.
Contact: Dwight Babcock, president; apexdatasy@aol.com.

Associated Systems Inc.

1425 N. Broadway,
Wichita, Kan. 67214;
316-263-1035; fax: 316-263-0961
www.associatedsys.com

Benefit systems since: 1991.
Total clients: 30
Corporate benefit clients 4
Systems sold in 1999 10

▶ **"COMPLETE" Health Benefits Administration Software System**

Leased price: $2,000 per month.
PC operating system: Windows 95 and higher.
Single or multiple users.
Customization optional.
First installation: 1991.
Total benefit installations: 30.
Benefits managed/communicated: group health plans, COBRA.
System features: plan enrollment, medical coding/unbundling*, coordination of benefits, accounting*, check writing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, stop-loss reinsurance management, health care utilization review*.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, benefit options information/advice*.
Generates reports via: printer, computer diskette, e-mail, mailed hard copy.
User support: user groups/meetings, online support, telephone assistance, temporary data entry personnel.
Officers: Frank Smith, president.
Contact: Sharon Steele; 800-524-2327; asisteele@att.net.

AtWork Technologies Inc.

6410 Atlantic Blvd., Suite 180,
Norcross, Ga. 30071;
678-268-1500; fax: 678-268-1501
www.atworktech.com

Benefit systems since: 1998.
Total clients: 11
Corporate benefit clients 11
Systems sold in 1999 9

▶ **Benefits At Work**

Purchased price: $100,000.
Service bureau basis price: $2 to $6 per employee per month.
PC operating system: Other types: Web Browser.
Interactive requirements: Internet/intranet.
Multiple user.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1998.
Total benefit installations: 24.
Benefits managed/communicated: flexible spending accounts, short- and long-term disability, group health plans, section 125 flexible benefit plans, life insurance.
System features: plan enrollment, eligibility verification, premium deductions.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims*, flexible spending accounts information*, personalized benefit information, benefit modeling/projections, benefit options information/advice*, managed care network information, savings plan investment transfer*, medical savings account information *, flexible benefit plan selection.
Generates reports via: printer, e-mail, Internet/intranet site.
User support: user groups/meetings, online training, online support, telephone assistance.
Officers: Donald B. Taylor, president; Bret P. Connors, vp-sales; Brian Mitchell, product manager.
Contact: Bret P. Connors; bconnors@atworktech.com.

B

Benefit Plan Systems Corp.

16 Technology Drive, Suite 161,
Irvine, Calif. 92618;
949-753-0180; fax: 949-753-0845
www.bencorp.com

Benefit systems since: 1987.

▶ **Client Service Provider Suite**

Purchased price: $2,000 to $100,000.
PC operating system: Windows.
Interactive requirements: Internet/intranet, electronic mail.
Multiple user.
First installation: 1987.
Benefits managed/communicated: flexible spending accounts, short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System features: recordkeeping, plan enrollment, participant letters, eligibility verification, COBRA billing, premium deductions.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, flexible spending account information, personalized benefit information, benefit options information/advice, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: onsite training, online support, telephone assistance.
Officers: Leonard B. Wierzba, president; C. Jarl, vp; G. Ulkutekin, secretary.
Contact: Leonard B. Wierzba.

Benefit Resource Management Inc.

530 Howell Road, Suite 107,
Greenville, S.C. 29615;
864-268-4955; fax: 864-268-5018
www.benefitsoftware.com

Benefit systems since: 1990.
Total clients: 17
Corporate benefit clients 17
Systems sold in 1999 5
Total 1999 revenue: $1,000,000

▶ **DOCSQL**

PC operating system: Windows 95 and higher, NT.
Interactive requirements: Internet/intranet, electronic mail.
Multiple user.
Customization optional.
First installation: 1992.
Total benefit installations: 19.
System features: recordkeeping, participant letters, claims administration, eligibility verification, disability management.
User support: onsite training, online support, telephone assistance.
Officers: Ted Mahler, president; G. Andrews, D. Marion, vps.
Contact: marketvp@benefitsoftware.com.

BeneSoft Inc.

P.O. Box 3530,
Woodbridge, Conn. 06525;
203-393-0320; fax: 203-393-0325
www.benesoft.com

▶ **Flexible Software**

Interactive requirements: Internet/intranet, interactive voice response system.
Single or multiple users.
First installation: 1987.
Total benefit installations: 100**.
Benefits managed/communicated: flexible spending accounts, group health plans, section 125 flexible benefit plans.
System features: recordkeeping, plan enrollment*, medical coding/unbundling, coordination of benefits, health provider contract management, accounting, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting,government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection*, flexible spending accounts information*, personalized benefit information.
Generates reports via: printer, computer diskette, fax, mailed hard copy.
User support: user groups/meetings, onsite training, online support, telephone assistance, emergency pagers.
Officers: Faisal A. Saleh, president; Steve Froebel, vp.
Contact: Faisal A. Saleh.
**Estimate.

BLAZE SSI Corp.

Box 333,
Brielle, N.J. 08730;
732-223-5575; fax: 732-223-6683
www.blazessi.com

Benefit systems since: 1980.

▶ **EBPII**

Purchased price: $25,000 to $125,000.
Leased price: $1 per participant per year.
PC operating system: Windows 98, NT, 4.0.
Single or multiple users.
Provides: Internet/intranet access.
Customization optional.
Benefits managed/communicated: pension plans.
System features: recordkeeping, plan enrollment, check writing, retirement plan distributions, plan discrimination testing, participant letters, eligibility verification, retirement planning/forecasting, government reporting.
Communication features: benefit plan descriptions, benefit option selection/adjustment, personalized benefit information, benefit modeling/projections, benefit options information/advice, retirement savings modeling.
Generates reports via: printer, computer diskette, e-mail, mailed hard copy.
User support: user groups/meetings, onsite training, online support, telephone assistance, regulatory updates.
Officers: Janice Vittes, president; Joe Blaze, Liz Masto, executive vps.
Contact: Carol Malone.

Buck Consultants Inc.

1 Pennsylvania Plaza,
New York, N.Y. 10119-4798;
212-330-1000; fax: 212-695-4184
www.buckconsultants.com

Benefit systems since: 1995.
Total clients: 9
Corporate benefit clients 9
Systems sold in 1999 1
Total 1999 revenue: $370,000,000

▶ **Advantage**

PC operating system: Windows 98, NT.
Provides: Internet/intranet access.
Customization optional.
First installation: 1996.
Total benefit installations: 5.
Benefits managed/communicated: pension plans, flexible spending accounts, short- and long-term disability, group health plans, section 125 flexible benefit plans, life insurance.
System features: plan enrollment, health provider contract management, accounting, participant letters*, eligibility verification, premium deductions,
Communication features: benefit plan descriptions*, direct plan enrollment, benefit option selection/adjustment, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information *, flexible benefit plan selection.
Generates reports via: printer, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance, quarterly newsletter.

▶ **Buck Interactive Voice Response**

Interactive requirements: interactive voice response system.
Multiple user.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1989.
Total benefit installations: 63.
Benefits managed/communicated: saving/investment plans, pension plans, flexible spending accounts, short- and long-term disability, Social Security, group health plans, section 125 flexible benefit plans, life insurance.
System features: recordkeeping, plan enrollment, coordination of benefits*, retirement plan distributions*, participant letters*, eligibility verification*, premium deductions*, savings plan loan administration*, retirement planning/forecasting*.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, savings plan investment selection*, flexible spending accounts information*, personalized benefit information*, benefit modeling/projections*, managed care network information *, savings plan investment transfer*, retirement savings modeling*, flexible benefit plan selection*.
Generates reports via: mailed hard copy.
User support: user groups/meetings, onsite training, telephone assistance.
Officers: Joseph A. LoCicero, chairman/CEO; Karl Lohwater, secretary; Bill Williams, CFO.

Byrne Software Technologies Inc.

732-A Crown Industrial Court,
Chesterfield, Mo. 63005;
636-537-8403; fax: 636-537-5904
www.byrnesoftware.com

Benefit systems since: 1986.
Total clients: 12
Systems sold in 1999 12

▶ **Visual HCS**

Purchased price: $28,000.
PC operating system: Windows NT.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1987.
Total benefit installations: 14.
Benefits managed/communicated: group health plans, COBRA, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, health provider contract management, accounting*, check writing, retirement plan distributions, plan discrimination testing*, participant letters, claims administration, eligibility verification, medical case management, COBRA billing*, disability management*, stop-loss reinsurance management, premium deductions*, savings plan loan administration*, retirement planning/forecasting*, government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection*, flexible spending accounts information*, personalized benefit information, benefit modeling/projections*, benefit options information/advice, managed care network information *, savings plan investment transfer*, medical savings account information

Continued on page 22

Explanation of terms used in the directory

The directory of employee benefit information and communications systems lists companies that produce and supply proprietary software products or interactive benefit communication software directly to corporations for the purpose of managing their employee benefit plans.

Companies that deal in general utility software, hardware only, or software designed only for general human resources administration are not included.

Listings begin with the company address and the year the company began offering employee benefit information system products.

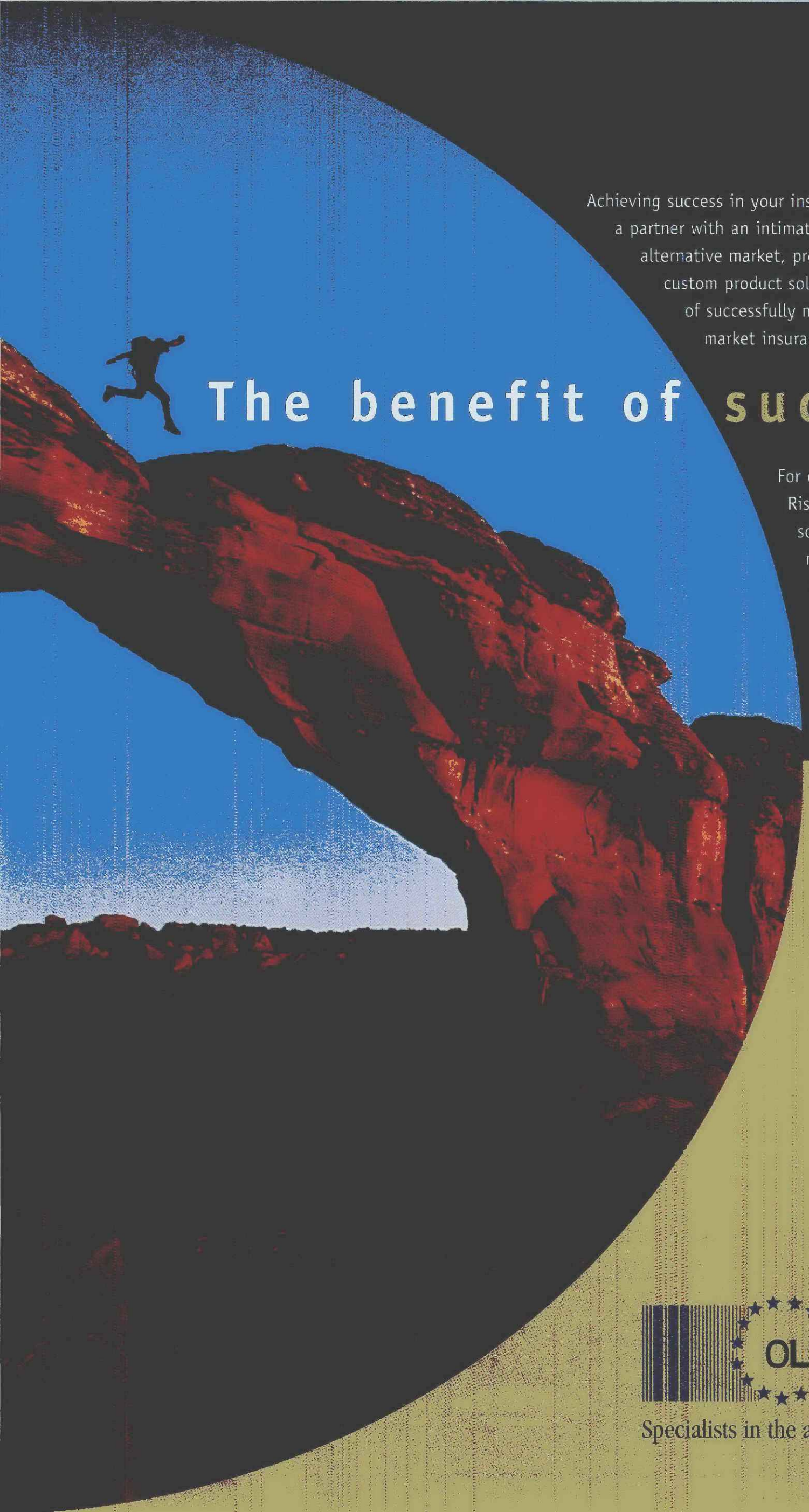
Information about the number of **total clients,** corporate benefit clients and systems sold in 1999 is followed by **total 1999 revenues** and EBIS revenues. Information on **software systems** follows. **Price** indicates whether a system is purchased or leased or is operated on a service bureau basis. The purchase price, average lease price and service bureau price of the system is noted, if given by the company. **PC system requirements** indicates the type of operating system needed to run the software, **Midrange/mainframe** indicates the type of system for which the product is designed. **Interactive requirements** indicates the interactive communication features that are required. An indication as to whether the system is for a **single user** or for **multiple users** follows. Next, **customization** is noted if it is optional.

The year of **first installation** and the **total installations** are also given.

The next section details the **benefits managed/communicated,** followed by **system features** and **communication features** with an "*" to indicate those features that are optional. This is followed by information about the **report** features and the **user support** available. Names and titles of **officers** and **contact** complete the listings.

The directory is published as an editorial service; there is no charge for companies to be included in the directory. However, the companies listed were required to complete a questionnaire provided by *Business Insurance*.

Although every effort is made to publish complete and accurate information, *BI* is unable to verify all data received.



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OLD REPUBLIC
Risk Management, Inc.

Specialists in the alternative risk market.

Continued from page 20

retirement savings modeling*, flexible benefit plan selection*.

Generates reports via: printer, e-mail, mailed hard copy, Internet/intranet site.

User support: user groups/meetings, onsite training, online support, telephone assistance.

Officers: William Byrne, president-William Byrne & Associates Inc.; Robert Cook, president-Byrne Software Technologies Inc.; Mark Cutler, director-marketing and sales-Byrne Software Technologies Inc.

Contact: Traci Yarbrough; tly@byrnesoftware.com.

Asterisks denote optional system features.

C

Cantor & Co.

9100 Wilshire Blvd., Suite 445 E.,
Beverly Hills, Calif. 90212;
310-859-7277; fax: 310-859-7415
www.cantorandco.com

Benefit systems since: 1982.
Total clients: 117

▶ **MQMS Plus**

PC operating system: DOS; Windows 95, NT.

Single or multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1991.

Total benefit installations: 55.

Benefits managed/communicated: pension plans, short- and long-term disability, leaves of absence, Social Security, group health plans, life insurance, workers comp.

System features: medical coding/unbundling*, claims administration, medical case management, disability management, health care utilization review.

Communication features: access to status of medical claims, managed care network information.

Generates reports via: printer.

User support: user groups/meetings, onsite training, online support, telephone assistance, mentor program.

▶ **RISKMAP**

Purchased price: $2,200 to $5,500.

PC operating system: DOS; Windows 3.0 and higher; Novell Netware.

Single or multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1983.

Total benefit installations: 55.

Benefits managed/communicated: pension plans, short- and long-term disability, leaves of absence, Social Security, group health plans, life insurance, workers comp.

Communication features: benefit modeling/projections.

Generates reports via: printer.

User support: user groups/meetings, onsite training, online support, telephone assistance, mentor program.

Officers: Alan B. Cantor, president; Judith J. Szarka, vp.

Contact: Alan B. Cantor.

AEU

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and Aggregate Workers' Compensation.

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www.amequity.com

Cascade Technologies Inc.

333 Thornall St.,
Edison, N.J. 08837-2220;
732-906-2020; fax: 732-906-2018
www.cascadetechnologies.com

Benefit systems since: 1989.

▶ **Connection Server**

PC operating system: Windows NT.

Interactive requirements: interactive voice response system.

Multiple users.

Customization optional.

First installation: 1997.

Total benefit installations: 25.

Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, personalized benefit information, benefit modeling/ projections, benefit options information/advice, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling, flexible benefit plan selection.

Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.

User support: onsite training, online support, telephone assistance, bulletin board service.

Officers: Vigdis Austad, president; Frank Joicy, vp.

Contact: Janice Harrison, marketing associate.

Ceridian Employer Services

8100 34th Ave. S.,
Bloomington, Minn. 55425;
800-729-7655; fax: 716-218-5622
ces.ceridian.com

Total clients: 20,000
Total 1999 revenue: $1,500,000,000

▶ **Ceridian Source 500 HR/Payroll**

PC operating system: Windows 95.

Single or multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1998.

Benefits managed/communicated: savings/investment plans, flexible spending accounts, short- and long-term disability, leaves of absence, group health plans, medical savings accounts, life insurance.

System features: recordkeeping*, plan enrollment*, coordination of benefits*, plan discrimination testing*, participant letters*, eligibility verification*, premium deductions*, savings plan loan administration*, government reporting*, health care utilization review*.

Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending accounts information*, flexible benefit plan selection*.

Generates reports via: printer, computer diskette, e-mail, Internet/intranet site.

User support: user groups/meetings, onsite training, online support, telephone assistance.

Officers: Tony Holcombe, president; Barry Brown, vp-product management; Scott Christian, CFO.

Contact: response center, 800-729-7655 ext. 3900.

Computer Workware Inc.

930 The East Mall,
Etobicoke, Ontario M9B 6J9, Canada;
416-620-1704; fax: 416-620-5692
www.computerworkware.com

Benefit systems since: 1984.

▶ **Fast Benefits Administration System**

Purchased price: $50,000 to $65,000.

PC operating system: DOS; Windows 95 and higher, NT.

Interactive requirements: Internet/intranet, computer kiosks.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1984.

Total benefit installations: 3,000.

Benefits managed/communicated: flexible spending accounts, short- and long-term disability, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.

System features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, accounting, plan discrimination testing, participant letters, eligibility verification, COBRA billing, premium deductions, government reporting.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, flexible spending accounts information, personalized benefit information, benefit modeling/projections, benefit options information/advice.

Generates reports via: printer, computer diskette, mailed hard copy, Internet/intranet site.

User support: onsite training, online support, telephone assistance.

▶ **Vital Objects**

Purchased price: $300,000 to $575,000.

PC operating system: Windows 2000, NT 4.1.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.

Provides: online processing capabilities.

Customization optional.

First installation: 1999.

Total benefit installations: 4.

Benefits managed/communicated: flexible spending accounts, short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.

System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, accounting, check writing*, plan discrimination testing, eligibility verification, COBRA billing, stop-loss reinsurance management*, premium deductions, government reporting.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims*, savings plan investment selection flexible spending accounts information, personalized benefit information, benefit modeling/ projections, benefit options information/advice, savings plan investment transfers, medical savings account information, retirement savings modeling, flexible benefit plan selection.

Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.

User support: onsite training, online support, telephone assistance.

Officers: E.G. Robinson, president; Keith Formosa, vp.

Contact: Keith Formosa; 416-620-1704 ext. 223; keithf@computerworkware.com.

The explanation of terms appears on page 20.

Corbel

1660 Prudential Drive,
Jacksonville, Fla. 32207;
800-326-7235; fax: 904-399-5551
www.corbel.com

Total clients: 1,200
Corporate benefit clients 100
Systems sold in 1999 90

▶ **Quantech**

PC operating system: Windows 95 and higher, NT.

Interactive requirements: Internet/intranet, interactive voice response system.

Single or multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1994.

Total benefit installations: 1,200.

Benefits managed/communicated: pension plans.

System features: recordkeeping, plan enrollment, coordination of benefits, accounting*, retirement plan distributions, plan discrimination testing, participant letters, eligibility verification, savings plan loan administration, retirement planning/forecasting, government reporting*.

Communication features: benefit option selection/adjustment, personalized benefit information, benefit modeling/projections, benefit options information/advice, retirement savings modeling, flexible benefit plan selection.

Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.

User support: user groups/meetings, onsite training, online support, telephone assistance.

Officers: Don Mackanos, president; Jim Smith, senior vp; Tom Makeever, vp.

Contact: sales support; 800-326-7235 ext. 1100.

Corporate Systems

1200 Corporate Systems Center,
Amarillo, Texas 79102;
806-376-4223; fax: 806-376-4077
www.csedge.com

Benefit systems since: 1967.
Total clients: 5
Corporate benefit clients 2
Total 1999 revenue: $50,000,000

▶ **Disability Claims Management System**

PC operating system: Windows 95, NT; Software Attachmate.

Midrange/mainframe system: Service Bureau.

Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1994.

Benefits managed/communicated: short- and long-term disability.

System features: recordkeeping, medical coding/unbundling*, health provider contract management*, check writing, claims administration, eligibility verification, medical case management*, disability management, government reporting.

Communication features: access to status of medical claims, managed care network information *.

Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.

User support: user groups/meetings, onsite training, online support, telephone assistance.

Officers: Johnny Mize, president/CEO; Mike Unruh, vp/CFO; John Champlin, vp/COO.

Contact: Carolena Cogdill; ccogdill@csedge.com.

D

DATAIR Employee Benefit Systems Inc.

735 N. Cass Ave.,
Westmont, Ill. 60559-1100;
630-325-2600; fax: 630-325-2660
www.datair.com

Benefit systems since: 1967.
Total clients: 1,200
Corporate benefit clients 100
Systems sold in 1999 250
Total 1999 revenue: $3,000,000
EBIS revenue: $3,000,000

▶ **DATAIRVoice**

Purchased price: $4,500**.

PC operating system: Windows 95 and higher.

Interactive requirements: interactive voice response system.

Multiple users.

Provides: Internet/intranet access.

First installation: 1998.

Total benefit installations: 10.

Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, section 125 flexible benefit plans.

System features: recordkeeping, plan enrollment, accounting, retirement plan distributions*, plan discrimina-

Continued on page 24

Travis Software

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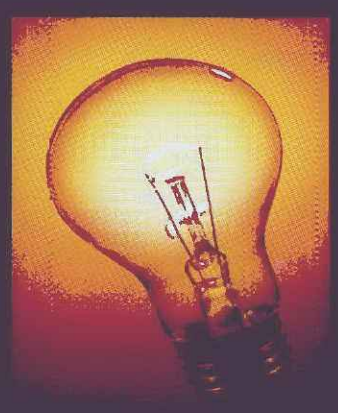
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Issue Date	Editorial Feature	Demographic Section	Ad Closing
Jan 17	Information Resource: Risk Management	IT Financial Modernization	Jan 5
Jan 24	Benefits: Improving Quality *Directory: Case Management Services*		Jan 12
Jan 31			Jan 19
Feb 7	Environmental Risks *Directory: Environmental Risk Management Consultants* *Distribution: Commercial Insurance Legislative Summit*	ABT Global Strategies	Jan 26
Feb 14			Feb 2
Feb 21	Self-Insurance: Property/Casualty & Employee Benefits *Directory: Third-Party Administrators*	IT Global Strategies	Feb 9
Feb 28			Feb 16
Mar 6	Benefits: Technology Solutions *Directory: Benefit Information Systems*	ABT Consolidation	Feb 23
Mar 13	*Distribution: NAIC*		Mar 1
Mar 20	Risk Financing Options *Directory: Risk Securitization Specialists* *Distribution: IAIS*	IT Consolidation	Mar 8
Mar 27			Mar 15
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Circulation: 965 E. Jefferson Ave., Detroit, MI 48207 ■ Tel: 888-446-1422 ■ Fax: 313-446-0777

Continued from page 22

tion testing, participant letters*, eligibility verification, premium deductions, savings plan loan administration, retirement planning/forecasting*, government reporting*.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims*, savings plan investment selection, flexible spending accounts information, personalized benefit information, benefit modeling/
projections, benefit options information/advice, savings plan investment transfers, retirement savings modeling, flexible benefit plan selection.

Generates reports via: printer, fax, mailed hard copy.

User support: user groups/meetings, onsite training, online support, telephone assistance, fax, answering machine, e-mail.

Officers: Aaron Venouziou, president; Andrew Hoskins, senior vp-systems development; Gary Saake, vp-systems and programming.

Contact: Charlotte O'Connell; sales@datair.com.

***Four-line version.*

Dorn Technology Group

38705 Seven Mile Road, Suite 450,
Livonia, Mich. 48152-1005;
734-462-5800; fax: 734-462-5807
www.dorn.com

Benefit systems since: 1982.
Total 1999 revenue: $16,000,000

▶ RISKMASTER

PC operating system: Windows 95 and higher, NT.
Midrange/mainframe system: Pentium.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1982.
Benefits managed/communicated: flexible spending accounts, short- and long-term disability, leaves of absence, group health plans, workers comp.
System features: recordkeeping, medical coding/unbundling*, coordination of benefits*, health provider contract management*, accounting, check writing, participant letters, claims administration, eligibility verification*, medical case management, disability management*, stop-loss reinsurance management*, premium deductions*, government reporting, health care utilization review*.
Communication features: access to status of medical claims, managed care network information*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance, in-house training.
Officers: Mark Dorn, vp-Policy Management Systems Corp; Steven Dorn, Paul Hafeli, assistant vps-Policy Management Systems Corp.
Contact: Ron Peterson; rpeterson@dorn.com.

E

eBenX Inc.

5500 Waysata Blvd., Suite 500,
Minneapolis, Minn. 55416;
612-525-2879; fax: 612-525-2801
www.ebenx.com

Benefit systems since: 1996.
Total clients: 230

▶ eBenX

Interactive requirements: Internet/intranet.
Multiple users.
Provides: Internet/intranet access.
First installation: 1996.
Benefits managed/communicated: group health plans, COBRA.
System features: recordkeeping, plan enrollment, accounting, check writing, participant letters*, eligibility verification, COBRA billing*, premium deductions*,
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, personalized benefit information*, managed care network information*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: online support, telephone assistance.
Officers: Mark Tierney, chairman; John Davis, CEO; Scott Halstead, CFO.
Contact: info@ebenx.com.

EmployeeLife.com

1290 Oakmead Parkway, Suite 318,
Sunnyvale, Calif. 94086;
408-736-4926; fax: 408-736-7381
www.employeelife.com

Benefit systems since: 1997.

▶ eeCampus

Service bureau-basis price: $3 to $15 per employee per month.
PC operating system: Windows NT.
Interactive requirements: Internet/intranet.
Multiple users.
Provides: Internet/intranet access.
First installation: 1999.
Benefits managed/communicated: savings/investment plans, flexible spending accounts, short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance,
System features: recordkeeping, plan enrollment, plan discrimination testing, participant letters, eligibility verification, premium deductions, government reporting.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, flexible spending accounts information, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information, medical savings account information, retirement savings modeling, flexible benefit plan selection.

Asterisks denote optional system features.

Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: online support, telephone assistance.
Officers: Howard Koenig, CEO; Jorge Fernandes, president.
Contact: Dan Schmid, E-business sales.

Enwisen.com

7110 Redwood Blvd., Suite C,
Nevada, Calif. 94945;
415-897-0728; fax: 415-897-3863
www.enwisen.com

Benefit systems since: 1996.
Total clients: 16
Systems sold in 1999 16
Total 1999 revenue: $1,200,000
EBIS revenue: $1,200,000

▶ Employee Resource Center

Interactive requirements: Internet/intranet, computer kiosks.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1996.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System features: recordkeeping*, plan enrollment*.
Communication features: benefit plan descriptions, direct plan enrollment*, benefit option selection/adjustment, savings plan investment selection, flexible spending accounts information, personalized benefit information*, benefit modeling/projections, benefit options information/advice, managed care network information, savings plan investment transfer*, retirement savings modeling, flexible benefit plan selection.
Generates reports via: Internet/intranet site.
User support: onsite training, online support, telephone assistance.
Officers: Frank McCormack, CEO; Barry Maxon, president/COO; Roger Woehl, director-product development.

F

FACTS Services Inc.

1575 San Ignacio Ave., Suite 406,
Coral Gables, Fla. 33146;
305-284-7400; fax: 305-661-6710
www.factsservices.com

Benefit systems since: 1980.
Total 1999 revenue: $6,000,000
EBIS revenue: $6,000,000

▶ FACTS ADMIN

Interactive requirements: interactive voice response system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
Benefits managed/communicated: group health plans, COBRA, life insurance.
System features: plan enrollment, accounting, check writing, eligibility verification, COBRA billing, premium deductions,
Communication features: access to status of medical claims*, personalized benefit information*.
Generates reports via: fax.

▶ FACTS CLAIMS & ENCOUNTERS

PC operating system: DOS; Windows.
Interactive requirements: interactive voice response system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
Benefits managed/communicated: short- and long-term disability, group health plans, section 125 flexible benefit plans, COBRA, workers comp.
System features: plan enrollment*, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing*, participant letters, claims administration, eligibility verification*, medical case management*, COBRA billing*, disability management, stop-loss reinsurance management, government reporting, health care utilization review*.
Communication features: access to status of medical claims*, personalized benefit information*.
Generates reports via: fax.

▶ FACTS COMP with Integrated Managed Care

Interactive requirements: interactive voice response system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
Benefits managed/communicated: workers comp.
System features: medical coding/unbundling, claims administration, health care utilization review.
Communication features: access to status of medical claims*, personalized benefit information*.
Generates reports via: fax.

▶ FACTS MANAGED CARE SYSTEM

PC operating system: DOS; Windows.
Interactive requirements: interactive voice response system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
Benefits managed/communicated: group health plans.
System features: medical coding/unbundling, health provider contract management, accounting* claims administration, health care utilization review.
Communication features: access to status of medical claims*, personalized benefit information*.
Generates reports via: fax.
User support: user groups/meetings, onsite training, online support, telephone assistance, professional services, comprehensive user documentation.
Officers: Robert S. Graham Jr., president; Michael R. Graham, vp.
Contact: Jane L. Whitelock, marketing manager.

G

GatesMcDonald

3455 Mill Run Drive,
Hilliard, Ohio 43026;
800-336-4733; fax: 614-777-3051
www.gatesmcdonald.com

Total 1999 revenue: $111,100,000

▶ TOPS (Time Off Planning Service)

Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1998.
Benefits managed/communicated: short- and long-term disability, leaves of absence, workers comp.
System features: recordkeeping, eligibility verification*, medical case management* disability management*.
Communication features: personalized benefit information*, benefit modeling/projections*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: Danny Fullerton, president/COO; Kelly Hamilten, vp-finance; Peter Barr, vp-eastern region.
Contact: Brett Shafran; 614-777-3253.

Genesys Software

5 Branch St.,
Methuen, Mass. 01844;
978-685-5400; fax: 978-681-8308
www.genesys-soft.com

Benefit systems since: 1981.

▶ Genesys HRMS

Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1981.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, coordination of benefits*, accounting, check writing, retirement plan distributions, plan discrimination testing, participant letters, eligibility verification, COBRA billing, premium deductions, savings plan loan administration, retirement planning/forecasting*, government reporting.
Communication features: direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, flexible spending accounts information, personalized benefit information, benefit modeling/projections, benefit options information/advice, savings plan investment transfers, medical savings account information, retirement savings modeling, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance, implementation/customization.
Officers: Lawrence J. Munini, president; Robert Pomerleau, senior vp-finance and administration; Ruth A. Ladner, senior vp-sales and marketing.
Contact: info@genesys-soft.com.

GenSource Corp.

25572 Avenue Stanford,
Valencia, Calif. 91355;
661-294-1300; fax: 661-294-1310
www.gensourcecorp.com

Benefit systems since: 1977.
Total clients: 50
Corporate benefit clients 50
Systems sold in 1999 4

▶ GenCOMP

Purchased price: $82,500 to $215,000.
Leased price: $45,000 per year.
Service bureau-basis price: $50,000 per year**.
PC operating system: Windows 95 and higher, NT.
Midrange/mainframe system: IBM RS 6000.
Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1977.
Total benefit installations: 44.
Benefits managed/communicated: workers comp.
System features: recordkeeping, medical coding/unbundling, coordination of benefits, health provider contract management, accounting, check writing, participant letters, claims administration, eligibility verification, medical case management, disability management, stop-loss reinsurance management, government reporting, health care utilization review.
Communication features: access to status of medical claims, personalized benefit information.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance, disaster recovery, hardware, database services.

***Estimate.*

▶ GenDIS

Purchased price: $82,5000 to $215,000.
Leased price: $45,000 per year.
Service bureau-basis price: $50,000 per year**.
PC operating system: Windows 95 and higher, NT.
Midrange/mainframe system: IBM RS 6000.
Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
Total benefit installations: 6.
Benefits managed/communicated: short- and long-term disability.
System features: recordkeeping, medical coding/unbundling, coordination of benefits, health provider contract management, accounting, check writing, participant letters, claims administration, eligibility verification, medical case management, disability management, stop-loss reinsurance management, government reporting, health care utilization review.
Communication features: access to status of medical claims, personalized benefit information.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance, disaster recovery, hardware, database services.
Officers: Jerry Buckley, chairman; Eric Hoffberg, president/CEO; Nora Kenner, vp.
Contact: John Carolan, director-sales and marketing; sales@gensourcecorp.com.

H

HCIA-Sachs L.L.C.

3 Parkway N.,
Deerfield, Ill. 60015;
847-236-5600; fax: 847-948-0676
www.hcia.com

Benefit systems since: 1989.
Total clients: 50
Corporate benefit clients 48
Systems sold in 1999 2
Total 1999 revenue: $95,000,000
EBIS revenue: $6,000,000

▶ Comprehensive Healthcare Analysis Management Program (CHAMP)

PC operating system: Windows 95 and higher, NT.
Multiple users.
Customization optional.
First installation: 1989.
Total benefit installations: 50.
Benefits managed/communicated: group health plans.
System features: plan enrollment, medical coding/unbundling, coordination of benefits, health provider contract management, health care utilization review.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: Michael Sachs, chairman; Bob Brown, president/CEO; Mike Burke, CFO.
Contact: Alan Peres, apere@hciasachs.com.

Hay Group Inc.

100 Penn Square E.,
Philadelphia, Pa. 19107;
215-861-2569; fax: 215-861-2106
www.haygroup.com

Benefit systems since: 1981.
Total clients: 20
Corporate benefit clients 15
Systems sold in 1999 2
Total 1999 revenue: $100,000,000
EBIS revenue: $500,000

▶ Pension Calculation Language

Purchased price: $100,000 to $250,000.
PC operating system: Windows 95 and higher, NT.
Interactive requirements: Internet/intranet.
Single or multiple users.
First installation: 1991.
Total benefit installations: 12.
Benefits managed/communicated: pension plans, Social Security.
System features: recordkeeping, plan enrollment, retirement plan distributions, plan discrimination testing*, participant letters, eligibility verification, retirement planning/forecasting, government reporting*.
Communication features: benefit plan descriptions, direct plan enrollment*, benefit option selection/adjustment, personalized benefit information, benefit modeling/projections, benefit options information/advice, retirement savings modeling*.
Generates reports via: printer.
User support: onsite training, online support, telephone assistance.
Officers: Mike Cotter, Robert Cirkiel, Kurt Fichthorn, vps.
Contact: Kurt Fichthorn; kurt_fichthorn@haygroup.com.

Human Resources Consulting Group Inc.

1202 E. Dover,
Provo, Utah 84604;
801-765-4417; fax: 801-765-4418
www.hrconsulting.com

Benefit systems since: 1983.
Total clients: 600
Corporate benefit clients 15
Systems sold in 1999 25
Total 1999 revenue: $5,800,000

▶ EBS-Benefits Statements

Purchased price: $1,800 to $8,000.
Leased price: $150 to $450 per month.
Service bureau-basis price: $3 to $4 per statement.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1993.
Total benefit installations: 15**.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.

***Estimate.*

▶ Enroll-Simple Self Service

Purchased price: $500 to $2,000.
Service bureau-basis price: $3 per employee per month.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1982.
Total benefit installations: 150**.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.

***Estimate.*

▶ FlexComp 9.0-Windows Employee Self Service

Purchased price: $15,000 to $50,000.
Leased price: $1,500 to $2,500 per month.
Service bureau-basis price: $3 to $6 per inquiry.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1983.
Total benefit installations: 252.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.

▶ Interactive Video Employee Self Service

Purchased price: $25,000 to $75,000.
Service bureau-basis price: $2 to $13 per employee per month.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1989.
Total benefit installations: 2.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting,government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.

▶ Interactive Voice Response-Response Plus

Purchased price: $5,500 to $32,000.

Continued on next page

Continued from previous page

Leased price: $500 to $1,104 per month.
Service bureau-basis price: $3 to $4 per phone call.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
First installation: 1989.
Total benefit installations: 27.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.

▶ **Taxdemo Enrollment**

Purchased price:$5,000 to $15,500.
Leased price: $500 to $1,000 per month.
Service bureau-basis price: $3 to $4 per phone call.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1983.
Total benefit installations: 5,756.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.

▶ **TouchScreen Employee Self Service**

Purchased price:$15,000 to $30,000.
Service bureau-basis price: $1 to $3 per employee per month.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1989.
Total benefit installations: 5.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.

▶ **Web (Internet/Intranet) Employee Self Service**

Purchased price:$15,500 to $40,000.
Leased price: $700 to $1,500.
Service bureau-basis price: $1 to $3 per employee per month.
PC operating system: Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1998.
Total benefit installations: 6.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting*, check writing, retirement plan distributions, plan discrimination testing, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, savings plan investment selection, flexible spending accounts information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, remote telephone training.
Officers: Richard D. Pelton, CEO; E. Richard Packham, senior vp; Bill Wunderlich, vp.
Contact: Rob J. Thurston, vp-marketing.

*Asterisks denote optional system features.

I

IQ+ Systems

2113 1/2 Ripley Ave.,
Redondo Beach, Calif. 90278;
800-777-5311; fax: 310-937-6568
Benefit systems since: 1990.
Total clients: 8
Systems sold in 1999 1
Total 1999 revenue: $300,000
EBIS revenue: $300,000

▶ **IQ+ Administration**

PC operating system: DOS;)
Midrange/mainframe system: AS400; IBM.
Multiple users.
Customization optional.
First installation: 1990.
Total benefit installations: 8.
Benefits managed/communicated: pension plans, short- and long-term disability, group health plans, COBRA, workers comp.
System features: recordkeeping, plan enrollment, coordination of benefits, health provider contract management, check writing, retirement plan distributions, participant letters, claims administration, eligibility verification, COBRA billing, stop-loss reinsurance management, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting, health care utilization review.
User support: user groups/meetings, onsite training, online support, telephone assistance, onsite as needed.
Officers: J. Patrick Broman, president; Edna Buttery, vp-sales.
Contact: J. Patrick Broman.

Information Products Inc.

17 Connecticut S. Drive,
East Granby, Conn. 06026;
800-477-7822; fax: 860-653-0255
www.ipi-ivr.com
Benefit systems since: 1976.
Total clients: 150
Corporate benefit clients 53
Systems sold in 1999 17
Total 1999 revenue: $1,400,000
EBIS revenue: $1,250,000

▶ **Verify**

Purchased price:$40,000 to $250,000.
Leased price: $500 per month.
Service bureau-basis price: $500 per month.
PC operating system: Windows 95, NT; Other types: workstation.
Midrange/mainframe system: Windows NT, workstation; UNIX.
Interactive requirements: Internet/intranet, interactive voice response system.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1994.
Total benefit installations: 112.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, life insurance, workers comp.
System features: plan enrollment*, retirement plan distributions*, participant letters*, claims administration*, eligibility verification*, premium deductions*, retirement planning/forecasting*.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending accounts information*, personalized benefit information*, benefit modeling/projections*, benefit options information/advice*, managed care network information *, savings plan investment transfer*, medical savings account information *, retirement savings modeling*, flexible benefit plan selection*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance.

▶ **Quick Enroll**

Purchased price:$40,000 to $250,000.
Leased price: $500 per month.
Service bureau-basis price: $500 per month.
PC operating system: Windows 95, NT; Other types: workstation.
Midrange/mainframe system: Windows NT, workstation; UNIX.
Interactive requirements: Internet/intranet, interactive voice response system.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1994.
Total benefit installations: 15.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, life insurance, workers comp.
System features: plan enrollment*, retirement plan distributions*, participant letters*, claims administration*, eligibility verification*, premium deductions*, retirement planning/forecasting*.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending accounts information*, personalized benefit information*, benefit modeling/projections*, managed care network information *, savings plan investment transfer*, medical savings account information *, retirement savings modeling*, flexible benefit plan selection*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance.

▶ **Pension Planner**

Purchased price:$40,000 to $250,000.
Leased price: $500 per month.
Service bureau-basis price: $500 per month.
PC operating system: Windows 95, NT; Other types: workstation.
Midrange/mainframe system: Windows NT, workstation; UNIX.
Interactive requirements: Internet/intranet, interactive voice response system.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1994.
Total benefit installations: 7.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, life insurance, workers comp.
System features: plan enrollment*, retirement plan distributions*, participant letters*, claims administration*, eligibility verification*, premium deductions*, retirement planning/forecasting*.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending accounts information*, personalized benefit information*, benefit modeling/projections*, benefit options information/advice*, managed care network information *, savings plan investment transfer*, medical savings account information *, retirement savings modeling*, flexible benefit plan selection*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance.

▶ **Provider Locator**

Purchased price:$40,000 to $250,000.
Leased price: $500 per month.
Service bureau-basis price: $500 per month.
PC operating system: Windows 95, NT; Other types: workstation.
Midrange/mainframe system: Windows NT, workstation; UNIX.
Interactive requirements: Internet/intranet, interactive voice response system.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1994.
Total benefit installations: 7.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, life insurance, workers comp.
System features: recordkeeping*, retirement plan distributions*, participant letters*, claims administration*, eligibility verification*, premium deductions*, retirement planning/forecasting*.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending accounts information*, personalized benefit information*, benefit modeling/projections*, benefit options information/advice*, managed care network information *, savings plan investment transfer*, medical savings account information *, retirement savings modeling*, flexible benefit plan selection*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance.

▶ **MD Enroll**

Purchased price:$40,000 to $250,000.
Leased price: $500 per month.
Service bureau-basis price: $500 per month.
PC operating system: Windows 95, NT; Other types: workstation.
Midrange/mainframe system: Windows NT, workstation; UNIX.
Interactive requirements: Internet/intranet, interactive voice response system.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1994.
Total benefit installations: 7.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, life insurance, workers comp.
System features: plan enrollment*, retirement plan distributions*, participant letters*, claims administration*, eligibility verification*, premium deductions*, retirement planning/forecasting*.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending accounts information*, personalized benefit information*, benefit modeling/projections*, benefit options information/advice*, managed care network information *, savings plan investment transfer*, medical savings account information *, retirement savings modeling*, flexible benefit plan selection*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
Officers: Roger Hernsdorf, president; Bryce Hernsdorf, vp.
Contact: Bill Glueck, director-business development; 800-477-7822, ext. 219; wdg@ipi-ivr.com.

M

William M. Mercer L.L.C.

1166 Avenue of the Americas,
New York, N.Y. 10036;
212-345-7000; fax: 212-345-8483
www.wmmercer.com
Benefit systems since: 1975.

▶ **Pension Express for Windows**

Purchased price:$70,000 to $100,000 Initial cost, annual fee: $10,000 to $15,000.
PC operating system: Windows 95.
Multiple users.
First installation: 1994.
Total benefit installations: 46.
Benefits managed/communicated: pension plans.
System features: retirement plan distributions, participant letters*,
Communication features: benefit option selection/adjustment*, personalized benefit information*, benefit modeling/projections*.
Generates reports via: computer diskette, mailed hard copy.
User support: onsite training, online support, telephone assistance.

▶ **Data Reconciliation System (DRS)****

Purchased price:$8,000 to $15,000 Initial cost, annual fee: $800.
PC operating system: DOS.
Single user.
First installation: 1988.
Total benefit installations: 17.
Benefits managed/communicated: pension plans.
User support: onsite training, online support, telephone assistance.
***System provides reconciliation of yearly census data, plus service fields and other pertinent data

▶ **Global Retirement System (GRS)**

Purchased price:$15,000 to $240,000 Initial cost, annual fee: $3,000 to $36,000.
PC operating system: DOS; Windows 95.
Multiple users user.
Customization optional.
First installation: 1989.
Total benefit installations: 6.
Benefits managed/communicated: pension plans, Social Security, group health plans, life insurance.
System features: retirement plan distributions*, plan discrimination testing*,retirement planning/forecasting*, government reporting*.
Communication features: benefit option selection/adjustment*, personalized benefit information*, benefit modeling/projections*.
Generates reports via: computer diskette, mailed hard copy.
User support: onsite training, online support, telephone assistance.

▶ **SSCalc for Windows**

Purchased price:$4,500 Initial fee, annual fee: $850.
PC operating system: Windows 95.
Multiple users user.
Provides: Internet/intranet access.
Customization optional.
First installation: 1999.
Total benefit installations: 26.
Benefits managed/communicated: Social Security.
Generates reports via: computer diskette, mailed hard copy.
User support: onsite training, online support, telephone assistance.

▶ **Mercer BeneCalc**

Purchased price:$300,000.
Leased price: $30 to $50 per participant per year.
PC operating system: Windows 95, NT.
Interactive requirements: Internet/intranet.
Single or multiple users users.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1989.
Total benefit installations: 35.
Benefits managed/communicated: pension plans.
System features: recordkeeping, plan enrollment, retirement plan distributions, participant letters, retirement planning/forecasting, government reporting*.
Communication features: benefit plan descriptions*, benefit option selection/adjustment, personalized benefit information, benefit modeling/projections, benefit options information/advice, retirement savings modeling*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: onsite training, online support, telephone assistance.

▶ **Mercer's Global Database System****

Purchased price:$5,000 Initial cost, $500, annual fee for upgrades and updated resources.
PC operating system: Windows 3.1 and higher.
Single or multiple users.
Customization optional.
First installation: 1995.
Total benefit installations: 220.
Benefits managed/communicated: savings/investment plans, pension plans, short- and long-term disability, leaves of absence, Social Security, group health plans, life insurance.
User support: user groups/meetings, onsite training, telephone assistance.
Officers: Peter E. Felton, chairman; Timothy J. Lynch, vice chairman; Peter Coster, president;.
Contact: Edward R. Angel, principal; 1417 Lake Cook Road, Deerfield, Ill. 60015; 847-317-7508.
*****Specific for multinational companies to store information on benefits and HR practices worldwide; features include 17 cross-country comparison reports, summary reports, updated typical practice and social security in applicable countries and quarterly updates of legislative changes.*

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3800,
Seattle, Wash. 98101;
206-624-7940; fax: 206-340-1380
www.milliman.com
Benefit systems since: 1993.
Total clients: 25
Corporate benefit clients 25
Systems sold in 1999 6
Total 1999 revenue: $270,300,000
EBIS revenue: $985,000

▶ **Plan Ahead for Retirement**

Leased price: $5,000**.
PC operating system: Windows 3.1.
Single user.
Provides: Internet/intranet access, online processing capabilities.
First installation: 1995.
Total benefit installations: 50.
Benefits managed/communicated: savings/investment plans, pension plans, Social Security.
System features: retirement planning/forecasting,
Communication features: savings plan investment selection*, personalized benefit information, benefit modeling/projections, retirement savings modeling.
Generates reports via: printer.
User support: onsite training, telephone assistance.
***Estimate.*

▶ **Milliman & Robertson Communicator (MARC)**

Leased price: $5,000**.
PC operating system: Windows 3.1.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1993.
Total benefit installations: 25.
Benefits managed/communicated: savings/investment plans, pension plans, Social Security.
System features: retirement plan distributions, retirement planning/forecasting,
Communication features: benefit option selection/adjustment, personalized benefit information, benefit modeling/projections, benefit options information/advice, retirement savings modeling.
Generates reports via: printer, computer diskette.
User support: onsite training, telephone assistance.
Officers: Daniel J. McCarthy, chairman; Robert L. Collett, CEO/president; John F. Clearman, CFO;.
Contact: Tim Bowen, (Plan Ahead), timbowen@milliman.com; Lee Straate, (MARC), 262-796-3359, lee.straate@milliman.com.
***Estimate.*

N

NaviSys

1600 S. Brentwood Blvd.,
St. Louis, Mo. 63144-1330;
800-983-8114; fax: 314-968-9589
www.navisys.com
Total clients: 114
Corporate benefit clients 18
Systems sold in 1999 4
Total 1999 revenue: $95,200,000
EBIS revenue: $8,300,000

▶ **GroupWeb**

PC operating system: Other types: Internet Explorer or comparable web browser.
Multiple users.
Provides: Internet/intranet access.
Benefits managed/communicated: group health plans, eligibility verification.
Communication features: access to status of medical claims, personalized benefit information.
Generates reports via: e-mail, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, online documentation, implementation support, technology support and maintenance.

▶ **HBMS (Health Benefit Management Systems)**

Midrange/mainframe system: AS/400 with OS/400 operating system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1986.
Total benefit installations: 18.
Benefits managed/communicated: short- and long-term disability, group health plans, COBRA, life insurance, workers comp.
System features: plan enrollment, medical coding/unbundling, coordination of benefits, health provider contract management, accounting, check writing, participant letters, eligibility verification, COBRA billing, stop-loss reinsurance management, health care utilization review.
User support: user groups/meetings, onsite training, online support, telephone assistance, online documentation implementation support; technology support and maintenance.
Officers: E. Christopher Simonds, president/CEO; Marla P. Dicandia, vp/CFO.

Near North Insurance Brokerage Inc.

875 N. Michigan Ave., Suite 1900,
Chicago, Ill. 60611;
312-280-5600; fax: 312-280-5602
www.nnng.com
Benefit systems since: 1998.
Systems sold in 1999 15
Total 1999 revenue: $94,200,000
EBIS revenue: $850,000

▶ **Employee Benefit Communication and Enrollment System**

Purchased price:$50,000 to $250,000.
PC operating system: Windows 95 and higher.

Continued on next page

Continued from previous page

Interactive requirements: Internet/intranet, electronic mail.
Multiple user.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1998.
Total benefit installations: 15.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, COBRA, life insurance, workers comp.
System features: plan enrollment, participant letters*, eligibility verification, retirement planning/forecasting*.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims*, flexible spending accounts information, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information, medical savings account information*, retirement savings modeling*, flexible benefit plan selection.
User support: online support, telephone assistance.
Officers: Michael Segal, chairman/CEO; Tim Gallagher, Jim Meyer, managing directors.
Contact: Jim Meyer, jmeyer@nnng.com; Holly Dumond, hdumond@nnng.com; Kathy Allen-Eads, kallenea@nnng.com.

P

P&W Software Inc.

5655 Lindero Canyon Road, Suite 403,
Westlake Village, Calif. 91362;
818-707-7690; fax: 818-707-9097
www.pwsoftware.com
Benefit systems since: 1987.
Total clients: 320
Systems sold in 1999 34

▶ **Powerplus**

Purchased: $8,000 to $100,000.
PC operating system: Windows 95 and higher, NT.
Interactive requirements: Internet/intranet, interactive voice response system.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1987.
Total benefit installations: 340**.
Benefits managed/communicated: flexible spending accounts, section 125 flexible benefit plans.
System features: recordkeeping, plan enrollment, accounting, check writing, plan discrimination testing, participant letters, claims administration, eligibility verification, COBRA billing, premium deductions,
Communication features: benefit plan descriptions*, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, flexible spending accounts information, personalized benefit information, benefit modeling/projections, benefit options information/advice*, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: Thomas E. Philipp, president; Michael Wilson, vp.
Contact: Bud Bockoven; tbockoven@pwsoftware.com.
***Estimate.*

PEAK 1 Resources Inc.

10394 W. Chatfield Ave., Suite 108,
Littleton, Colo. 80127;
888-881-8801; fax: 303-933-1001
www.peakone.com
Total clients: 6,000
Corporate benefit clients 4,000
Systems sold in 1999 200

▶ **HYPERPrep forms**

PC operating system: Windows 95 and higher.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1992.
Total benefit installations: 6,000.
Benefits managed/communicated: pension plans.
System features: plan enrollment, coordination of benefits, retirement plan distributions, eligibility verification,government reporting.
Communication features: benefit plan descriptions.
Generates reports via: printer, Internet/intranet site.
User support: online support, telephone assistance.
Officers: Gerry Schmidt, president.
Contact: Dawn Bancroft; 888-881-8801 ext. 120.

Perfect Software

1 Selleck St.,
Norwalk, Conn. 06855;
203-852-9100; fax: 203-855-0111
www.perfectsoftware.com
Benefit systems since: 1989.

▶ **hrWindows**

PC operating system: Windows 95 and higher, NT.
Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1989.
Total benefit installations: 500.
Benefits managed/communicated: flexible spending accounts, group health plans, section 125 flexible benefit plans, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, accounting, claims administration*, eligibility verification*, COBRA billing*, premium deductions, government reporting*, health care utilization review*.
Communication features: direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, flexible spending accounts information*, personalized benefit information*, benefit modeling/projections, benefit options information/advice, flexible benefit plan selection*.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
Officers: Michael Gabriele, president; Brian Kesselman, director-technical services.
Contact: sales@perfectsoftware.com.

Pyramid Services Inc.

39 Old Ridgebury Road, Suite P-4,
Danbury, Conn. 06810;
203-743-6000; fax: 203-743-6003
www.pyramidservices.com
Benefit systems since: 1987.
Total clients: 302**
Total 1999 revenue: $18,000,000

▶ **Pyramid For Windows**

Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1987.
Total benefit installations: 13,000.
Benefits managed/communicated: short- and long-term disability, section 125 flexible benefit plans, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling, health provider contract management, accounting, check writing, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management, disability management, stop-loss reinsurance management, savings plan loan administration, retirement planning/forecasting,government reporting, health care utilization review.
User support: user groups/meetings, onsite training, online support, telephone assistance, help desk.
Officers: William Kuebler, CEO; Willoughby Chesley, COO; James Hatch, corporate technical officer.
Contact: Tami Cramer; tcramer@pyramidservices.com.
***Estimate*

R

Resource Information Management Systems Inc. (RIMS)

500 Technology Drive,
Naperville, Ill. 60563;
630-369-5300; fax: 630-369-4133
www.rims.com
Benefit systems since: 1981.
Total clients: 300
Total 1999 revenue: $40,700,000

▶ **QicClaim/2**

PC operating system: Internet.
Multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1981.
Total benefit installations: 325.
Benefits managed/communicated: group health plans.
System features: recordkeeping*, plan enrollment*, check writing*, participant letters*, claims administration, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, government reporting, health care utilization review*.
Generates reports via: e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: Tom Heimsoth, CEO/chairman; Terry Kirch, president; Mark Lesswing, chief technology officer.
Contact: marketing@rims.com.

S

SBPA Systems Inc.

10777 Westheimer, Suite 125,
Houston, Texas 77042;
713-974-7272; fax: 713-974-3544
www.sbpa.com
Benefit systems since: 1976.
Systems sold in 1999 7

▶ **GBAS (Group Benefit Administrative System)**

Midrange/mainframe system: Compaq Alpha.
Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1976.
Total benefit installations: 7.
Benefits managed/communicated: flexible spending accounts, short- and long-term disability, group health plans, section 125 flexible benefit plans, COBRA.
System features: medical coding/unbundling*, coordination of benefits, health provider contract management, check writing, participant letters, claims administration, eligibility verification, COBRA billing, stop-loss reinsurance management, premium deductions, health care utilization review*.
User support: user groups/meetings, onsite training, online support, telephone assistance, user seminar, owner/principal meeting.
Officers: Arnold Heinrich, chairman; Tim Stunz, president; Donna Smith, senior vp-sales.
Contact: Donna Smith; 800-444-1189.

Asterisks denote optional system features.

The SSI Group Inc.

19321-A U.S. Highway 19 N., Suite 130,
Clearwater, Fla. 33764;
800-881-2739; fax: 727-535-0007
www.thessigroup.com
Benefit systems since: 1988.

▶ **Care Management for Occupational Health Management**

Purchased: $25,000.
PC operating system: Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: Internet/intranet access, on ine processing capabilities.
Customization optional.
First installation: 1995.
Total benefit installations: 250.
Benefits managed/communicated: short- and long-term disability, leaves of absence, group health plans, workers comp.
System features: medical coding/unbundling, coordination of benefits, health provider contract management, retirement plan distributions, plan discrimination testing, participant letters, claims administration eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, personalized benefit information, benefit modeling/projections, managed care network information.
Generates reports via: Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: Bobby E. Smith, CEO/president; Don Ward, vp-sales.

Sequoia Retirement Services

1911 San Ysidro Drive,
Beverly Hills, Calif. 90210-1520;
310-859-1961; fax: 310-859-7077
Total clients: 50

▶ **Estate Registry**

Purchased: $10.
PC operating system: DOS.
Single user.
Customization optional.
First installation: 1990.
Benefits managed/communicated: savings/investment plans.
System features: retirement planning/forecasting,
Communication features: retirement savings modeling.
Generates reports via: printer.
User support: telephone assistance
Contact: Charles Tellalian.

SPECTRUM Human Resource Systems Corp.

1625 Broadway, Suite 2600,
Denver, Colo. 80202-4720;
800-477-3287; fax: 303-595-9970
www.spectrumhr.com
Benefit systems since: 1984.

▶ **HRVantage**

Purchased: $10,000 to $25,000.
PC operating system: Windows.
Interactive requirements: Internet/intranet.
Single or multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1993.
Benefits managed/communicated: short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, COBRA, life insurance.
System features: recordkeeping, plan enrollment, coordination of benefits, participant letters, eligibility verification*, government reporting.
Communication features: benefit plan descriptions*, direct plan enrollment, personalized benefit information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, mailed hard copy.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: James Spoor, CEO/president; Nancy E. Spoor, executive vp.
Contact: Nancy E. Spoor, info@spectrumhr.com.

T

TPABenefits

10,000 IH 10 W, Suite 400,
San Antonio, Texas 78230;
800-934-6302; fax: 210-697-0360
www.tpabenefits.com
Total clients: 6
Systems sold in 1999 6
Total 1999 revenue: $50,000
EBIS revenue: $50,000

▶ **TPABenefits**

PC operating system: Windows NT; Other types: VMS.
Midrange/mainframe system: alpha server;
Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1999.
Total benefit installations: 6.
Benefits managed/communicated: group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System features: recordkeeping*, plan enrollment, medical coding/unbundling, coordination of benefits, health provider contract management, accounting, check writing, participant letters, claims administration, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, health care utilization review.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, flexible spending accounts information, personalized benefit information, benefit modeling/projections*, benefit options information/advice*, managed care network information *, savings plan investment transfer*, medical savings account information*, flexible benefit plan selection*.
Generates reports via: printer, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Contact: James Burkholder, president; james@tmratpa.com.

Travis Software Corp.

P.O. Box 820469,
Houston, Texas 77282-0469;
281-496-3737; fax: 281-496-4022
www.travisoft.com
Benefit systems since: 1986.
Total clients: 4,503
Corporate benefit clients 3,801
Systems sold in 1999 383
Total 1999 revenue: $2,400,000
EBIS revenue: $2,400,000

▶ **RBill for Windows**

Purchased: $1,695 to $4,995.
PC operating system: Windows 3.1 and higher, NT.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1998.
Total benefit installations: 1,344.
Benefits managed/communicated: group health plans, life insurance.
System features: recordkeeping, plan enrollment, accounting, participant letters,
Communication features: benefit plan descriptions, personalized benefit information, benefit options information/advice.
Generates reports via: printer, computer diskette, e-mail.
User support: onsite training, online support, telephone assistance.

▶ **Travis COBRA Internet Access System**

Purchased: $1,999.
PC operating system: Windows 95 and higher, NT.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 2000.
Total benefit installations: 11.
Benefits managed/communicated: COBRA.
System features: recordkeeping, plan enrollment.
Communication features: access to status of medical claims, benefit options information/advice.
Generates reports via: printer, e-mail.
User support: onsite training, online support, telephone assistance.

▶ **TravisFlex Internet Access System**

Purchased: $1,999.
PC operating system: Windows 95 and higher, NT.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 2000.
Total benefit installations: 12.
Benefits managed/communicated: flexible spending accounts, section 125 flexible benefit plans.
System features: recordkeeping, accounting, claims administration.
Communication features: access to status of medical claims, flexible spending accounts information, personalized benefit information, medical savings account information, flexible benefit plan selection.
Generates reports via: printer, e-mail.
User support: onsite training, online support, telephone assistance.

▶ **TravisFlex for Windows**

Purchased: $1,895 to $6,490.
PC operating system: Windows 3.1 and higher, NT.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1995.
Total benefit installations: 1,369.
Benefits managed/communicated: section 125 flexible benefit plans, medical savings accounts.
System features: recordkeeping, plan enrollment, accounting, plan discrimination testing, participant letters, claims administration, eligibility verification, government reporting.
Communication features: access to status of medical claims, flexible spending accounts information, benefit options information/advice, medical savings account information.
Generates reports via: printer, computer diskette, e-mail.
User support: onsite training, online support, telephone assistance.

▶ **TravisGroupBilling**

Purchased: $5,995.
PC operating system: Windows 95 and higher, NT.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1998.
Total benefit installations: 73.
Benefits managed/communicated: group health plans, section 125 flexible benefit plans, COBRA, life insurance.
System features: recordkeeping, accounting, check writing, participant letters, eligibility verification,
Generates reports via: printer, computer diskette, e-mail.
User support: onsite training, online support, telephone assistance.

▶ **TravisCOBRA For Windows**

Purchased: $1,894 to $6,490.
PC operating system: Windows 3.1 and higher, NT.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1994.
Total benefit installations: 4,384.
Benefits managed/communicated: COBRA.
System features: recordkeeping, plan enrollment, accounting, participant letters, eligibility verification, COBRA billing,
Communication features: benefit options information/advice.
Generates reports via: printer, computer diskette, e-mail, Internet/intranet site.
User support: onsite training, online support, telephone assistance.
Officers: Alan H. Williams, president; Carrie E. Horgan, John L. Worner, vps.
Contact: Alan H. Williams.

W

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831 N. Hercules Ave.,
Clearwater, Fla. 33765;
727-442-9296; fax: 727-443-4936
www.wltsoftware.com
Benefit systems since: 1979.

▶ **Checkclaims**

PC operating system: Windows 95.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1986.
Benefits managed/communicated: flexible spending accounts, section 125 flexible benefit plans, medical savings accounts.
System features: recordkeeping, plan enrollment, accounting, check writing, plan discrimination testing, participant letters, claims administration, eligibility verification, premium deductions,government reporting.
Communication features: direct plan enrollment, benefit option selection/adjustment, access to status of medical claims*, flexible spending accounts information, medical savings account information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, mailed hard copy.
User support: user groups/meetings, onsite training, online support, telephone assistance, modem/Internet.

▶ **CompClaims**

PC operating system: Windows 95.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1984.
Benefits managed/communicated: short- and long-term disability, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management, accounting, check writing, participant letters, claims administration, eligibility verification, medical case management, disability management, stop-loss reinsurance management, government reporting, health care utilization review.
Communication features: managed care network information.
Generates reports via: printer, computer diskette, mailed hard copy.

▶ **Flexclaims**

PC operating system: Windows 95.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1993.
Benefits managed/communicated: group health plans, COBRA, workers comp.
System features: medical coding/unbundling, coordination of benefits, health provider contract management, claims administration, eligibility verification, medical case management, disability management, health care utilization review.
Communication features: managed care network information.
Generates reports via: printer, computer diskette, mailed hard copy.

▶ **Mediclaims**

PC operating system: Windows 95.
Single or multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1981.
Benefits managed/communicated: flexible spending accounts, short- and long-term disability, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management, accounting, check writing, discrimination testing, participant letters, claims administration, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, government reporting, health care utilization review.
Communication features: access to status of medical claims, flexible spending accounts information, personalized benefit information, managed care network information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, mailed hard copy.
User support: user groups/meetings, onsite training, online support, telephone assistance, modem.
Officers: William L. Tiner Jr., president; Ann M. Tiner, executive vp; Tom Brooks, vp.
Contact: Tom Brooks; tbrooks@wltsoftware.com.

INTERNATIONAL

Global Briefs

QBE Insurance Group Ltd. of Sydney has announced first-half net profits of $79.2 million Australian ($52 million) for the six months ended Dec. 31, 1999. QBE said that $44 million Australian ($28.9 million) of this total came from its reinsurance operations. Australian reinsurers have been severely hit by catastrophes in the last few months. QBE's chief executive officer, Frank O'Halloran, said that while gross claims for the first half rose to $236.6 million Australian ($155.2 million)—compared with $295 million Australian ($196.9 million) for the 12 months ending June 30, 1999—the company's reinsurance result did not suffer because of its effective reinsurance and risk management program. . . . James P. Marshall Inc., a Canadian institutional investment consulting firm, and Hewitt Associates, a Lincolnshire, Ill.-based benefit consulting firm, have announced their intention to set up a wholly owned **Hewitt operation in Canada**. The two companies said they would seek to combine James P. Marshall's investment capabilities with Hewitt's specialization in human resources consulting to enhance the financial security services they can offer to clients. . . . Many French mutual insurers suffered heavy losses in the **December windstorms** that hit Continental Europe, according to figures released by the French mutual insurance group GEMA. The group, which represents 16 French mutual insurers, said that its members received almost 1 million claims connected with the storms and that settlement of these will cost more than 6.5 billion francs ($964 million) before reinsurance. . . .**St. Paul Re**, the reinsurance arm of The St. Paul Cos., has received a license to underwrite reinsurance from the offshore financial center of Labuan. The operation will be staffed by employees of St. Paul Re's Malaysian insurance management company, MNI Offshore Insurance, and other St. Paul employees. . . .The U.K. government's Financial Services Authority has ordered a **review of pension sales** for the period from January 1988 to August 1999. The review, dubbed "the son of misselling," will examine the sale of 1 million free-standing additional voluntary contribution pensions, also known as "top-up pensions." The review follows a study by regulators published last year that found problems with top-up pensions. . . .The U.K. Law Society Sole Practioners Group has appointed Nelson Hurst Professional Indemnity, a division of brokerage Alexander Forbes Ltd., as the recommended provider of **professional liability insurance** to its members. Nelson Hurst Professional Indemnity will provide SPG members with primary coverage and claims handling starting Sept. 1, 2000. . . . **Royal & SunAlliance Insurance Group P.L.C.** announced group operating profits of £566 million ($914.3 million) for 1999, down from £602 million ($997.8 million) a year before. CEO Bob Mendlesohn expressed disappointment at RSA's non-life operating earnings of £312 million ($504 million), down from £352 million ($583.4 million) a year previously. Mr. Mendlesohn said the poor result was largely due to severe weather losses in Europe and the Americas. Announcing the results, Mr. Mendlesohn denied that the group was vulnerable to takeover. . . .French Prime Minister **Lionel Jospin** has pledged 5 billion francs ($741.5 million) to help regions affected by the oil spill of the tanker Erika and the December windstorms. One billion francs ($148.3 million) of the new aid package will be made available this year; 700 million francs ($103.8 million) of this total will be for areas affected by oil pollution alone. The rest of the money will be made available over the next three years. The new package comes on top of measures announced by the government in January that included 6.4 billion francs ($949.1 million at current exchange rates) in aid this year and 6 billion francs ($889.8 million) over the coming decade to reconstruct forests destroyed by the winter storms.

Names' days in court begin

High court trial begins over allegations that Lloyd's defrauded names

By SARAH VEYSEY

LONDON—A High Court battle between Lloyd's of London and 235 names who accuse the insurance market of fraud will begin in earnest this week.

The names in the so-called Jaffray fraud case will present their evidence for the first time today at the Chichester Rents courts in London.

Lloyd's has assembled a 48-strong legal team to fight the class-action law suit, *Jaffray vs. Lloyd's*, which was brought by Lloyd's names who suffered heavy losses stemming from the wave of asbestosis-related claims in the 1980s. The names allege that Lloyd's fraudulently hid their exposure to these losses.

If Lloyd's prevails, it will be able to pursue the estimated £51 million ($80.5 million) owed it by names in asbestosis-related debts. If the names win, however, that would pave the way for them to sue Lloyd's to recover money they have already paid for

LLOYD'S

asbestosis-related losses.

The litigating names refused to join Lloyd's 1996 reconstruction and renewal program, which was designed to rescue the market from the crippling losses of the late 1980s and early 1990s, estimated at about $100 billion. Included in the R&R plan was the creation of Equitas, the runoff reinsurer for the market's pre-1993 long-tail liabilities.

In their suit, the names charge that they were deliberately not told of the full extent of asbestosis liabilities threatening the market, and many of them claim that Lloyd's duped them into joining the market to bolster its capacity to cover asbestosis-related losses.

Sir William Jaffray, a former name, filed a countersuit against Lloyd's in 1997, after he received a demand to pay a premium to Equitas. He was joined in his action by many members of the United Names Organization who have also refused to settle their asbestosis-related debts with Lloyd's.

Although Sir William recently split with the UNO after a disagreement over membership fees, the organization remains heavily involved in the legal action bearing

See **Jaffray** *on page 29*

Rate hikes may follow

Pain/suffering awards may rise

By CAROLYN ALDRED

LONDON—Premiums for commercial liability insurance, including employers liability coverage, could rise by 30% if guidelines for pain-and-suffering awards are increased, the Assn. of British Insurers warns.

Compensation levels for several personal-injury test cases were examined last week in a special hearing by a panel of five U.K. Court of Appeal judges. The panel was chaired by one of England's most senior judges, Lord Woolf.

The levels to be awarded for non-economic damages, such as pain and suffering, by the specially constituted appeal court will provide a future guide for compensation awards, said a spokesman for the Lord Chancellor, head of the judiciary in England and Wales. The awards will create a "benchmark" for future awards, said the spokesman.

"The matter is one for courts to decide rather than the government to legislate on," he added.

The Law Commission, a government-funded agency that

See **Awards** *on next page*

Balancing duty with liability risk

Review of U.K. public entity liability sought

By CAROLYN ALDRED

LONDON—A senior judge is recommending that U.K. law be reviewed to clarify the position of local authorities and their insurers in inquiries into the conduct of public employees.

The suggestion is one of dozens of recommendations made by Sir Ronald Waterhouse in "Lost in Care," a report into widespread sexual and physical abuse of children in state-run homes providing foster care in north Wales between 1974 and 1990.

The role of the insurer, formerly Municipal Mutual Insurance Ltd., which is currently owned by the Zurich Financial Services Group and is now known as Zurich Municipal, was questioned by the Waterhouse inquiry tribunal, because Municipal Mutual had urged the local authority providing care for the children not to make public two earlier reports into the scandal.

The insurer had warned Clwyd County Council, in north Wales, not to publish the reports, commissioned by the council in 1992 and 1996, for legal reasons. Those reasons included the threat of libel action, the likelihood of additional claims from children alleging abuse, and because the council employees could become personally liable for the claims by acting in breach of the insurance policy.

As a result, the true scale of the horrific abuse of hundreds of children in Welsh foster-care homes was not revealed until "Lost in Care," the report into the public inquiry chaired by Sir Ronald, was published on Feb. 15.

According to Sir Ronald, the insurer had acted "with the honorable intention of preventing Clwyd County Council, its officers and members, from acting in such a way that the insurer would be compelled to repudiate liability for claims by victims of abuse or by persons

See **Clwyd** *on next page*

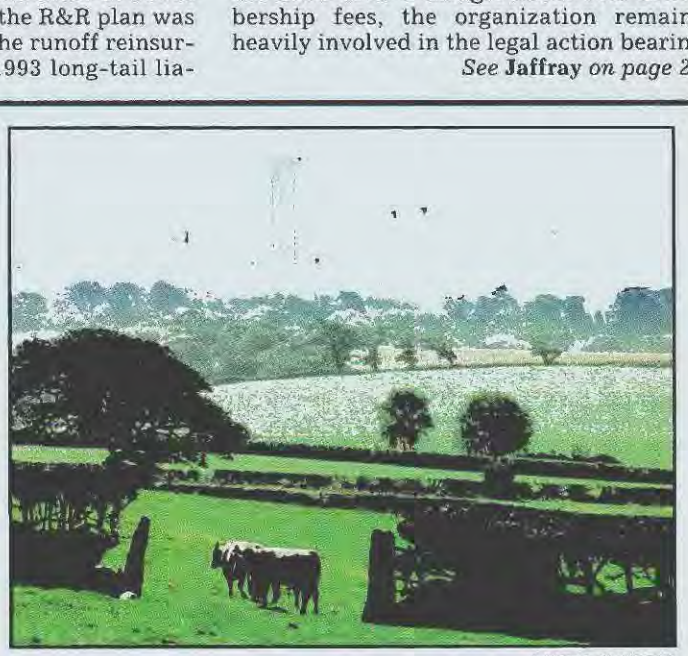


PHOTO: REUTERS

A government report critical of safety at the Sellafield nuclear reprocessing plant prompted the plant's CEO to resign.

U.K. nuke plant safety under fire

By CAROLYN ALDRED

SELLAFIELD, England—Britain's most-important nuclear facility is under government scrutiny amid charges in recent months of poor safety practices and data falsification.

British Nuclear Fuels Ltd. has six weeks to convince the U.K. government's Health and Safety Executive that it is improving safety at its nuclear reprocessing plant in Sellafield, Cumbria, or face action by the HSE, which has the authority to shut it down.

A report published in February by a team of HSE inspectors criticizes the company for the "lack of a high-quality safety management system across the site. . .insufficient resources to implement even the existing safety management system. . . (and) a lack of an effective independent inspection, auditing and review system within BNFL."

At the same time, the company has lost the confidence of a major overseas customer, following the discovery of data falsification related to its fuel production.

Negotiations among Japanese and British government officials and industry executives are underway to try to resolve the situation.

The company is in discussions with Mitsubishi Heavy Industries, the Kansai Electric Power Co. Inc. of Japan and the Japanese government over the falsification of quality-control data related to the production of nuclear fuel rods. Kansai is refusing to load a batch of BNFL fuel rods into its Takahama 4 reactor and wants to ship the fuel back to Sellafield, said a BNFL spokeswoman.

A separate report, also published earlier this month, was prepared by the Nuclear Installations Inspectorate of the HSE following its investigation into the falsification of data at the MOX facility responsible for producing the mixed-oxide fuel, a mixture of uranium and plutonium dioxides. According to that report, the investigation "revealed significant shortcomings in the suitability of the (MOX) plant, safety culture and

See **Nuclear** *on page 29*

Clwyd

Continued from previous page
who alleged that they had been libeled by either report.

The insurance company's representatives adopted an interventionist role with this objective, so that Clwyd knew where it stood in the matter and, in our judgment, that was strongly preferable to a passive role that might well have led to repudiation, with grave consequences for the council and many others."

The insurers' lawyers, however, accepted that Municipal Mutual "went too far in the demands made of the council. They accept also that their approach to the dilemma of striking a balance between the duty of a council to seek the truth and identify reforms, on one hand, and its duty to protect its financial interests, on the other, may be open to criticism," Sir Ronald states in the report.

Sir Ronald's report points out that the legal and contractual issues surrounding ad-hoc inquiries into the conduct of council employees and the publication of related reports "are matters of public concern that deserve further consideration at a high level."

As a result, he recommends that the Law Commission, a government-funded legal body that examines possible changes in U.K. law, consider the legal issues surrounding local authority inquiries, the publication of reports and the legal position of those included in the reports.

"We consider that the problems underlying these issues are likely to recur quite frequently and that they are suitable for consideration by the Law Commission," the report states.

A spokesman for the Law Commission said that the government had, so far, made no formal request for such a study.

In "Lost in Care," Sir Ronald acknowledges that the contractual issues that arise between insurers and local authorities "are less suitable for legislation, because insurers cannot be compelled to underwrite liabilities and will make their own assessments of risk when they do provide cover."

Nevertheless, "it is highly desirable that there should be an agreed code of conduct to guide local authorities in their response to situations of the kind that arose in Clwyd," the report concludes.

Meanwhile, discussion between the Assn. of British Insurers, the Local Government Assn. and individual insurers, including Zurich Municipal, led to the publication last year of an advisory note to authorities on the insurance aspects of ad-hoc inquiries.

The advisory note "covers matters to take into account when setting up an inquiry and its (parameters) regarding liaison with the authority's insurers and on making statements relating to the inquiry or the events that have prompted it," according to the LGA in the advisory note.

"The LGA recognizes the need for local authorities to balance their statutory duties towards citizens and clients, including seeking to restore public confidence and improve services, with their fiduciary responsibilities towards their council taxpayers. Authorities and others have expressed concerns about achieving this balance," according to the advisory note.

'This, clearly, is an area where the Law Commission needs to review the laws relating to the way in which such matters should be investigated,' says Liz Taylor.

The note, which was sent to police, fire and transport authorities, as well as municipal authorities, advises authorities to:

- Consider the possibility that any of the issues under inquiry might be the subject of an insurance indemnity.
- Discuss the issues early on with the insurers.
- Consider restricting the parameters of the inquiry, if necessary.
- Ensure the accuracy of any published reports.
- Avoid reference to liability and compensation in the inquiry.
- Agree to a protocol with insurers, including identifying who is authorized to speak officially and the extent to which liability should be admitted, if at all, and the language and general approach to be adopted when expressing sympathy.

Liz Taylor, chief executive officer of the Assn. of Local Authority Risk Managers praised the guidelines, saying they "go a long way to improving the situation."

But Ms. Taylor supported Sir Ronald's request that the Law Commission study the legal complications arising from inquiries by local authorities. "This, clearly, is an area where the Law Commission needs to review the laws relating to the way in which such matters should be investigated," she said.

A spokesman for Zurich Municipal also welcomed the call for a formal review of the situation, and he pointed out that the insurer did the "best job it could in a very complex situation within difficult legal waters."

So far, the insurer has paid out a total of £1.4 million ($2.3 million) in compensation to victims of the abuse and has settled or made offers to settle on 75% of the 155 claims filed, according to a Zurich spokesman.

The spokesman also welcomed the recommendations made in the report to tighten procedures and increase protection for children in public care.

"Every one of Waterhouse's recommendations is a risk management issue and will reduce the likelihood of (abuse like this) arising again," the spokesman said. BI

Awards

Continued from previous page
recommends changes in the law, recommended last year that non-economic compensation levels be raised by up to 100% (*BI*, May 10, 1999).

The ABI, which made a written submission to the Court of Appeal, warned that the recommended increases in awards would cost insurers an additional £1 billion ($1.58 billion) a year, said a spokesman.

"We have no problems with the compensation regime being changed, if society feels levels should be increased. But people should realize that the changes must be paid for, and that will mean higher insurance premiums," the ABI spokesman noted.

A written submission made by the Nottingham-based Assn. of Personal Injury Lawyers urged the "Court of Appeal to exercise its power (to) bring awards onto a level which ordinary people find acceptable," said a spokeswoman.

"Any substantial increase in compensation levels will have a massive impact on insurance premiums," said Malcolm Henke, head of common law at London-based law firm Davies Arnold Cooper.

David Gamble, executive director of the Assn. of Insurance & Risk Managers, said, "If society decides higher compensation payments should be made, it will need to place greater emphasis on embedding a culture of risk management across all areas of our lives." Mr. Gamble noted that an increase in awards "could also place an intolerable strain on the National Health Service," which has been facing increasing malpractice litigation.

"AIRMIC would encourage (all risk managers) to look closely at their risk identification, assessment and control procedures in order to manage the likely risks that could arise from higher claims as effectively as possible," he said.

Among the cases heard by the Court of Appeal were claims for lung cancer, post-traumatic stress disorder, fractures, brain damage and depression. BI

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Nuclear

Continued from page 27

management, especially the control and supervision of operations." The falsification first came to light in August 1999, when a member of the quality-control team at the MOX plant noticed unusual readings in certain data.

The MOX Demonstration Facility at the BNFL Sellafield site is "currently shut down, and NII will only consent to its restart when significant improvements have been made," the HSE reported in February. The BNFL shut down the facility in September as a result of the data falsification. Other operations are continuing at the plant, though the HSE has the power to close down any part of the site in the future.

The safety crisis led last week to the resignation of BNFL Chief Executive Officer John Taylor after four years in office.

"These are difficult and changing times for BNFL, as we respond to the recent critical reports and address the other issues facing the company," said Chairman Hugh Collum, who added that he hoped to be able to name Mr. Taylor's successor soon.

On Feb. 18, BNFL published its own review of the MOX quality problem, outlining 22 actions to take, including strengthening supervision and leadership at the facility, improving the effectiveness of the quality-assurance and quality-control compliance system and attempting to restore customer and regulatory confidence. To that end, the company plans to implement practices related to business ethics, review all data, and establish aptitude and attitude training for MDF employees, among other steps.

"BNFL recognizes that, due to the unfortunate incidence of secondary quality-control data falsification at its Sellafield MOX demonstration facility, it has lost the confidence of its Japanese customers and the Japanese government," BNFL says in its report into the incident.

Current and future orders of MOX fuel are worth an estimated £2 billion ($3.22 billion) in revenues to BNFL, according to the BNFL spokeswoman, who added that total business at the Sellafield site is worth some £15 billion ($24.18 billion).

Although MHI and Kansai are the biggest buyers of BNFL's MOX fuel, it has also been sold to Swiss and German nuclear companies, where it has been used for the past three years without any problems, said the spokeswoman. The company's German customer last week offered to close down its reactor and remove the MOX fuel rods after concerns from the German government, according to a BNFL spokesman. "We have every confidence that the fuel in the German reactor is safe, as it has been working there for three years with no problems," said the spokesman.

As a result of the data falsification, BNFL has been banned from bidding for Japanese business for four months, a BNFL spokeswoman said.

The MOX facility remains shut, and many of its 150 employees are in retraining or providing safety monitoring, she said. Three workers have been dismissed over the falsification, and others, including managers, will be subjected to performance reviews or disciplinary proceedings, according to the BNFL report.

As a result of the data falsification, BNFL cannot bid for Japanese business for four months, says a company spokeswoman.

"A fundamental part of our strategy to regain customer confidence is to re-establish an appropriately trained and certified workforce on our MOX facilities with new experienced and motivated supervision," according to the BNFL report.

In addition, "we need to identify and implement practical measures to ensure, as far as possible, that the problems highlighted in this review are better managed in the future," said BNFL.

"BNFL is determined to learn fully the lessons from this experience, and to establish more-formalized and effective arrangements for crisis management in the future," the report noted.

At the same time as attempting to safeguard its future MOX fuel business, management at Sellafield is focusing on improving the safety culture throughout the site.

"We must demonstrate that we are responding to the HSE's recommendations before the inspectors return in April," said the spokeswoman.

The reprocessing facilities at the Sellafield site, located on an isolated part of the coast in northwest England, are regularly inspected by the NII. The HSE ordered a major inspection of the control and supervision of operations at the site following an increase in the number of safety incidents, according to the HSE report.

The inspectors found a lack of consistency across the site, inadequate control and supervision of operations, overloading of duties on supervisors and middle managers, and poor safety culture in many areas of the site, the report says.

As a result of the inspection, the HSE made 28 recommendations in its report. Among them are HSE recommendations that BNFL should:

- Improve and reissue its policies on health and safety;
- Improve its safety management system;
- Develop and implement a clearer management structure from the level of the board of directors downward, identifying safety responsibilities for each post and how employees will be held accountable;
- Develop and implement an effective system for the independent inspection, audit and review of health and safety;
- Have consistent safety regulations throughout the site;
- Ensure that managers have sufficient time to ensure the safe operation of their plants;
- Ensure systematic assessments of employees' roles, responsibilities and workloads;
- Have a consistent system for safety-related training;
- Have an effective system to monitor that safety is being managed; and
- Improve the recording, reporting and investigation of safety incidents.

"NII has required BNFL to produce a program within two months for responding to the recommendations of this report. Progress will be monitored as part of NII's normal process of regulation. Should progress be inadequate, NII will not hesitate to use its enforcement powers," the inspectors' report warns. BI

Jaffray

Continued from page 27

Jaffray's name.

To win their case, the names must prove that at least some of the senior members of Lloyd's—including several of its chairmen, deputy chairmen or council working members over the period of 1978 to 1988—were fully aware of the extent of the asbestosis liabilities set to hit the market, yet fraudulently allowed names to believe their exposure to these losses was minimal. Names must also prove that senior officials at Lloyd's issued no warning to new investors who signed up during a period of heavy recruitment, even though the officials knew of the impact asbestosis-related claims could have on the market. Many names, who joined the market on an unlimited-liability basis, went bankrupt when the asbestosis-related claims hit.

The names allege that not only did senior figures at Lloyd's know about the extent of the liabilities facing the market but they also deliberately kept circulation of a letter detailing the asbestosis threat to a minimum. The so-called Murray Lawrence letter, written in March 1982 by Walter "Murray" Lawrence, then deputy chairman of Lloyd's, recommended that Lloyd's inform names of the impending asbestosis problem. The names claim that this letter was not made widely available.

Lloyd counters the claim, saying that the letter was extensively circulated to underwriters and their agents. Lloyd's is now considering whether to make the contents of the letter publicly available.

The names must prove that Lloyd's was guilty of fraud, rather than just negligence, because Parliament's Lloyd's Act of 1982 grants Lloyd's immunity from all lawsuits other than those charging that the market acted in "bad faith."

During the course of the trial, which is expected to last between three to six months and cost about £25 million ($39.5 million), Lloyd's has announced that it will call upon some high-profile former market players to provide evidence in its defense. Sir David Rowland, the architect of the R&R plan, and Sir Peter Miller, both former chairmen of Lloyd's, are among those expected to appear on its behalf. Murray Lawrence also is expected to testify.

'The allegations have been around for some time, and they have never been substantiated,' according to Lloyd's.

Lloyd's vigorously denies the allegations of fraud.

"The allegations have been around for some time, and they have never been substantiated by names," Lloyd's said in a statement.

Lloyd's, which at the time was self-regulated, was the subject of an investigation by the Serious Fraud Office in 1992 but was never charged with wrongdoing. Since the 1980s, Lloyd's has also undertaken several internal reviews of its regulatory processes. Last year, Lloyd's came under regulation by the Financial Services Authority.

Allegations of fraudulent behavior by Lloyd's are not restricted to the United Kingdom.

According to a statement by the American Names Assn. Inc., Lloyd's agents engaged in a significant recruitment campaign in the United States in the 1970s and 1980s in an attempt to attract new capacity to offset the impending asbestosis losses.

"Lloyd's agents actively recruited amongst middle-class Americans—many of whom used their homes as collateral—by offering tantalizing expectations of steady returns and low risk, along with the glamour and prestige of joining an elite British 'club', " the names' association statement said. "Agents and executives of Lloyd's concealed information about huge impending liabilities for asbestosis and pollution-related claims being channeled to fall on the new investors," according to the statement.

The U.S. names group claims that Lloyd's concealed from U.S. investors the fact that, by signing up, they were forsaking the protection of U.S. securities laws and would instead be subject to U.K. laws.

The association says that the Jaffray case will serve as a test case for names in the United States, where additional cases against the Society of Lloyd's are now pending. The case of *West vs. Lloyd's*, pending in California state court, is based on similar grounds as the Jaffray case, according to Theodore Grippo, an attorney for the ANA.

"The importance of the Jaffray case, no matter what the result, is the evidence that will be revealed in court," Mr. Grippo said. "Beyond that, it is very difficult to speculate on what kind of doors the case may open or close." BI

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Business Insurance will publish its first Directory of Risk Securitization Consultants in the March 20 issue, which also will include a Spotlight report on risk financing options.

The directory is published as an editorial service; there is no charge to be included. Companies must simply submit a completed questionnaire by the extended deadline of March 10.

To be listed in the directory, companies must provide risk securitization consulting services, which *BI* defines as providing advice on packaging insurance risk using capital markets instruments. This does not include underwriting traditional insurance or underwriting other forms of securities.

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LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

IN RE:
Petition of Gareth Howard Hughes, Nigel James Hamilton and Jacqueline Barbara Stephenson, as Joint Provisional Liquidators of Municipal General Insurance, Limited
Debtor in Foreign Proceedings

CASE NO. 94-B-41329 (CB)

PRELIMINARY INJUNCTION ORDER

This matter has come before the Court on the above Petitioners' request for a Preliminary Injunction Order pursuant to Bankruptcy Rule 7065 and Federal Rule of Civil Procedure 65(b). The Court (a) has considered and reviewed the Petition filed in this case, the Affidavit of Ronald DeKoven, Petitioners' former counsel, the Declaration of Gabriel Moss, Q.C., the Declaration of Gareth Howard Hughes, the Affidavits of Jacqueline Barbara Stephenson, one of the Petitioners herein, and the Memorandum of Law in support of the application, and any responses filed thereto, and (b) the Court has further considered and reviewed the Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated November 17, 1996, the Supplement to Limited Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 30, 1996, the Objection of Michigan Municipal Risk Management Authority to Continuation of Preliminary Injunction Order dated January 13, 1999, and all other pleadings or other materials filed or submitted in this case; and the Court has held hearings and heard arguments by counsel on the 29th day of March, 1994, the 27th day of July, 1994, the 8th day of December, 1994, the 11th day of April, 1995, the 31st day of January, 1996, the 31st day of January, 1997, the 30th day of January, 1998, the 29th day of January, 1999, and the 28th day of January, 2000, and based on the foregoing, the Court finds and concludes as follows:

1. Petitioners have demonstrated a substantial likelihood of success or have raised serious questions on the merits of the contentions that: (a) Municipal General Insurance Limited ("MGI") is subject to "foreign proceedings" within the meaning of Sections 101(23) and 304(a) of the United States Bankruptcy Code (the "Bankruptcy Code"), 11 U.S.C. §§ 101 et seq.; (b) Petitioners are the "foreign representatives" of MGI within the meaning of Sections 101(24) and 304(a) of the Bankruptcy Code; (c) (i) the commencement or continuation of any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof, (ii) the enforcement of any judicial, administrative or regulatory judgment, assessment or order, and the commencement or continuation of any judicial, administrative or regulatory action or proceedings, to create, perfect or enforce any lien, set-off or other claim against MGI, any of its property in the United States, or any proceeds thereof, and (iii) the drawing down of any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established, should be enjoined[1] pursuant to Section 304(b) of the Bankruptcy Code to permit the expeditious and economical administration of the foreign estate in the pending proceedings brought under foreign law (except as otherwise expressly provided in the decretory paragraphs of this Order); and (d) the relief provided herein will not cause hardships to parties that are not outweighed by the benefits.

2. Unless an injunction is issued, it appears to this Court that one or more parties in interest will transfer, relinquish or dispose of assets of MGI in the United States, or proceeds thereof, commence or continue the prosecution of judicial, administrative or regulatory actions against MGI, its assets, or proceeds thereof, or draw upon letters of credit established by MGI in excess of the amount to which such parties are contractually entitled, thereby interfering with, and causing harm to, the Petitioners' efforts to administer the MGI estate pursuant to the foreign proceedings, and that, as a result, the Petitioners will suffer immediate and irreparable injury for which they will have no adequate remedy at law (except that the authority granted by this Court to continue certain litigation only as set forth in the decretory paragraphs below will not cause such harm).

3. Unless the injunction (to the extent provided below) is issued, Petitioners will be unable to acquire sufficient information about pending and potential litigations against, and U.S. assets of, MGI to properly protect the interests of MGI in the United States, resulting in the further depletion of MGI's limited assets.

4. The interest of the public will be served by this Court's grant of the relief provided herein.

5. Venue is proper in this district pursuant to 28 U.S.C. § 1410.

NOW, THEREFORE, IT IS:

ORDERED that all persons (except as provided in the New York Superintendent Order) are hereby enjoined and restrained from:

(1) transferring, relinquishing or disposing of any property of MGI in the United States, or any proceeds thereof, to any persons or entities other than Petitioners;

(2) commencing or continuing any judicial, administrative or regulatory action or proceeding against MGI, any of its property in the United States, or any proceeds thereof;

(3) enforcing any judicial, administrative or regulatory judgment, assessment or order, or commencing or continuing any act or any judicial, administrative or regulatory action or proceeding, to create, perfect or enforce any lien, set-off or other claim, against MGI, any of its property in the United States, or any proceeds thereof; and

(4) drawing down any letters of credit established by MGI in excess of what is expressly authorized by the terms of the contracts and any related trust or other agreements pursuant to which such letters of credit have been established; and it is further

ORDERED that nothing in this Preliminary Injunction Order shall in any respect prevent the continuance or commencement of proceedings against or involving other London Market insurers or any other insurance company defendant; and it is further

ORDERED that, pursuant to Bankruptcy Rule 7065, the security provisions of Fed.R.Civ.P.65(c) be, and the same hereby are, waived; and it is further

ORDERED that, notwithstanding any other term of this Order, the action entitled Michigan Municipal Risk Management Authority v. Municipal General Insurance Company, Wayne County Circuit Court Case No. 94-400330-CK, is permitted to proceed, but this provision shall not be construed to permit enforcement of any judgment obtained by Michigan Municipal Risk Management Authority ("MMRMA") in the immediately above-referenced Michigan action against MGI or any of MGI's property located in the United States; and it is further

ORDERED that this Order shall be served (A) by hand delivery or U.S. mail first class postage prepaid, on or before February 11, 2000 upon the parties in interest appearing in this case (or their counsel, where known); (B) by publication of a summary of this Order in Business Insurance Magazine on or before March 20, 2000; and that service pursuant to this paragraph shall be deemed good and sufficient service and adequate notice; and it is further

ORDERED that the time to answer or move with respect to the Petition is extended sine die, but that parties wishing to move for modification of or relief from this Preliminary Injunction Order or otherwise may do so in accordance with the schedule set forth by the Court herein and in any subsequent Scheduling Order entered by the Court in this case; provided, however, that, notwithstanding any other provision of this Order, MMRMA shall have the right to a hearing on a motion to this Court for modification of or relief from this Preliminary Injunction Order on ten (10) days' notice to the MGI attorney specified in the last decretory paragraph hereof; and it is further

ORDERED that this injunction shall remain in effect pending further order of the Court after a hearing to consider whether the injunction shall be continued, which hearing is scheduled to be held in Room 601 of the Alexander Hamilton Custom House, One Bowling Green, New York, New York on January 26, 2001 at 2:00 p.m.; and it is further

ORDERED that all papers submitted for the purpose of controverting the Petition or opposing continuation of the relief provided for in this Preliminary Injunction Order shall be filed with the Court with a copy to Chambers and delivered by overnight mail or so as to be received by Peabody & Arnold, 50 Fowes Wharf, Boston, MA 02110 (attention: Deborah S. Griffin or Randolph L. Smith), Attorneys for Petitioners, on or before January 11, 2001 at 5:00 p.m.

Dated: New York, New York
January 28, 2000

Cornelius Blackshear
United States Bankruptcy Judge

[1] Petitioner's request for relief, and the terms of this Order, are subject to the provisions of any temporary restraining order or order of conservation obtained by the New York Superintendent of Insurance (the "New York Superintendent Order").

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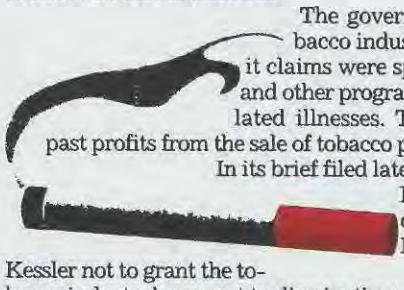
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FTR FOR THE RECORD

U.S. rebuts tobacco suit dismissal plea

WASHINGTON—The U.S. Justice Department is claiming cigarette makers filed a mistake-filled motion to dismiss the government's case against the industry and is asking a federal judge to allow the suit to continue.



The government is suing the tobacco industry to recover amounts it claims were spent through Medicare and other programs to treat smoking-related illnesses. The lawsuit also seeks past profits from the sale of tobacco products.

In its brief filed late last month, the Justice Department restated its claims and asked U.S. District Judge Gladys Kessler not to grant the tobacco industry's request to dismiss the suit. The Justice Department brief said the tobacco industry's motion, filed earlier this year, contained "multiple legal errors."

Among those errors, the Justice Department said, is the tobacco industry's argument that it is not liable for payments as a self-insurer. The government argues that Medicare is a secondary payer after other insurance, including self-insurance.

While the tobacco companies have not directly addressed their self-insurer status in court filings, they have argued that they cannot be held liable under the Medicare rules because they have no formalized self-insurance plan. They further argue that Medicare's recoveries can come only from insurers and not from tortfeasors.

The government countered that federal Health Care Financing Administration rules state that a self-insurance plan exists when a company assumes risk, whether or not such a plan is formalized. Therefore, the government said, the companies are liable for the payments that were made by Medicare.

Fremont settles Unicover contract

SANTA MONICA, Calif.—Fremont General Corp. said last week that it has reached settlement for at least $100 million with Reliance Insurance Co. to cancel a reinsurance contract that Reliance retroceded to the pool managed by Unicover Managers L.L.C.

The tentative settlement is dependent, though, on reinsurers participating in the Unicover pool agreeing to return the premiums for Fremont risks ceded to the pool, according to Albert A. Benchimol, senior vp and treasurer at Reliance Group Holdings Inc.

Reliance will not make any significant payments to Fremont under the settlement, Mr. Benchimol said. "To the extent that the reinsurers wish to return the premiums, we will act as a conduit," he said.

The $100 million in cash and the future investment income on the money should cover the liabilities that Fremont reinsured with Reliance and which were ceded to the Unicover pool, a Fremont statement said.

Long workdays covered by LTD: Judge

LOS ANGELES—A trial attorney who cannot work up to 20 hours per day due to health problems is disabled and entitled to insurance benefits, a federal District Court judge in Los Angeles ruled.

The judge, Gary Feess, awarded Susan Rosenthal Zuckerman $6,250 a month until she is 66, or until her hypertension is cured. Rosenthal, 48, also won about $400,000 for attorney fees, back pay and interest, according to her former employer.

Ms. Rosenthal worked in the Los Angeles office of Epstein Becker & Green from 1992 to 1995. At that time, the law firm provided long-term disability insurance from Paul Revere Life Insurance Co. The insurer denied Ms. Zuckerman's disability claim because it considered working 20-hour days abnormal for her occupation. The insurer said she should be able to reduce her blood pressure by working an eight-hour day.

Additionally, the insurer said that medical evidence showed that Ms. Zuckerman had worked with the same condition since 1985 and her condition had not deteriorated, a spokeswoman for UNUMProvident Corp. said. Paul Revere was acquired in 1997 by Provident Cos. Inc., which merged with UNUM Corp. to form UNUMProvident in 1999.

Trial attorneys cannot simply leave their jobs after an eight-hour day, and on occasion they must work much longer than that, the judge ruled. He also said that Paul Revere ignored or failed to understand the nature of her occupation.

Epstein Becker stopped purchasing disability coverage from Paul Revere, in part because of the insurer's handling of the case, the Epstein Becker spokesman said.

UNUMProvident has not determined whether it will appeal the decision, the company's spokeswoman said, but she noted that the judge's ruling certainly expanded the definition of disability.

OSHA adds to ergonomics hearings

WASHINGTON—The Occupational Safety and Health Administration has added another week of public hearings on its controversial proposed ergonomics standard.

The additional week of hearings will be held in Washington, May 8-12. The site for the hearings will be announced later.

The three hearings previously scheduled will take place at the Department of Labor in Washington, March 13-April 4; the James R. Thompson Center in Chicago, April 11-21; and the Mark Hatfield Federal Courthouse in Portland, Ore., April 24-May 3.

More information is available on the agency's Web site, www.osha.gov.

Disaster risk institute forming

ALEXANDRIA, Va.—Virginia Polytechnic Institute and the Swiss Federal Institutes of Technology are forming a new World Institute for Disaster Risk Management.

The new facility, funded partly by Swiss Reinsurance Co., was announced last Tuesday. It will be based at Virginia Tech's Alexandria Research Center.

The facility will work with private and public-sector organizations, including international groups, to promote disaster risk management. It will work in conjunction with the World Bank's ProVention Consortium, which was created in February to focus on helping developing countries deal better with natural disasters.

American Re posts loss for 1999

PRINCETON, N.J.—American Re Corp. reported a net loss of $101.0 million for the year ending Dec. 31, 1999, with a fourth-quarter net loss of $208.1 million.

The company said the 1999 result includes provisions for increased losses in the 1999 accident year, reflecting adverse market conditions, catastrophe losses of $79.6 million after taxes and a loss in connection with settling a dispute over a finite reinsurance arrangement.

In 1998, by comparison, American Re's net income was $226.0 million, which included $42.6 million of aftertax catastrophe losses.

American Re said it also provided additional funds last year for adverse development in certain accident years prior to 1999, which was partially offset by reserve releases in other accident years and the utilization of the remaining limits in the company's adverse loss agreement with Travelers Property Casualty Corp. covering losses for accident years 1991 and prior.

In a statement, Edward J. Noonan, American Re's president and chief executive officer, said the results "reflect the continued weakness of the U.S. marketplace." He added "strong corrective steps" American Re initiated in the second half of 1999 have resulted in more than $500 million in business not being renewed due to inadequate pricing, a move he said the company would continue until rates reach acceptable levels.

Princeton, N.J.-based American Re's reinsurance and insurance subsidiaries wrote more than $2.90 billion in net premiums in 1999, up 20.8% from 1998.

Illinois seeks to liquidate HMO

CHICAGO—The Illinois Department of Insurance has petitioned the Circuit Court of Cook County to liquidate American Health Care Providers Inc., a Richton Park, Ill.-based health maintenance organization that regulators allege is insolvent.

The HMO, one of the largest in Illinois, had 90,000 enrollees at year-end 1999.

The Department of Insurance placed the HMO under a conservation order in early February to preserve its records and assets and to allow regulators to assess American Health Care's solvency.

American Health Care officials were unavailable for comment.

Briefly noted

Brian O'Hara, president and chief executive officer of XL Capital Ltd., has been named market leader of the year by the Bermuda Insurance Institute. **Ernest E. Stempel**, senior adviser to American International Group Inc., will receive the BII's lifetime achievement award. The awards will be presented at a ceremony to be held March 25 in Bermuda. . . .**Christopher M. Collins**, a managing director at Marsh Inc., has been named chairman of the World Federation of Insurance Intermediaries. The Brussels, Belgium-based WFII was formed last year to promote development of an international regulatory and trade environment that is friendly to insurance intermediaries. . . .**XL Capital Ltd.** is forming a new, as-yet-unnamed holding company to house its European operations. The company, which will likely be based in London, will pool the back-office resources of XL Europe Ltd. and The Brockbank Group P.L.C., which is XL's Lloyd's of London unit. The new company's executive management board will be chaired by Mark E. Brockbank, who is CEO of The Brockbank Group. . . .The **Occupational Safety and Health Administration** has officially announced that it will not inspect home offices for violations of federal safety and health rules. OSHA late last week issued to its compliance officers a formal directive that spells out the agency's policy. OSHA will, however, inspect home manufacturing operations. . . .Overland Park, Kan.-based Employers Reinsurance Corp. has named **John Tiller** president and chief operating officer of ERC Life Reinsurance Corp. and Employers Reassurance Corp. . . .The British Virgin Islands Financial Services Department reports the formation of 50 **new captive insurers** and six credit life insurers in 1999, bringing the domicile's totals to 131 captives and 59 credit life companies. The new insurers include both group captives and single-parent entities formed mainly by small corporations, the government says. . . .New Orleans will continue its **lawsuit against gun manufacturers** after Orleans Parish District Court Judge Lloyd Medley Jr. ruled last week that state laws cannot stop the claims. The judge ruled that two statutes passed by the Louisiana Legislature last year are unconstitutional, because they would retroactively impede the city's ability to pursue the suit, which it filed in 1998. The city is seeking reimbursements from gun makers for medical and other costs incurred as a result of shootings. BI

Bonfire

Continued from page 2

and the university agreed to fund the accident investigation. The commission hired five firms to handle the investigation: McKinsey & Co. in New York; Fay Engineering Corp. in Denver; Packer Engineering Inc. in Naperville, Ill.; Kroll-O'Gara Corp. in New York; and Performance Improvement International in San Clemente, Calif.

The investigation hit an early snag, however, when the consulting and engineering firms found out the state constitution bars the university from paying some of their potential expenses.

The members of the commission wanted assurances that if they later are called to testify in lawsuits related to the accident that their expenses for those appearances would be covered by the university. As of last week, no suits stemming from the bonfire collapse had been filed.

"The university said if we call them as experts, of course, we would have to pay their expenses," said Genevieve Stubbs, senior associate general counsel at Texas A&M. As a state entity, though, there are limitations on other costs that the school can legally agree to assume, she said.

She explained that, while the university can pay expenses related to the investigation, it cannot indemnify contractors for unforeseen costs related to court appearances or other legal duties that are not initiated by the school. The state constitution prohibits such indemnification, she said.

"We proposed a compromise," Ms. Stubbs said. "If they are that concerned, they should find insurance that will cover the costs and the premium will be another expense of the commission."

So far, the firms have had no success in locating the coverage. But the failure to secure the insurance is not expected to slow or stop the investigation.

"It's not so much that we're doing it on the premise that we're going ahead without coverage, but on the premise that we haven't solved the problem yet," said Jon Zagrodzky, an associate in McKinsey & Co.'s Houston office. McKinsey is coordinating the investigation and in that capacity is handling the search for coverage for all the contracted firms.

He said the other firms are "continuing on the assumption that we will find the coverage."

Fay Engineering, Kroll-O'Gara and Performance Improvement declined comment. A Packer Engineering source designated as a spokesman on the investigation did not return telephone calls.

Mr. Zagrodzky said McKinsey & Co. has been assured by its insurers that it is covered for any legal expenses related to testifying in lawsuits but other costs will not be indemnified.

"My guess is that we can get the legal expense coverage," Mr. Zagrodzky said. He explained, though, that the firms also want insurance that will cover professional fees that the companies ordinarily charge when they spend time on legal matters and the cost of travel expenses.

He said that, so far, insurers have turned thumbs down on the idea of writing coverage for those expenses, saying "it's not an insurable risk."

Those expenses could add up, Mr. Zagrodzky said, if the firms are involved in answering subpoenas, lengthy depositions and testifying at trial.

It's an unusual situation for the university as well as the contractors.

"We've never been approached with that concern before," said Ms. Stubbs of Texas A&M. "They said, 'Look, we're opening ourselves up; you should pay our costs.' But the state has a limit on what we can pay for."

While there probably are no off-the-shelf products that would meet the firms' insurance needs, there likely are underwriters that would be interested in putting together a product, said Fred Podolsky, senior vp-global, financial and executive risk at Willis North America Inc. in Nashville, Tenn.

If legalities don't prohibit it, the university might be able to pay a premium equal to policy limits, with the money being held in a trust and eventually refunded minus an underwriting charge, Mr. Podolsky suggested.

Given its role as coordinator of the investigation, McKinsey & Co. doesn't feel its risk of being called into court is a large one. Therefore, Mr. Zagrodzky said, the company is prepared to continue the investigation without the coverage, if necessary.

Mr. Zagrodzky pointed out that the threat of suits is somewhat diminished because Texas A&M is a unit of the state. State law caps at $500,000 the total amount the university would have to pay if found negligent in the accident.

There probably are few lawyers who are eager to devote time to win part or all of the total, he said.

Mr. Zagrodzky pointed out, though, that there is a move to challenge the liability cap.

State Rep. Ron Wilson, D-Houston, plans to introduce a bill or a constitutional amendment in the 2001 session that would increase the cap. The Texas Legislature does not meet this year.

A spokeswoman for Rep. Wilson said he has not indicated how high the liability cap should be raised. BI

Forum

Continued from page 1

Henton.

Stephen A. Crane, Stirling Cooke's president and chief executive officer, called the shift to a London court a victory for the broker, which no longer faces the threat of treble damages under U.S. racketeering law and which will not face a jury trial in the United Kingdom.

"In its present form, it's much more manageable by us," Mr. Crane said. "If the charges are the same, we continue to believe they are entirely without merit."

Not named in the London lawsuit, meanwhile, are several parties that Sphere Drake had targeted in its New York action, including WEB Management L.L.C., a Bloomfield, Conn.-based MGU, and JEH Re Underwriting Management (Bermuda) Ltd., an MGU for John Hancock Mutual Life Insurance Co. that is partly owned by a Stirling Cooke unit. Sphere Drake had charged that the two MGUs conspired with the other defendants to defraud it.

WEB, however, was separately dismissed from the New York action by U.S. District Judge Naomi Reice Buchwald, who found that Sphere Drake failed to support its claim of fraud against WEB and included it as a defendant largely in an effort to keep the litigation in a U.S. court.

WEB managing principal Charles Bastan said that the ruling "totally vindicates" WEB and that the company "intends to take legal action to hold (Sphere Drake) and its affiliates accountable for their actions in the matter."

Bermuda-based JEH Re also was "quite pleased" with the dismissal of the New York suit and will contest jurisdiction in the United Kingdom if it is added as a defendant in the London action, said David Attisani, a lawyer with Choate, Hall & Stewart in Boston who is representing JEH Re.

'The underlying policies issued in the United States do not make this an American case,' ruled U.S. District Judge Naomi Reice Buchwald.

Sphere Drake, which ceased active underwriting last year, charged in a March 1999 lawsuit that it was the victim of a wide-ranging conspiracy involving its own MGU—Euro International—and MGUs for other insurers and reinsurers and various units of Stirling Cooke (*BI*, April 5, 1999).

The complaint accused the defendants not only of plotting to file an amended complaint. Sphere Drake did so last August.

The defendants then filed motions to dismiss on various grounds.

Late last month, Judge Buchwald threw out the suit.

In a 65-page ruling, Judge Buchwald first dismissed Sphere Drake's charges against WEB, which represented several U.S. insurers and produced some of the business reinsured by Sphere Drake.

The reinsurer's decision to name WEB may have been merely tactical, the judge said. "We suspect that the British plaintiff. . .added the American WEB to its list of mostly foreign defendants for the sole purpose of thwarting a forum non conveniens motion and keeping the case in the United States, where plaintiff would benefit from liberal rules of discovery and RICO's treble-damages provision," she wrote.

Thomas R. Manisero, a lawyer for Sphere Drake, denied that that was the reinsurer's intent in including WEB in the complaint. "We believe that we had a meritorious claim against WEB. ...We would not employ such a tactic," said Mr. Manisero, who is with Wilson, Elser, Moskowitz, Edelman & Dicker in New York.

But regardless of its intent, Judge Buchwald said, Sphere Drake failed to present enough evidence to support its claims that WEB knowingly duped the reinsurer, or even that WEB had a duty to disclose information it may have had about the likely profitability of the business.

She rejected, for example, the reinsurer's charge that WEB officials knew that Euro International had concealed facts pointing to probable large losses on one block of business: "Plaintiff has cited no authority for the proposition that a defendant may be held liable in fraud for a failure to disclose its prediction as to the profitability or unprofitability of an agreement, let alone for the failure of someone else as well."

Sphere Drake's description of WEB's part in the reinsurance deals failed to establish that it conspired in a fraud, showing only "that WEB and its principals successfully did business with their longtime business contacts," Judge Buchwald found.

The judge then dismissed the suit against all of the remaining defendants, on the grounds that a U.S. court was not the appropriate forum for the charges.

Even though the underlying workers comp risks involved U.S. employers and ceding insurers, there is no overriding U.S. interest in trying the case here, the judge concluded.

"Plaintiff insists that the defendants' activities were designed to 'manipulate the United States workers compensation market,' but this allegation does not, in and of itself, create an interest in this forum, where there is no one here claiming any injury," Judge Buchwald wrote.

"The underlying policies issued in the United States do not make this an American case where, at bottom, this is an allegation of fraud committed by English defendants against an English plaintiff in England."

Following the judge's order, Sphere Drake last Tuesday filed suit in London against the narrower group of defendants. BI

Letters

Continued from page 8

formed; that's the ignorance-is-bliss syndrome.

Lack of staff stability? This is a national problem, of course, but the SPBA is confident that the longevity of our member TPAs far exceeds national norms. I have known many TPA staff members for 20 years. We attribute some of that loyalty to the task of government compliance. It requires teamwork throughout the TPA firm, in which titles and rank are rarely mentioned anyway.

So, a claims processor, for example, knows that there will be interesting new challenges and ramifications every day, due to the new laws and rulings that affect the plans and claims being handled.

Undercapitalization of independent TPAs? The success of TPAs is built on the concept of lean efficiency. In fact, one of the fears being voiced among some TPAs today is summarized by the quote "we may become the bureaucracy we were formed to escape."

Biggest is not always best for the personalized service you should expect from your TPA. Yes, the owner of a TPA may have to dig into his or her own pocket to buy the latest computer system, but that's a personal guarantee that the TPA will make sure it does for its clients what it is supposed to. Meanwhile, joint projects through the SPBA, such as the current EDI project, allow TPAs not only to combine efforts cost effectively but also to brainstorm with all the other TPA members to avoid expensive problems for their clients before they develop.

So, it was interesting to read about the "other" world of TPAs, as described in the article and the RIMS/QIC survey.

However, it is important not to confuse the work of the "TPAs" that inspired those comments with that of the majority of employee benefit TPAs, which earn the great appreciation and loyalty of their clients.

Fred Hunt
President
Society of Professional
Benefit Administrators
Chevy Chase, Md.

Viewpoint on structured settlements 'lopsided'

To the editor: In my 15 years of reading *Business Insurance*, I cannot recall a more lopsided, biased "Perspective" published by this paper than the Jan. 31 article "Exposing Structured Settlement 'Scams.'" I recommend that *BI* re-examine its procedure for reviewing such articles for publication; after all, "*BI*" appears at the bottom of every article.

The author of the Perspective, Jim Terlizzi, presents three real-life examples of settlements that he portrays as gross injustices. In fact, these settlements may well have been in the best interest of the claimants and their attorneys. If they were not, then the fault may lie squarely with Mr. Terlizzi, the "former practicing litigator," or with his colleagues.

In the first case he cites, Mr. Terlizzi suggests that a claim settled in 1982 did not produce any payments until the $75,236 paid out in 2002. What he fails to share with us are the facts of the settlement from 1982. What claimant or attorney would accept "nothing" for 20 years? He suggests this was a scam by the defendant, when the settlement may have represented the true desire of the claimant.

Did the claimant settle in 1982 at age 35 for $100,000, of which $90,000 was received up front, with $10,000 to be put in an annuity, to be paid upon his or her expected retirement at age 55? If not, what were the facts?

The second case Mr. Terlizzi presents is a claim settled in 1986, in which annuity payments were not scheduled to begin until 2020, 34 years later, and then to be paid out over the next 12 years. I find this scenario very hard to believe. What circumstances could exist for a person not to have any compensation for 34 years? How old was the claimant—6 months of age? Who was the claimant's attorney? Why did the claimant accept—or request—such terms?

In the last case he cites, Mr. Terlizzi says the claimant received incremental payments over 20 years. This case may have involved a minor, and the case value—which Mr. Terlizzi doesn't make known to us—may have been only the $40,000 used to finance the annuity. And the author fails to share with us the fact that a settlement annuity that involves a minor must be approved by a judge.

Mr. Terlizzi includes a sentence or two that suggests that not all such settlements are bad. This is a gross understatement. Most "practicing litigators" understand the present value of a dollar. A claim that is worth $50,000 shouldn't be settled for a structure over several years that is worth only $10,000 today. However, a $50,000 settlement structured over 10 years can increase its value to more than $100,000.

Most "practicing litigators" understand the true value of a claim, as well as the time value of money. A claim worth $50,000 paid in one lump sum will usually be spent in a few weeks or months. But $50,000 placed in a structured settlement can reap two, three or more times that value tax-free. Such a structure can meet the financial needs of a claimant, pay for a college education, assist in retirement, etc., all to his or her benefit.

When structured settlements are not considered in claim negotiations, the claimants are often the real losers; they lose the true benefits of the tax-free time value of money working for them.

We often hear from plaintiffs attorneys who say that they don't wish to talk about structured settlements or that they will develop annuities after the money is received. But these annuities are rarely developed, and when they are, the investment earnings are taxable.

Mr. Terlizzi is correct in noting that an insurer is not required to disclose the true present value of a settlement. But this information is readily disclosed upon request. During the late 1980s, a change in the tax code allowed such disclosures. Prior to that time, such disclosures affected the tax-free status of annuity payments. A plaintiffs attorney who fails to request this information from the insurer and to provide it to his or her client is not properly representing that client.

Structured settlements are tools that can truly benefit many claimants; the only time they can be an insurance company scam is when the claimant is not properly represented.

Joe Myers
Executive Director
Redwood Empire School's
Insurance Group
Santa Rosa, Calif.

Business Insurance®

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Commentary

BI's new site finally can start clicking

Like many businesses, we have spent long hours trying to figure out if there is a way to tap the Internet to make some aspect of how we operate more efficient, effective, glamorous and profitable.

Almost weekly, there is new evidence of companies exploring how to evolve into an e-business, some of them as amazing as the prehistoric fish that sprouted legs and left the primordial sea.

U.S. Steel, for example, last week announced that it would be investing in an online steel marketing venture called e-STEEL.com. That certainly fills a void I've been noticing when shopping on the Internet.

The Big 3 automakers earlier this month agreed to form an online collaborative effort (itself unheard of before) to create an Internet auction site, where they would bid on and procure all of the supplies they require for their automotive manufacturing efforts, from steel to tires to cup holders.

This move not only catapults these manufacturing giants into the Information Age but also drags along their many suppliers—whether they like it or not. It's evolve-or-die time.

Now that the automobile manufacturing process will so openly rely on the auction system, I imagine that many drivers will come to echo the famous line attributed to various Mercury astronauts: "It is a humbling experience knowing that your fate depends on a vehicle built by the lowest bidder."


Paul D. Winston

But I digress.

I've given the insurance industry plenty of grief in this column for being so slow to solve the Internet riddle, so I consider myself incredibly lucky that no one has yet pointed the finger back at me and asked, "What are you doing online for me lately?"

Now, however, I am pleased to say that, after months of struggle and false starts, *Business Insurance* has successfully relaunched its site on the World Wide Web.

BI first launched its Web site in 1996, which may explain why I've been so smug in chiding the insurance industry about getting with the program.

To tell the truth, though, the original site was little more than an attractive billboard to provide visitors with a variety of ways to contact us by phone, fax or e-mail. We offered some editorial content, but not much, out of the sheer terror that if we did otherwise, people would stop paying for the magazine and instead simply log on to the Internet for free news, and our competitors would get all their story ideas from our Web site.

This came to an end last year, thanks to our Internet service provider's acquisition by a regional phone company that decided it did not want to host Web sites any longer. This prompted a panicked search for a new host and lengthy bellybutton-gazing about what our new site should look like and offer.

After selecting a new host, we decided to entirely overhaul the look and content of our Web site and take the plunge to begin offering daily news on our site. Thankfully, you can now see it for yourself at www.businessinsurance.com.

For weeks, however, visitors to the *BI* site were greeted with the message "BusinessInsurance.com is undergoing a site redevelopment. Please look for a new and improved Web site in mid-January."

Well, mid-January came and went and our site still was not complete. Each day brought us new hope that the site would be complete and available for viewing, only to have our expectations set back yet another day. We felt like cartoon character Wile E. Coyote eternally trying to catch the Road Runner, only to miss, fail or, worse, be crushed by a giant rock.

Finally, around mid-February, we decided that we better change "mid-January" to "soon."

Holding up the show was not our new ISP (or so they tell us) but, rather, Network Solutions, the monopolistic company that registers all Internet domain names and was responsible for giving us a new address. Apparently, Network Solutions was not looking at its "in" box for a six-week period there.

At long last, BusinessInsurance.com is now up and available for browsing. But I should warn you: our new Internet service provider was acquired by a regional phone company just last week.

Editor Paul D. Winston's commentary appears fortnightly. He can be reached at pwinston@crain.com.

Reliance

Continued from page 1

The proceeds of the sale, combined with a huge increase in the value of Reliance's investment in a technology company—Symbol Technologies Inc.—will boost Reliance's statutory surplus to $1.7 billion from $1.2 billion at year-end 1999.

Declining capital at Reliance has been a major concern of rating agencies since last summer.

The company still will need to improve earnings to maintain its ratings, said Mr. Coyle.

S&P has taken Reliance's A- rating off "CreditWatch" for a possible downgrade, but the rating agency's outlook is negative. "Capital is not the crucial issue it was, but now we'll be looking how the rest of the business performs," Mr. Coyle said.

Reliance will also have to deal with its $237.5 million in debt, which is due in August, said Karen Horvath, vp at A.M. Best Co. in Oldwick, N.J. The company may have to raise more capital to pay off or refinance the remaining debt, she said. "There are couple of things that need to come to fruition, but they have made a lot of progress since the fall," Ms. Horvath said.

Best's has kept its A- rating of Reliance under review but has changed the rating's status to under review with "developing implications" from "negative implications."

Reliance is now in a much better position to address the outstanding problems facing the company, said Terry Van Gilder, who last week was named president and chief executive officer of Reliance Insurance Group. Previously, Mr. Van Gilder was president and CEO of the insurer's main commercial lines unit, Reliance National Insurance Co.

The main parts of the plan are: the sale of the surety arm; $80 million in annual expense savings through job reductions and the elimination of duplicative functions at the various group units; the suspension of Reliance Group Holdings' cash dividend to shareholders; the extension to August of the $237.5 million in debt due in March and the future refinancing of the debt; the appointment of George Baker, a longtime director, as CEO and president of Reliance Group Holdings; the appointment of Mr. Van Gilder as president and CEO of Reliance Insurance Group; and either a spinoff to shareholders, an IPO or some other capital-raising move for Reliance's Internet and technology consulting operations.

The far-reaching plan is more than a turnaround strategy, Mr. Van Gilder said. "What we are trying to do here is establish a whole new company."

Much of that task was carried out last year, when Reliance dumped many of its loss-making accounts, he said. Earlier this year, Reliance resolved most of its obligations under the Unicover workers compensation reinsurance debacle through a $100 million settlement. "Ninety-five percent of the business that we have is quite acceptable and will be maintained," Mr. Van Gilder said.

Despite its obvious problems over the past several months, Reliance has maintained much of its business, he said. "One of the reassuring things that has happened over the whole period of time is the degree to which our producers and clients have stayed with us," Mr. Van Gilder said.

Reliance Group Holdings has made 'a lot of progress since the fall,' says A.M. Best's Karen Horvath.

Although Reliance is giving up its best-performing unit, the remaining units should perform significantly better than they did in 1999, he said.

Best's Ms. Horvath agreed. "There are other books of business embedded in the other business segments that are profitable," she said.

But when Reliance jettisoned most of its problematic business last year, it also took a reserve charge to meet future claims from that business, she said. "Whenever you have a company that takes a reserve charge like Reliance did last year, you have to ask, 'Did they get it all?' and that remains to be seen," said Ms. Horvath. Other parts of the business are unprofitable but could be turned around if Reliance succeeds in pushing through premium increases, she said.

In addition to trying to ensure underwriting profitability, Reliance will also seek to cut its costs by reducing the barriers between the various company units and pooling resources, Mr. Van Gilder said. "Historically, the Reliance companies have been free-standing and self-contained. We will set up an organization that looks more like a single company."

The appointment of industry veteran Mr. Van Gilder as senior executive of the insurance operating units is one of several executive changes at Reliance.

Most notably, Saul P. Steinberg stepped down as CEO of Reliance Group but maintained his position as chairman. Mr. Steinberg will now concentrate on "strategic thinking" for the group, Mr. Van Gilder said.

Mr. Steinberg was replaced as CEO by Mr. Baker, a longtime Reliance director and a former banking executive.

Also, Robert Miller, the turnaround specialist brought in as president of Reliance last November (*BI*, Nov. 29, 1999) has left the company and has taken up a new position at another struggling insurer, Aetna Inc. (see story, page 2).

With the announcement of the turnaround plan, Mr. Miller had completed his assignment at Reliance, Mr. Van Gilder said. As part of that assignment, Mr. Miller had attempted to find a buyer for the whole company, but only the surety business proved attractive to potential buyers, Mr. Van Gilder acknowledged.

Mr. Van Gilder himself was brought in last November to lead a turnaround of Reliance National. He took over from Robert Steinberg, Saul Steinberg's brother, who was interim president and CEO of Reliance National and chairman and CEO of Reliance Insurance Group.

Robert Steinberg, now vice chairman of Reliance Group Holdings, had taken the helm at Reliance National after its long-term president, Dennis Busti, was moved aside last August. Mr. Busti is now vice chairman of Reliance Insurance Group. Although neither has executive responsibilities, both are working on "strategy," a Reliance spokesman said.

The changes at Reliance Group Holdings occurred at the same time as the company published a net loss of $310.5 million for 1999 compared with net income of $326.4 million in 1998. In the second quarter of 1999, Reliance increased its loss reserves by $227.2 million. BI

Boeing

Continued from page 2

between the parties that are preventing us from reaching agreement," said Geoff Stamper, director of union relations for Boeing in a written statement.

But a union spokesman said, "We believe the company is positioning themselves to impose part of their contract."

"The Boeing Co. is in denial that their workers are in revolt," the spokesman added.

A major area of contention between Boeing and the approximately 19,000 strikers has been the aircraft manufacturer's desire to charge the union workers a percentage of their health care premium.

Currently, the union members pay none of the cost of their health care and other insurance benefits. Boeing's non-union members pay 10% of their health care premium.

In its latest offer, Boeing proposed that SPEEA members make no contribution in the year 2000, a 5% contribution in 2001 and pay 10% of the premium in 2002, the contract's final year.

A company spokesman estimated that the 5% contribution would represent about $10 per month for an individual health plan and about $20 a month for a family plan.

One of the elements in the dispute involves Boeing's desire to share health plan costs with union members.

When last made on Feb. 26, the offer was rejected by the union leadership without being put to a vote by rank-and-file members.

The union has maintained the position that its members should make no contribution. The union spokesman said that, taking into account Boeing's latest offer of pay increases and health care contributions, workers would receive less money than under the previous contract.

Another area of dispute has been Boeing's desire to switch pension plans from a defined benefit plan to a hybrid plan. The union has opposed such a move, even though Boeing has agreed to match the union's target for company payments.

Despite the union's protests, a 10% premium contribution is well below the national average for large employers. According to the 1999 Mercer/Foster Higgins Annual Survey of Employer-sponsored Health Plans, employees pay, on average, 22% of the premium for individual health maintenance organization coverage and 34% for family coverage. This amounts to $38 per month for individual coverage and $147 per month for family coverage. The figures for preferred provider organizations are similar, with employees paying 24% of the premium for individual coverage and 36% for family coverage. BI

Survey

Continued from page 1

one—and we need data to back that up," he said.

The Dallas/Fort Worth chapter, which is funding the effort, sent out 525 surveys last week to RIMS members in specific industries, including airlines, school districts, hotels, restaurants, retail operations, grocery stores and hospitals.

Those industries were chosen because their operations are essentially the same regardless of location, Mr. Green said.

All survey respondents will receive the final report.

The survey asks risk managers for information for 1998 and 1997 on: total number of injuries, total medical costs, total indemnity costs, total number of medical-only claims and the total cost of medical-only claims.

Most risk management information systems "can provide that information pretty easily," Mr. Green noted.

All specific information supplied will be kept confidential, he said.

Mr. Green anticipates that the survey data will be compiled by mid-May. At that point, the RIMS chapter will then analyze the information and identify the states with the highest medical costs—even if Texas is not one—and will attempt to determine what factors are driving costs in those states, he said.

"There are broad possibilities as to what are the driving factors," Mr. Green said. For example, it could be the state's fee schedules, excess utilization, return-to-work programs or the medical provider selection process, he said.

In addition to hiring a risk management student intern, "we're looking at some grant applications to help pay for a university-level economist or professor to further help with analyzing the data," Mr. Green said.

The nationwide study has the support of national RIMS.

"Obviously, RIMS is very supportive of the project, and the external affairs team will support the Dallas/Fort Worth chapter as much as we can," said Lance Ewing, chairman of RIMS' external affairs team.

"Why should an airline baggage handler who injured an ankle in Dallas pay more or less for medical care to treat the injury than a baggage handler working for the same company in, say, Portland?" asked Mr. Ewing, who is also director-insurance and loss prevention at GES Exposition Services in Las Vegas.

"It's definitely a worthwhile project and one that most risk managers have a keen interest in," Mr. Ewing said.

Christopher E. Mandel, director of risk management for Tricon Global Restaurants Inc. in Louisville, Ky., is among those interested in the outcome of the survey.

"Without a doubt, the biggest component of our (workers comp) program is medical costs," Mr. Mandel said. With restaurants all over the country, "I'm always interested in where it's more cost effective to operate."

"I really believe in benchmarking, and this is really what it is all about," said Mr. Mandel, who also is vp of RIMS's external affairs team and executive counsel liaison to the Dallas/Fort Worth chapter. BI

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ing and underwriting trends in the property, general liability and umbrella lines. The CIAB also surveyed members about the pricing of group medical accounts.

Respondents reported that, compared with one year ago, property/casualty pricing for accounts of all sizes has increased.

For example, respondents said that, in regard to small accounts—those generating less than $25,000 in commissions and fees for CIAB members—56% had price increases of up to 10% over the past year, and another 3% had increases of more than 10%. Only 5% of small accounts had price decreases.

Responding CIAB members reported that, among medium accounts—those generating between $25,000 and $100,000 in fees and commissions—65% had seen increases of up to 10%, while 5% had larger increases. Prices had decreased for only 7% of medium accounts.

Market conditions, however, appeared to favor larger accounts somewhat more. Survey respondents said that prices for 45% of large accounts had increased up to 10%, and 3% of companies had seen increases of more than 10%. But 11% of large accounts had price cuts of up to 10%, and 1% had even-greater cuts.

When asked about conditions in specific lines for medium and large accounts, 67% of all respondents characterized the workers comp market as "somewhat hard" compared with a year ago, and 5% called it "very hard." Only 15% reported no change, with an additional 9% calling it "somewhat soft" and 2% calling it "very soft." In this instance, as in some others, question responses do not add up to 100% due to the rounding of survey figures.

Sixty-two percent of the respondents described the commercial auto market as "somewhat hard," with another 3% calling it "very hard." But a quarter of the respondents reported no change, with an additional 8% calling the market "somewhat soft" and 1% "very soft."

Changes were considerably less dramatic in the remaining three property/casualty lines. Forty-six percent of the respondents reported no change in the commercial property market, although nearly the same percentage—43%—characterized the property market as "somewhat hard." Eight percent called it "somewhat soft," and 1% called it "very soft."

The general liability market was characterized by a lack of change, with 56% of the respondents reporting conditions the same as a year ago. Slightly more than one-third—34%—called the market "somewhat hard," 9% called it "somewhat soft" and 1% called it "very soft."

No respondents characterized the umbrella market "very hard," and only 16% called it "somewhat hard." Once again, no change was the rule, as reported by 65% of the respondents. Twelve percent called the umbrella market "somewhat soft" and 4% "very soft."

Those trends continued when respondents compared conditions in late February with those of three months earlier. Nearly two-thirds—66%—of the respondents characterized the workers comp market as "somewhat hard," with another 4% calling it "very hard" compared with three months earlier. Only 25% reported no change, and the remaining 4% called the market "somewhat soft."

Slightly more than half—52%—of the respondents called the commercial auto market "somewhat hard," with 5% calling it "very hard." Thirty-seven percent reported no change, and the remaining 5% characterized the market as "somewhat soft."

For property, 54% of the respondents reported no change in conditions, 37% called the market "somewhat hard," and 8% said it was "somewhat soft."

Sixty-five percent of the respondents said there had been no change in the general liability market, 30% called it "somewhat hard" and 1% called it "very hard." Three percent reported "somewhat soft" conditions and 1% reported "very soft" conditions, compared with three months earlier.

More than two-thirds—69%—of the respondents said there had been no change in the umbrella market, while 20% reported "somewhat hard" conditions. Nine percent called the market "somewhat soft," and 2% called it "very soft."

Changes in group medical pricing over the past year were even more dramatic. Ninety-five percent of the small accounts reported increases, with 65% reporting increases of more than 10%. For medium-sized accounts, 57% reported increases of more than 10%, and an additional 35% reported increases of up to 10%. Nearly half of the large accounts reported increases of up to 10%, and an additional 35% reported increases above 10%.

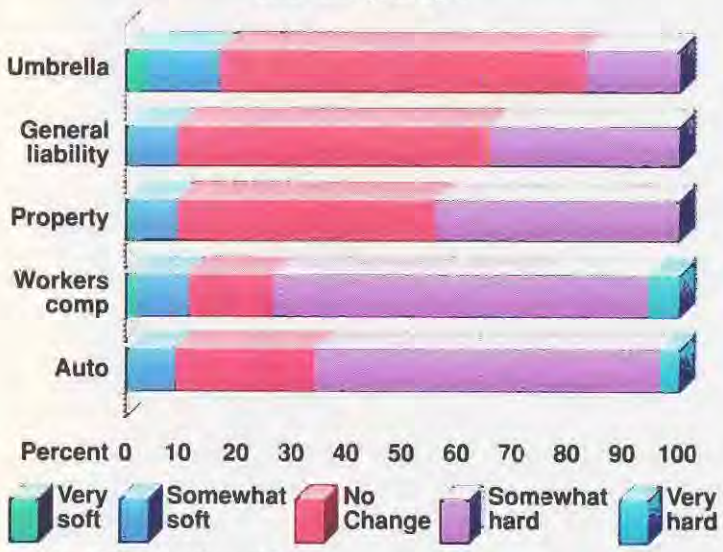
The three-month figures do not foretell relief, either. A majority of the accounts in all three categories—51% of the small, 56% of the mid-sized and 51% of the large accounts—reported increases of up to 10%. Nearly four out of 10 small accounts—39%—said prices had gone up by more than 10%, as did 30% of the mid-sized accounts and 23% of the large accounts.

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E-mail copies of the Council of Insurance Agents & Brokers' Commercial Insurance Market Index can be requested from Robert Gettlin, CIAB director of communications and marketing, at rgettlin@ciab.com.

Indexing market hardness

The new Commercial Insurance Market Index indicates that agents and brokers are seeing hardening rates in some lines since one year ago.



Source: Council of Insurance Agents & Brokers

GRAPHIC BY JOHN HALL

Updates

Citigroup makes Weill sole head

NEW YORK—Sanford Weill will become Citigroup Inc.'s sole chairman and chief executive officer following the announcement last week that his co-CEO, John Reed, will retire April 18.

Mr. Weill himself will step down in 2002, and the company will begin searching for a successor.

Mr. Reed, who helped create the financial powerhouse when he merged Citicorp with Travelers Group in 1998, is stepping aside after spending 35 years at the New York-based company.

"My decision was a deliberate one that I have discussed fully with the board, and I leave the company knowing we have put into place a truly outstanding management team and a sound strategy that will serve as the foundation for our future growth," Mr. Reed said in a statement.

The company did not mention what changes, if any, Robert Rubin would make in the future, or whether he was considered a successor. Mr. Rubin, the former secretary of the treasury, joined Citigroup in October as chairman of the executive committee of the board.

The announcement was "unexpected but not a surprise," said David Berry, director of research at New York investment bank Keefe, Bruyette & Woods. Since the merger, the speculation was that Mr. Reed would retire before Mr. Weill, Mr. Berry said.

More surprising was Mr. Weill's announcement that he would retire in two years, Mr. Berry said. "A lot of people felt Sandy would run Citigroup forever," he said.

In a conference call with analysts, Mr. Rubin said he did not want to become Citigroup's next CEO, Mr. Berry said.

And Mr. Berry senses that the focus of the search for a successor would be within Citigroup, and not outside the company, he said.

RIMS sends team to Japan

OSAKA, Japan—The Risk & Insurance Management Society Inc. is taking its message to Japanese companies that are showing growing interest in managing their risks.

The society teamed up last month with Tillinghast-Towers Perrin and American International Group Inc. to present two seminars in Osaka, Japan. More than 40 senior Japanese executives attended.

Roger Andrews, first vp of RIMS and general counsel and director of risk management at E.D. Bullard Co. of Cynthiana, Ky., cited during a presentation statistics from a 1999 Tillinghast-Towers Perrin survey that indicate only 40% of the 595 large Japanese company respondents have a staff function dedicated to insurance or risk management.

The study also showed that just 12% have a captive insurer. The survey indicated, however, that the Japanese companies have a strong interest in owning captives and learning more about risk management.

Among the study's findings were that respondents' top three areas of interest are advanced risk financing methods, risk mitigation/control and environmental liability.

Along with Mr. Andrews, seminar presenters were Jeff Heintzelman, regional vp with AIG in Tokyo; Chris Mandel, vp-external affairs at RIMS and senior director, risk management at Tricon Global Restaurants Inc. in Louisville, Ky.; Eldrich Carr, manager, global risk management for Goodyear Tire & Rubber Co. in Akron, Ohio; Russell J. McGuire, consultant with Tillinghast in Dallas; and Hiroyuki Takahashi, consultant with Tillinghast in Tokyo.

Copies of the survey are available in English or Japanese for $175 from Mr. McGuire at Tillinghast, 12377 Merit Drive, Suite 1200, Dallas, Texas 75251-3234; 972-701-2613; fax: 972-701-2576; or mcguirr@towers.com.

Enhance Re under review again

NEW YORK—Financial guarantee reinsurer Enhance Reinsurance Co., which lost its AAA financial strength rating from Moody's Investors Service Inc. last August, is under review by the rating agency yet again for possible downgrade.

Moody's, which had downgraded Enhance Re two notches to Aa2 last year (*BI*, Aug. 23, 1999), said its current review will focus on the uncertainty surrounding management's strategy with respect to its higher-risk specialty finance businesses, its reliance on these business lines to achieve publicly stated earnings targets, and management's future capital plans. Moody's had cited Enhance Re's holding company's diversification efforts when it downgraded the reinsurer in August.

The rating agency, which had also downgraded the senior long-term debt rating of the holding company, Enhance Financial Services Group Inc., in August to A2 from Aa3, placed that rating under review for possible downgrade as well.

An Enhance spokesman said, "We've communicated to Moody's that we are exploring options to reduce our financial commitment to our non-insurance businesses, and we expect that that work will take place over the next few weeks, so we're disappointed that they chose to put us under review before we had a chance to talk to them about our options."

The spokesman added, "The review is not related to any problems at Enhance Re. It's related to Moody's perception of our non-insurance businesses, which are owned by the parent company."

The spokesman said Enhance has hired New York-based Morgan Stanley Dean Witter & Co. to advise it on strategic alternatives.

Briefly noted

David Mair, risk manager of the United States Olympic Committee in Colorado Springs, Colo., will serve as first vp of the Risk & Insurance Management Society Inc. for 2000/01. The first vp traditionally assumes RIMS' presidency. Mr. Mair will succeed Roger Andrews, general counsel and director of risk management at E.D. Bullard Co. of Cynthiana, Ky., as RIMS' president next year. . . .The **National Assn. of Insurance Commissioners** transferred all its operations to a new, Delaware-based non-profit corporation and assumed a 501(c)(3) tax-exempt status, effective March 1. It previously operated as an unincorporated association, according to an NAIC statement.

Consultants

Continued from page 1

ment consulting operations that Ernst & Young is now selling off were purchased from Watson Wyatt just two years ago.

"The SEC staff and others have expressed significant reservations about the exponential growth of the range of services that auditors now offer to clients, the fact that audit fees are now only one-third of total revenues for public accounting firms, and the impact of these trends on the auditors' industry," Lynn Turner, chief accountant at the SEC, said in a statement released following the Ernst & Young announcement.

While the SEC has not said whether it would approve the Ernst & Young sale, Mr. Turner's comments were positive. "A transaction that truly refocuses an accounting firm on its core audit business is a step in the right direction," he said.

Risk managers and other industry observers also seemed pleased with the Ernst & Young move, as well as with the developments at the other Big 5 accounting firms, which weren't wholly unexpected.

Arthur Andersen "had the vision and the foresight years ago to see this coming," said Bruce Zaccanti, director of property/casualty risk management consulting at Andersen Consulting in Chicago, who is a former risk manager. For nearly 20 years, Andersen Consulting has been a separate entity from the accounting firm Arthur Andersen, though both are owned by Swiss parent Andersen Worldwide, he said.

"For the most part, business has been concerned with the potential conflict of interest," said Lance Ewing, director of insurance and loss prevention at GES Exposition Services in Las Vegas and chairman of the external affairs team of the Risk & Insurance Management Society Inc.

"As business today is being more driven by shareholder results, management is taking a hard look at who they're using and for what reasons," he said.

"I have always been concerned with who audits the auditor," said Susan Meltzer, current RIMS president and assistant vp-insurance and risk management at Toronto-based Sun Life Assurance Co. of Canada.

But, she added, "that does not mean they cannot have a Chinese wall and have more than one practice in their firms. The conflict can be managed."

And while the SEC may be crying foul, the entry of the Big 5 into risk management consulting hasn't really been "a bad thing" for risk management, Ms. Meltzer pointed out. In many cases, "the auditors have raised the profile of risk management," she said.

Other industry observers were hopeful that moves by the Big 5 to shed their management consulting operations will help level the playing field for smaller competitors in the field, particularly if the spinoffs result in free-standing organizations.

For example, under the PwC restructuring plan, the firm's auditing and business advisory services and tax practices will remain part of PwC, while the other businesses—including management consulting, business process outsourcing, corporate finance activities and human resource consulting services—will become separate entities.

Much of the growth of the Big 5 firms' management consulting business in recent years has been predicated on the idea of one-stop shopping, according to Richard Sabetta, a former director of PwC who recently left to form his own company, Boston-based claims consultant Risk Navigation Group L.L.C.

"Now, perhaps, the insurance industry buyer will select a consultant based on its specialty, rather than on its audit connection," he said.

The spinoffs also will give business consumers more choices, "which forces firms to be sharper," Mr. Sabetta added. "Now they can stick to their knitting and do what they do best and feel independent and unshackled."

Another independent risk management consultant who asked not to be identified said that, now, perhaps the Big 5 accounting firms will no longer be able to use their audit connections as leverage to gain other consulting contracts from clients.

"I've always felt this was a horrible conflict of interest," he said. "Just think of the business they get as a result of their audit relationships. It's a lot harder to find consulting projects when you don't have the audit relationships."

Ernst & Young's benefit consulting business generated $225 million in revenues in 1999, placing it 9th in the *Business Insurance* ranking of the top U.S. benefit consultants. The company's risk management consulting business ranked higher—fifth in *BI*'s listing of the U.S. risk management consultants—but generated significantly less in revenues, with $31 million in 1998. This year's *BI* ranking of risk management consultants using 1999 revenues will be published April 3. BI

Deadline approaching for risk consulting directory

Business Insurance will publish its annual Directory of Risk Management Consultants in the April 3 issue, which will also include a Spotlight report on risk management services.

The directory is published as an editorial service; there is no charge to be included. Companies must simply submit a completed questionnaire by the extended deadline of March 17.

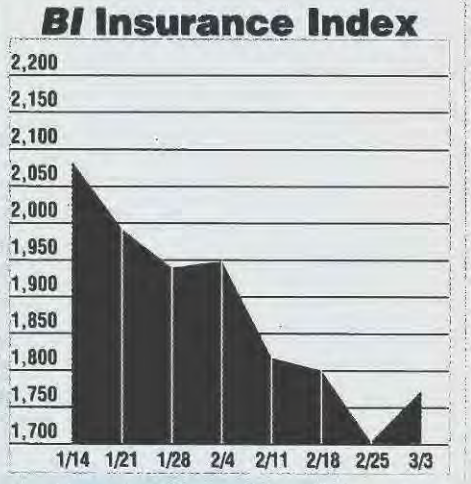
To be listed in the directory, companies must provide risk management consulting services, which *BI* defines as providing advice, on a fee-for-service basis, on the identification and analysis of an organization's loss exposures and on minimizing the financial impact of such risk. We have also expanded the definition to include providing advice to an organization's chief risk management officer on a broader range of possible loses or risks, such as enterprise risk management, risk securitization, financial risk management and even various forms of operational risk, as long as your firm's advice is contracted for by the risk manager of the client organization or an executive to whom the risk manager reports.

A company must generate at least $100,000 of its gross revenues from risk management consulting and report gross revenues or attest to the size of revenues to be included. Companies that do not provide a revenue figure will not be considered for the ranking of the top 10 risk management consultants.

If your company provides these services and has not received a questionnaire, please request one by calling Assistant Directory Editor Michel Schwartz at 312-649-5313.

Copies of the directory questionnaire also can be printed from the directory area of *Business Insurance*'s Web site, www.businessinsurance.com.

BI Insurance Index



Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.

PCS catastrophe options

As of March 3

Call spread	Price bid/ask	Call spread	Price bid/ask
National Annual 2000		**California Annual 2000**	
60/80	5.0/—	150/155	0.1/0.3
100/150	7.5/—		
150C	6.0/—		
190/195	0.3/0.5	**Western Annual 2000**	
200/250	3.7/—	150/155	0.2/0.4
		300/350	0.4/—
Midwest June 2000			
10/20	0.8/3.3	**Eastern September 2000**	
20/30	0.4/1.5	40/60	1.5/—
		80/100	1.0/—

Total volume: 0 Total open interest: 792

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Legal & Gen	151	13.6	4.1	2.6	237-130
Royal & Sun	338	66.0	24.7	7.1	633-313
Brokers					
Lmbrt Fenchurch	142	14.0	4.2	3.0	145-58
JLT	256	10.7	13.3	5.2	286-166

Note: Prices are March 3 closings; other numbers from March 2.

Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.

BI Industry Stock Report FEB. 28, 2000, THROUGH MARCH 3, 2000

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
BROKERS							
Aon Corp.	NYS	23.81	11.40	-40.47	46.66	20.69	5108
Clark Bardes Holdings	NDQ	14.88	-6.30	3.48	21.00	11.63	71
E.W. Blanch Holdings Inc.	NYS	50.13	-10.47	-18.16	71.75	44.50	427
Gallagher Arthur J. & Co.	NYS	50.00	2.43	-22.78	66.25	45.13	212
Hilb, Rogal & Hamilton	NYS	28.25	4.63	0.00	29.13	15.56	148
Kaye Group Inc.	NDQ	8.50	-2.86	1.49	11.88	5.00	#N/A
Marsh & McLennan	NYS	79.63	2.58	-16.79	104.75	61.75	5767
Brown & Brown	NYS	32.94	5.40	-14.03	40.63	29.31	43
BROKERS	AVERAGE		3.78	-11.71			
INSURERS/REINSURERS							
ACE Ltd.	NYS	16.50	-1.49	-1.12	35.25	14.81	5012
Accel International Corp.	NDQ	0.97	-3.20	-3.20	2.88	0.50	31
Acceptance Insurance Cos.	NYS	4.25	13.33	-26.09	17.06	2.75	488
AEGON N.V.	NYS	67.19	-5.37	-29.65	104.00	67.19	639
Aetna Life & Casualty	NYS	53.44	31.13	-4.26	99.88	38.50	16479
AFLAC Inc.	NYS	36.63	4.46	-22.38	56.75	34.56	4453
Allmerica Financial Corp.	NYS	39.88	-6.04	-28.31	64.81	38.75	1579
Allstate Corp.	NYS	19.38	-4.91	-19.48	40.75	19.13	18979
Ambac Financial Group	NYS	42.63	-4.75	-18.32	63.00	42.44	1865
American Financial Group	NYS	20.44	-3.54	-22.51	38.38	18.38	916
American General	NYS	51.63	0.85	-31.96	82.19	50.63	4446
American Intl Group	NYS	87.38	4.48	-19.19	114.50	81.25	18942
American Safety Insurance	NYS	6.94	-0.89	6.73	10.00	6.00	33
Argonaut Group	NDQ	18.06	2.48	-9.12	27.94	16.88	92
AXA-UAP Group	NYS	59.69	-5.35	-15.93	73.63	53.75	468
Baldwin & Lyons Inc.	NDQ	17.19	-5.17	-22.32	24.05	17.13	65
Berkley W.R. Corp.	NDQ	15.38	-6.11	-26.35	29.13	14.81	584
Berkshire Hathaway Inc.	NYS	45050.00	-0.11	-19.70	81100.00	43000.00	3
Capitol Transamerica Corp.	NAS	12.00	3.23	19.25	16.00	9.38	18
Chubb Corp.	NYS	47.63	-3.79	-15.43	76.38	44.00	2868
CIGNA Corp.	NYS	71.25	-1.04	-11.56	98.63	63.44	5793
Cincinnati Financial Corp.	NYS	31.81	6.93	-0.20	42.50	27.38	2037
Citigroup	NYS	53.44	11.33	-4.04	60.13	38.30	78432
CNA Financial Corp.	NYS	26.88	1.18	-30.98	45.31	25.75	663
CNA Surety	NYS	10.75	-1.71	-17.31	15.56	9.75	76
EMC Insurance Group Inc.	NDQ	8.88	0.00	-2.74	13.38	8.50	4
ESG Re Limited	NDQ	5.13	-7.87	-26.13	20.06	5.13	143
Enhance Financial Services	NYS	12.31	6.49	-24.23	24.75	10.75	1958
Everest Reinsurance	NYS	26.56	13.94	-19.05	35.88	20.50	1865
Fremont General Corp.	NYS	6.13	-6.67	-16.95	21.75	4.69	1311
Frontier Insurance Group	NYS	2.00	-3.03	-41.82	17.25	1.69	1994
Gainsco Inc.	NYS	5.50	-7.37	2.33	6.94	3.94	105
Harleysville Group	NDQ	12.88	-3.74	-9.65	21.38	11.63	194
HSB Group Inc.	NYS	24.56	0.26	-27.36	42.25	23.81	592
HCC Insurance Holdings	NYS	12.63	-5.16	-4.27	25.13	8.00	614
ING Groep N.V.	NYS	49.25	-4.60	-19.26	63.94	47.44	579
IPC Holdings Ltd.	NDQ	12.44	18.45	-16.39	22.50	9.75	499
Hartford Financial Services	NYS	31.00	0.00	-34.56	66.44	29.63	4032
LaSalle Re Holdings Ltd.	NYS	13.38	15.05	-18.94	19.88	10.88	186
Lincoln National	NYS	27.06	-4.63	-32.34	57.50	26.81	6612
MAIC Holdings Inc.	NYS	20.50	18.84	-3.24	29.05	16.63	154
Markel Corp.	NYS	128.13	-2.89	-17.34	193.00	127.63	71
MBIA Insurance Group	NYS	38.50	4.76	-27.10	71.88	36.31	3078
Meadowbrook Insur Group	NYS	6.25	25.00	-4.76	17.13	4.75	75
MMI Cos. Inc.	NYS	9.63	2.67	11.59	17.44	3.31	340
Mutual Risk Mgmt. Ltd.	NYS	13.13	-7.49	-21.93	43.25	9.81	2153
Navigators Group	NDQ	9.81	-3.09	0.64	16.00	9.13	173
NYMagic Inc.	NYS	14.13	8.65	7.11	19.50	12.00	79
Ohio Casualty Corp.	NDQ	12.00	-2.29	-25.29	21.00	11.13	2252
Old Republic Int'l	NYS	11.25	-1.64	-17.43	20.69	10.81	1512
Partner Re Ltd.	NYS	30.75	-1.99	-5.20	43.63	28.38	426
Penn-America Group Inc.	NYS	8.13	0.00	4.84	11.44	6.63	24
PMA Capital Corporation	NDQ	18.59	1.19	-6.45	21.13	16.00	91
Philadelphia Cons. Holding	NDQ	14.31	-1.29	-1.29	25.50	10.81	218
PXRE Corp.	NYS	14.00	-3.45	7.69	21.88	9.94	73
Reliance Group Holdings	NYS	4.00	-35.35	-39.62	10.88	2.81	8219
ReliaStar Financial Corp.	NYS	27.50	-6.18	-29.82	49.81	27.19	3256
RenaissanceRe Holdings Ltd.	NYS	37.19	-0.83	-9.02	43.19	30.00	87
Risk Capital Holdings	NDQ	15.00	7.14	18.81	22.00	11.00	47
RLI Corp.	NYS	28.25	-6.22	-16.91	38.81	27.88	87
St. Paul Cos.	NYS	22.56	-1.37	-33.02	37.06	21.75	5415
SCOR	NYS	40.50	-0.15	-8.47	58.56	40.00	23
SAFECO Corp.	NDQ	20.19	-3.00	-18.84	46.75	20.06	3705
SCPIE Holdings Inc.	NYS	31.69	6.74	-1.36	36.94	23.69	NA
Seibels Bruce Group	NDQ	1.63	-7.14	-7.14	6.25	1.47	91
Selective Ins. Group	NDQ	15.75	0.80	-8.36	22.50	14.63	325
Terra Nova Ins Co. Ltd.	NYS	21.50	0.29	-28.33	32.63	20.50	414
Tokio Marine & Fire	NDQ	53.59	11.65	-9.36	67.00	45.00	452
Torchmark Corp.	NYS	20.06	3.55	-30.97	38.00	19.25	2477
Transatlantic Holdings	NYS	69.88	0.09	-10.49	80.50	68.75	62
Travelers Property Casualty	NYS	33.50	7.63	-2.19	41.88	27.69	1663
Trenwick Group Inc.	NYS	13.94	7.21	-17.71	32.00	12.31	277
Unico American Corp.	NDQ	7.00	-3.45	0.00	11.13	6.19	104
United Fire & Casualty	NDQ	18.75	-9.09	-17.13	30.50	17.75	9
Unitrin	NDQ	31.63	-6.30	-15.95	42.38	30.50	529
UNUM Corp.	NYS	13.94	0.00	-56.53	56.88	13.00	10346
Vesta Insurance Co.	NYS	4.94	9.72	27.42	6.38	3.38	342
XL Capital Ltd.	NYS	43.50	9.95	-16.14	67.19	39.00	1913
Zenith National Ins.	NYS	20.81	9.54	0.91	26.69	18.75	101
INSURERS/REINSURERS	AVERAGE		0.80	-13.47			
HEALTH MAINTENANCE ORGANIZATIONS							
Foundation Health Systems Inc.	NYS	8.63	4.55	-13.21	20.06	6.25	3203
Humana Inc.	NYS	7.31	10.38	-10.69	19.50	5.88	4575
Oxford Health Plans	NDQ	15.97	11.57	25.86	24.25	9.75	14355
Pacificare Health Sys.	NDQ	46.94	9.80	-11.44	98.13	31.13	1300
Sierra Health Services	NYS	6.06	-5.83	-9.35	16.25	4.63	514
United HealthGroup	NYS	54.44	6.22	2.47	70.00	39.38	5018
Wellpoint Health Networks	NYS	59.00	-7.90	-10.52	97.00	48.25	4848
HMOs	AVERAGE		4.11	-3.84			
ALL COMPANIES	AVERAGE		2.89	-9.67			

Top advancing issues: Aetna Life & Casualty, Meadowbrook Insur. Group, MAIC Holdings Inc. Leading decliners: Reliance Group Holdings, United Fire & Casualty, Wellpoint Health Networks. Most active issue: Citigroup. The *BI* Index gained 4.1%; the Dow Jones 30 Industrials increased 5.1%; the S&P 500 went up 5.7%, and the NYSE Composite gained 5.9%. Average P/E: Brokers, 17.7; Insurers/reinsurers, 18.6; HMOs, 10.0.

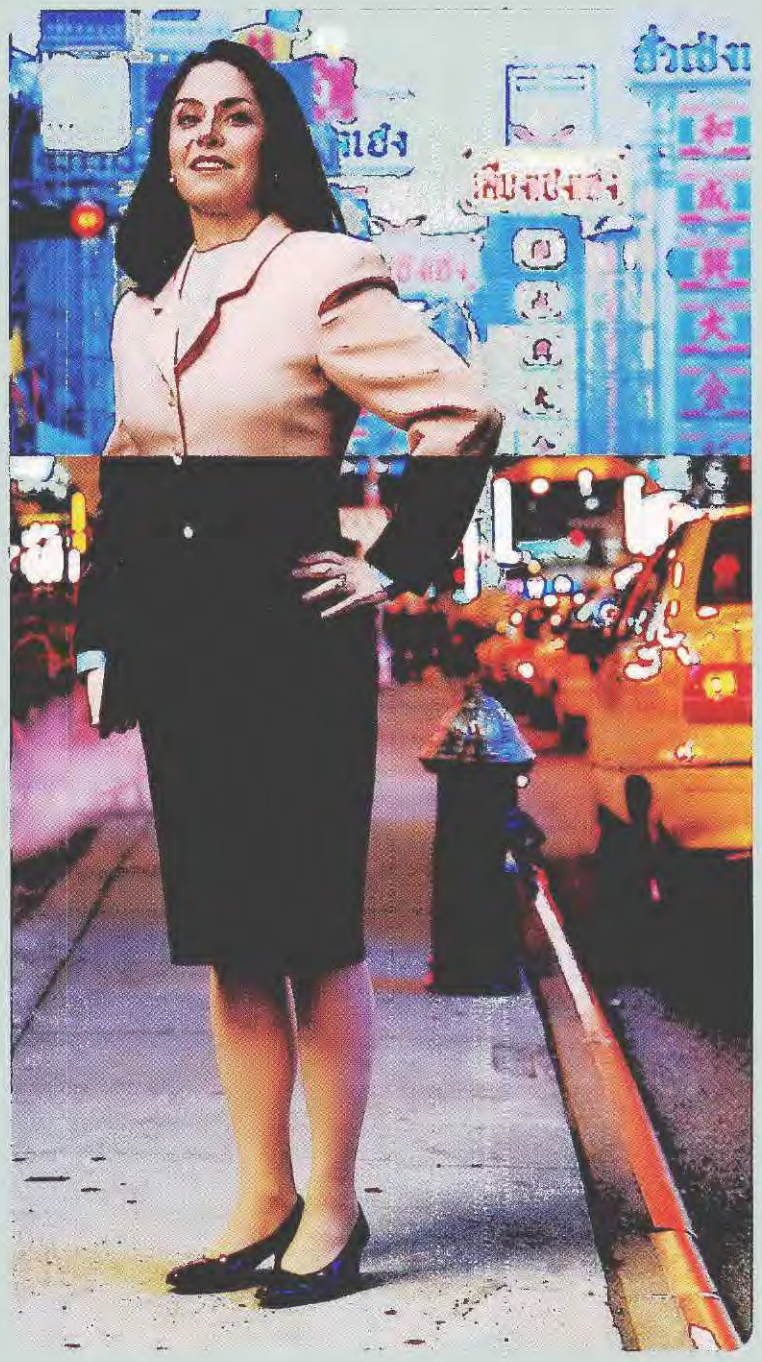
Source: *CNET Investor* (investor.cnet.com) Boulder, Colo.

My body's in New York, but my head's in Bangkok.

Diana Kollin LIBERTY MUTUAL GLOBAL CLAIMS

BUSINESS AUTO HOME LIFE

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