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Updates

Connecticut official steps aside in Travelers/Aetna deal dispute

HARTFORD, Conn.—Travelers Corp. and Aetna Life & Casualty Co. are optimistic that their proposed $4 billion deal will close as planned, despite the recusal last week by Connecticut's top regulator.

A coalition of labor and consumer groups contends that Insurance Commissioner George Reider would have a potential conflict of interest in ruling on Travelers' planned purchase of Aetna's property/casualty operations.

Commissioner Reider turned over the mat-

See **Updates** *on next page*

States jump on Liggett deal

Settlement a first among tobacco firms; rivals oppose move

By MICHAEL BRADFORD and DOUGLAS McLEOD

Liggett Group Inc.'s offer to settle a massive class-action lawsuit and partially reimburse states for health care costs from smoking-related illnesses is the first chink in the tobacco companies' virtual invincibility to product liability judgments, several state attorneys general contend.

The complicated settlement proposal—which likely is not covered by insurance—also may prove to be a relatively inexpensive way for the Durham, N.C.-based cigarette maker to put behind it litigation costing tens of millions of dollars annually.

The Liggett settlement was still awaiting approval late last week in U.S. District Court in New Orleans, which is overseeing the class-action case against tobacco companies.

And as of last week, five states had already signed on to the settlement that would compensate states for their health care costs. Maryland alsoannounced it intends to join the deal soon and some 20 other states may join the settlement by year's end, according to the attorneys general who announced the accord on Friday.

Liggett's settlement proposal is a sharp departure from the historically united stance that tobacco companies have taken in fighting such claims.

Never before has a cigarette maker offered to make a payment to settle liability claims by smokers. And only once have cigarette makers suffered a major legal setback—the landmark liability suit brought by Rose Cipollone, which won a Supreme Court ruling clearing the way for certain damage claims against cigarette makers—though that case was later dropped (*BI*, Nov. 16, 1992).

Specifically, Liggett has offered to:

• Pay 5% of pretax income over the next 25 years to settle the *Castano vs. The American Tobacco Co.* class-action case. The class, which covers "all nicotine-dependent smokers in the U.S.," alleges cigarette makers increased nicotine levels in cigarettes to addict smokers (*BI*, Feb. 27, 1995). The money would be used to fund programs to help smokers kick the habit.

• Pay a total of $1 million immediately and a total of $4 million in equal installments over the next nine

See **Liggett** *on page 50*

Eye Lights

How Liggett would stub out litigation

- **Pay 5% of pretax income** up to a maximum of $50 million each year for 25 years to settle the Castano class-action lawsuit.
- **Settle suits** brought by the state attorneys general seeking reimbursement of health care expenses related to illnesses caused by smoking. Payment of $1 million each to five states, plus a share of 2% to 7% of pretax income for the next 25 years.
- **Comply with FDA proposals** to restrict the marketing of cigarettes to underage smokers.
- **Option to terminate the settlement** if other tobacco companies later win the litigation on merit. It also can abandon the settlement if not enough members of the Castano class participate.

Source: Liggett Group Inc.

Health bill gains blur reform picture

Partisan fight seen in House

By JERRY GEISEL

WASHINGTON—As legislation to curb pre-existing medical condition exclusions moves through Congress, the prospects for a bipartisan agreement are worsening.

The House Health and Environment Subcommittee on a voice vote last week passed a bill, H.R. 3070, that would limit pre-existing condition exclusions.

The measure—which is similar to a bill awaiting a vote in the full Senate—would allow health plans to deny coverage for pre-existing conditions for up to 12 months. A pre-existing condition is defined as one that is treated within six months of an individual joining a health care plan. However, the 12-month period would be offset by the amount of time a new employee was covered under previous plans.

While there is little controversy over this measure, which will be voted on this week by the full Commerce Committee, the stage appears to be set for a partisan battle in the House over how far health care legislation should go.

Earlier this month, the House Economic and Educational Opportunities Committee passed a bill, H.R. 995, that would not only curb pre-existing condition exclusions, but also pre-empt state benefit mandates and make it easier for small employers to self-insure through multiple employer welfare arrangements (*BI*, March 11).

Rep. John Dingell, D-Mich., said he feared that the House Republican leadership will push health care reform legislation that will be "fattened up" with provisions to benefit special interests.

Democrats need to know, Rep. Dingell said, whether or not the Republican leadership is planning to load up health care reform legislation with "abusive amendments."

Rep. Henry Waxman, D-Calif., urged House Republicans not to seek the "unattainable."

But Republicans on the Commerce Committee are not yet willing to heed that advice. Rep. Dennis Hastert, R-Ill., who is coordinating health legislation for House Republicans, said they are prepared to go further than pre-existing condition exclusions and will develop a more comprehensive bill.

See **Pre-existing** *on page 51*

Rulings may shift defense costs

By JUDY GREENWALD

LOS ANGELES—Two recent California appellate court decisions could leave some commercial policyholders liable for a bigger portion of their defense costs.

A Feb. 29 decision, *Jerry H. Buss, et al. vs. the Superior Court of Los Angeles County*, benefits insurers by lessening the burden of proof needed for them to recover legal costs incurred defending uncovered claims, attorneys say.

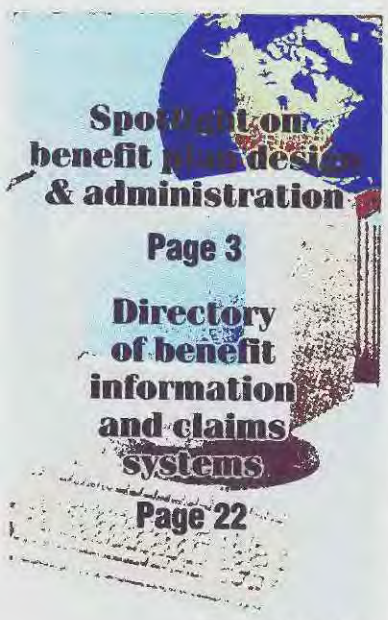
Although its application may be limited, the decision is likely to be most relevant in large commercial cases and could lead to a significant increase in legal expenses for those policyholders, some attorneys say.

Separately, in a March 1 environmental case, *IMCERA Group Inc. vs. Liberty Mutual*, a California appellate court ruled for the first time that policyholders may have to contribute to their defense for damage that occurred during uninsured years. The March 1 decision, though, says insurers must first submit "undeniable evidence" that a specific portion of their defense costs was attributable to the uninsured environmental damage (see story, page 42).

It remains unclear whether either case will be appealed to the California Supreme Court, though the plaintiffs in *Buss* plan to ask for a rehearing by the appeals court.

Buss vs. Superior Court involved a dispute between Jerry H. Buss, owner of the Los Angeles Lakers basketball team and the Los Angeles Kings hockey team, and H&H Sports, which had acted as Buss' exclusive agent in placing advertising for the Forum Sporting Arena and the Prime Ticket

See **Defense** *on page 42*



GRAPHIC BY KIM ROME

Boeing flying new route to health cost savings

By ROBERTO CENICEROS

Labor unions winning greater role in overseeing plan cost and quality

Labor unions increasingly are bargaining for higher quality health plans, in response to management's push in recent years for greater cost sharing, as recent pacts illustrate.

To end a 69-day strike that disrupted aircraft deliveries late last year, The Boeing Co. of Seattle adopted a contract that, among other things, gives union employees a substantial role in monitoring the cost and quality of health plans the company offers (*BI*, Dec. 18, 1995).

That agreement came shortly after a similar pact was struck between union workers and Pratt & Whitney, an East Hartford, Conn.-based aircraft engine and component manufacturer.

Union leaders and consultants say such features have existed informally at some companies and are likely to increase in collective bargaining agreements.

The International Assn. of Machinists and Aerospace Workers' four-year contract with Boeing stipulates that the aircraft manufacturer's health plans must seek accreditation review from the National Committee for Quality Assurance or the Utilization Review and Accreditation Committee.

The contract, covering 32,500 union workers, also introduced financial incentives in the form of bonuses for workers to join managed care plans (see story, page 48).

Currently, about 15% of the company's union and non-union employees are in managed care plans, while the rest remain in a discounted fee-for-service plan, said Jacque Ives, one of Boeing's employee benefit managers in Seattle.

In 1995, Boeing spent $441 million on health care for 105,000 employees and their dependents, a company spokesman said. Retiree health care costs were not immediately available.

Boeing's move to formally involve its union in health plan oversight may foreshadow similar steps by other companies. Unions are moving beyond health care cost concerns to demanding that quality provisions be included in contract language. That has come about as organizations like the NCQA have helped develop means of measuring quality and made it easier to obtain pertinent information about health plans.

"For years, labor has been mostly concerned about access. Now that most people are going into managed care and quality is more definable, I think we will be

See **Unions** *on page 48*

Updates

Regulator steps aside on deal

Continued from previous page

ter to his deputy, William Gilligan, but it was unclear last week whether the deal would still close on March 31, as planned, said a department spokesman, who added that the department is seeking the advice of the attorney general. Among the issues to be determined is whether a March 6 hearing on the deal will have to be repeated.

Mr. Reider, a former Aetna employee who has Aetna stock and stock options in a blind trust, recused himself last week, even though the Connecticut Ethics Commission voted 4-1 that he has no direct conflict of interest and is free to rule.

The coalition that leveled the charges plans to appeal the commission's decision in state court, said Phil Wheeler, director of United Auto Workers Region 9A in Hartford, which belongs to the coalition. If it succeeds, Mr. Gilligan, as Mr. Reider's subordinate, could not rule on the deal either, said Mr. Wheeler.

The group opposes the deal "because it's not good for either the shareholders, the policyholders or the citizens of. . .Connecticut," said its lawyer, Richard Bieder, of Koskoff, Koskoff & Bieder in Bridgeport, Conn. Others in the coalition include the AFL-CIO, Connecticut Citizens Action, Aetna shareholders, policyholders of both insurers, and employees who are likely to lose their jobs in the deal.

Meanwhile, a registration statement was filed last week with the Securities and Exchange Commission for a public offering by Travelers/Aetna Property Casualty Corp., the new company to be formed by the deal. The sale, contingent on the deal being completed, would be for up to 38.98 million shares at $25 a share, for a total of $974.5 million.

CSX drops funding effort

BURLINGTON, Vt.—CSX Corp. will not renew its effort to win federal approval to reinsure group term life insurance benefits through its Vermont captive because the deal does not fit into the captive's "business purpose," said Richard Hamilton, president of CSX Insurance Co.

The Richmond, Va.-based transportation company's decision not to make a second effort to obtain Department of Labor approval ends a case that had attracted widespread interest because of the potential tax breaks involved. Captive experts said it would have opened up new chances for employers to deduct property/casualty premiums paid to captives.

That is because courts have ruled that a parent can deduct premiums paid to a captive as long as the captive writes a significant amount of unrelated business. At the same time, the Internal Revenue Service has ruled employers can deduct group term life insurance premiums paid to their captives because the premiums represent outside business. As a result, companies using their captives to fund group life insurance plans would have a greater chance of being able to deduct property/casualty premiums paid to the captives.

But the Labor Department prevented a test of this theory. It rejected CSX's application because too much CSX-related business would have been funded through the captive. The department requires that no more than 50% of the captive's gross premiums be generated by the parent. CSX would have generated about 90% of the captive's premiums.

Vermont to keep tabs on NAIC

MONTPELIER, Vt.—Even though Vermont's long and at times acrimonious debate with the National Assn. of Insurance Commissioners appeared to end with the state's accreditation last year, a new law will give Vermont officials oversight authority over the NAIC.

The legislation, signed last week by Gov. Howard Dean, was introduced last year but ended the 1995 legislative session in conference committee. After conferees signed off on a finished version March 12, it quickly passed both chambers and was signed by the governor.

Although Vermont won NAIC accreditation in September 1995, the finished law doesn't differ significantly from the version that ended 1995 in conference, said Herb Olson, Vermont legislative counsel.

"Some of the language has changed to reflect the changes in circumstances at the NAIC. It's a little less harsh," he said.

Among other things, the new law requires the NAIC to submit an annual report of its activities to Vermont officials, including a summary of its activities over the prior year, a fiscal report detailing NAIC expenditures by program and salaries of NAIC officers and top employees and a list of regulations or proposed regulations required for accreditation along with an explanation of the public purpose they serve.

Railroad covered for fire

ROSEMONT, Ill.—Officials of Wisconsin Central Ltd. say it has enough insurance to cover all damage from a train derailment and fire that as of late last week still was burning in central Wisconsin.

Early March 4, 35 cars of an 83-car train were derailed in Weyauwega, Wis. Some of the 14 cars that contained propane or liquefied petroleum gas caught fire and a nearby feed mill burned down.

Tom Power, chief financial officer of Rosemont, Ill.-based Wisconsin Central, said the company has $100 million of liability coverage and $15 million of property coverage. The two policies are written by several domestic insurers and Lloyd's of London syndicates, he said. Mr. Power said there is "no way" that damage will approach the limits.

"We are looking very, very closely at the possibility of a broken rail" as the cause of the accident, said Bob Jones, assistant vp-claims at Wisconsin Central, which owns both the rail cars and the tracks.

Unsafe conditions have kept both company and federal investigators away from the actual accident site, said Mr. Jones.

No one was hurt in the accident, though the 1,800 residents of Weyauwega were evacuated and have not been allowed back.

See **Updates** *on page 50*

Comp reform ideas please few

Gingrich distancing self from workers comp task force

By MEG FLETCHER

Workers compensation reforms recommended by a task force set up to counsel Newt Gingrich are under attack by experts in the field who say the proposals are lightweight and unworkable.

Cast as a series of six model resolutions for states, the free market-based recommendations also are meeting with a cool reception from some state legislators and employers.

Amid the criticism, the Speaker of the House is distancing himself from the ideas being promoted by the task force chairman, Richard M. Scrushy, who is chairman and chief executive of Birmingham, Ala., rehabilitation firm HealthSouth Corp.

"Not an official task force" was how a spokeswoman for Rep. Gingrich described the panel last week. Rep. Gingrich "just empowered a private citizen" to study the issue, she added.

In a recent letter to Capitol Hill newspaper Roll Call, the speaker's press secretary, Tony Blankley, said, "at no time was the task force charged with drafting legislative proposals."

The proposals the group actually did draft—and send to elected officials—center on medical savings accounts, 24-hour coverage, employer-directed care, letting employers opt out of a state workers comp system while retaining exclusive remedy protection and instituting a loser-pays rule for claims litigated with companies that opt out.

The model state legislative proposals got a cool reception from a task force of the American Legislative Exchange Council, a Washington-based bipartisan group of 3,000 state legislators and about 350 private companies.

They generated "a great deal of skepticism" when they were presented to ALEC late last year, according to Paul Mattera, vp-assis-

See **Comp** *on page 49*

Product liability bill may pass; then what?

By MARK A. HOFMANN

WASHINGTON—A historic product liability bill could be passed by the Senate and House this week, but the measure's fate once it lands on President Clinton's desk remains uncertain.

The bill, approved by a House-Senate conference committee last week, looks much more like the targeted bipartisan product liability reform bill approved by the Senate last May, rather than a broader tort reform measure passed by the House more than a year ago (*BI*, May 15, 1995; March 13, 1995).

If the bill's Senate supporters—led by bill sponsors Sens. Slade Gorton, R-Wash., and John D. Rockefeller IV, D-W.Va.—muster the 60 votes needed to choke off an expected filibuster, the measure will go on to the House for final concurrence later this week, before being sent to the White House for the president's signature.

The measure, H.R. 956, would create the first comprehensive uniform product liability standard in U.S. history. A measure limited to manufacturers of general aviation aircraft became law in 1994, but no comprehensive product liability reform bill has ever moved so far through Congress before.

President Clinton has not indicated, however, whether he will sign the bill. Although he supported product liability reform as governor of Arkansas, he vetoed a securities tort reform measure

See **Product** *on page 49*

Superfund reform talk continuing

By MARK A. HOFMANN

WASHINGTON—In case anyone still believes otherwise, there is no chance that Superfund's retroactive liability scheme will be totally repealed.

So said Rep. Michael Oxley, R-Ohio, and chief sponsor of H.R. 2500, the Reform of Superfund Act, in an address to the National Risk Retention Assn.'s annual conference last week. The Minneapolis-based NRRA represents risk retention groups and purchasing groups.



Rep. Oxley

Rep. Oxley vowed to push ahead with Superfund reform this year even though the session is waning.

But, less than 24 hours before Rep. Oxley spoke, the president accused Republicans of pushing a Superfund bill that would "let polluters off the hook and make the taxpayers pay." He promised to veto any bill deemed too weak on environmental protection.

The president used a visit to a Wallington, N.J., Superfund site and a subsequent address at Fairleigh Dickinson University in Hackensack, N.J., to blast the Republicans and to promote his own plan for encouraging businesses to clean up toxic waste dumps and old industrial sites in urban areas.

Under the so-called "brownfields" proposal that President Clinton first discussed in his January State of the Union address, companies that agree to clean

See **Superfund** *on page 41*

No insurance sold for GM strike losses

By MICHAEL SCHACHNER

General Motors Corp. does not have strike insurance to offset losses caused by worker walkouts at two brake plants in Ohio, which have crippled the automaker's domestic operations and cost tens of millions of dollars in lost revenues per day.

Formal strike insurance, which would provide an employer with indemnification for lost revenues resulting from disruptions in its own labor force, simply does not exist in the standard commercial marketplace and has not existed for more than 10 years, according to brokers and risk managers.

The reason the coverage has gone the way of the dinosaur is it never provided ample limits for large manufacturing corporations the size of GM. Furthermore, insurance that protects a company from strikes—which businesses acknowledge are not fortuitous and are within their control to prevent—is considered by some to run against public policy.

"First-party strike insurance has not been available for 10 to 15 years. I don't know of anyone that is willing to write this coverage," said Jack Casey, senior vp-global property office with Johnson & Higgins in New York. With strike insurance, "an owner might not give a damn whether workers

See **Strike** *on page 50*

Inside

- This month may prove pivotal for risk management-related legislation, this week's editorial says. **PAGE 8**
- The Pension Benefit Guaranty Corp. is regaining its financial strength. **PAGE 41**
- Injury awards vary widely in European nations, an attorney contends. **PAGE 43**

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Net's benefits potential still not fully recognized

Much-touted superhighway only lightly traveled

By SALLY ROBERTS

The sites are there, the discussion groups are ready, but benefit managers have yet to sign on.

The so-called Information Superhighway and its easy-to-use World Wide Web have entered the benefits community, offering a variety of opportunities for benefit managers, from immediate access to pertinent information and resources to a variety of electronic mail features.

Despite widespread curiosity, Internet use and its impact on the benefit profession remain embryonic.

Benefit managers "have woken up to the fact it's there, but they haven't gotten out of bed yet," summed up Chris Shankle, assistant vp in charge of employee benefits at Hibernia National Bank in Shreveport, La.

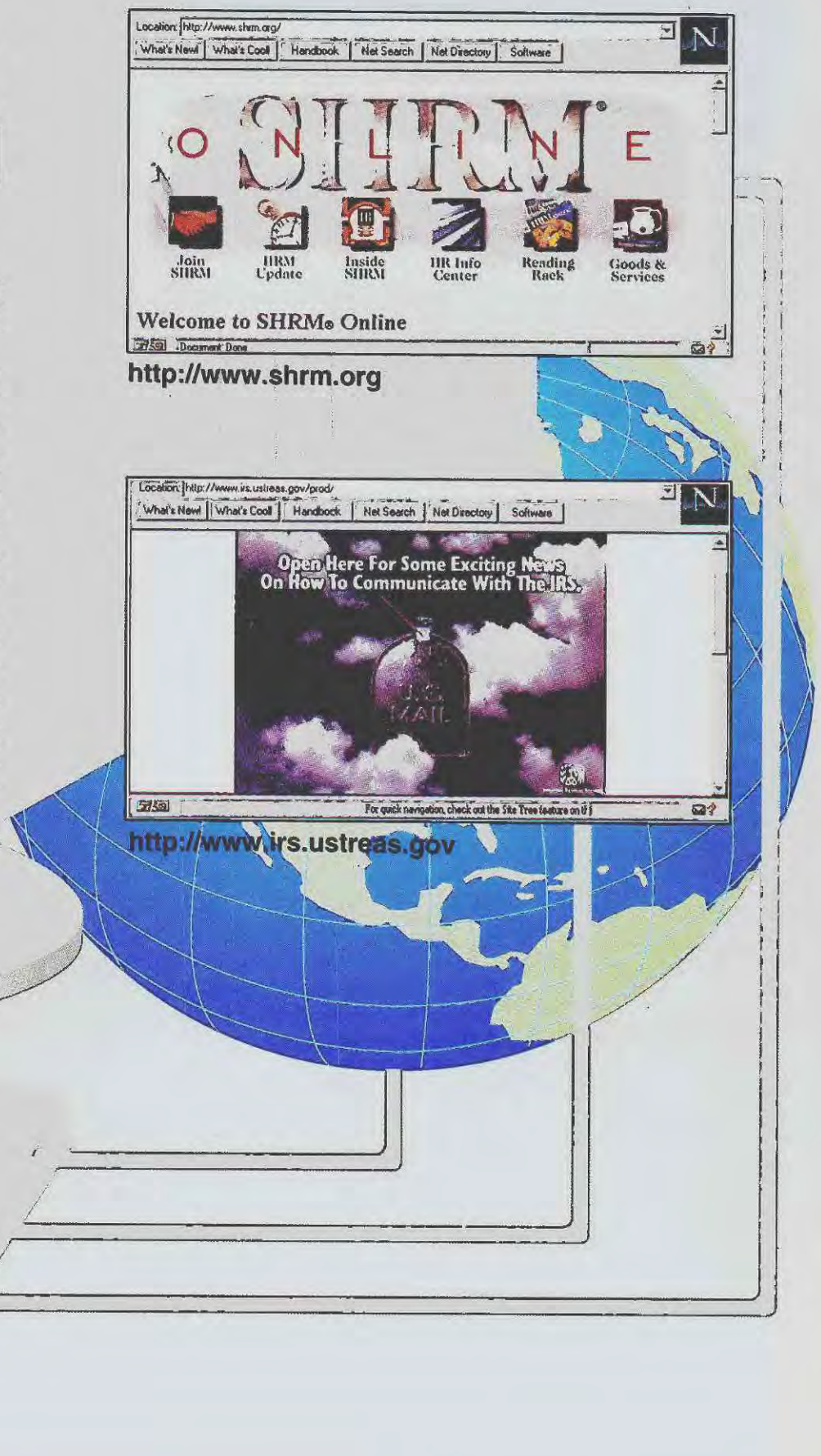
"At this point, there is a lot of potential, but it's not as useful as one might think after reading all the hype about the Internet," said James Sheeran, director of employee benefits at Outboard Marine Corp. in Waukegan, Ill. However, "I have very little doubt" it will change the way benefit managers will conduct business in the future.

Mr. Sheeran is not alone in his prediction. A September 1995 study conducted by the International Foundation of Employee Benefit Plans found that 43% of the 484 responding benefit professionals believe the Internet in the next three years will significantly change the way corporate employee benefit managers communicate with colleagues, clients and service providers. Thirty-nine percent said it will significantly change the means of obtaining benefits information.

Currently, however, 32% of the surveyed benefit managers with access to the Internet use the World Wide Web, only 12% access news groups, or online bulletin boards to post questions on specific topics, and only 3% access chat rooms to talk with other benefit professionals. The most popular feature on the Internet remains electronic mail, with 53% of the respondents using the feature.

"People embrace technology at differ

See **Internet** *on next page*



Outsourcing benefit hassles

Service centers can trim expenses and improve service

By JERRY GEISEL

Five years ago, Pacific Telesis Group virtually needed a small army to administer its $13 billion defined benefit pension plan.

"It was a very labor-intensive and paper-intensive area," recalled Chuck Maley, director of pensions and savings plans for the San Francisco-based telecommunications giant.

"We wanted to see if there was a better way to administer the plan," Mr. Maley said.

That better way—implemented over more than two years—was to turn over nearly the entire operation and administration of its pension plan to an outside party.

Today, when Pacific Telesis retirees or employees have pension-related problems or questions, they still are connected, in a sense, to the company's benefit department.

Answers and solutions are still just a phone call away. But those phone calls are fielded by a Prudential Insurance Co. of America unit in Moosic, Pa., that administers the plan.

Where 85 Pacific Telesis employees once were necessary to administer the company's defined benefit plan, which has about 100,000 participants, Pacific Telesis now maintains a staff of just seven people, a reduction that has cut overhead expenses by about 40%.

For plan participants, outside administration has meant a quantum leap in improved services, Mr. Maley said.

Address changes, just to take one example, which used to take a month to

See **Outsource** *on page 12*

Spotlight on benefit plan design & administration

Time value of money Employers are balking at proposed 401(k) transfer time limits designed to protect participants .....**Page 18**

Spotlight Editor
Joanne Wojcik

What's what on World Wide Web

Chat rooms. Online forums where users discuss specific subjects in real time as oppose to posting questions on bulletin boards.

Client-server software. Software system in which users, or clients, use their personal computers to access information on host computers, or servers, usually located offsite. Most of the Internet services, such as electronic mail and the World Wide Web, use the client-server model.

Encryption. Scrambling a message to make it difficult for other people to read unless they have a key for decoding it. Many types of encryption are used on the Internet for security purposes.

FTP (File Transfer Protocol): The Internet program for transferring files between different computers.

Gopher. A server that acts as a table of contents for the Web. After you select an element from the Gopher list by using a mouse, you can open another menu (and another and another) until you pick a file and are transferred to the site on which it is stored.

Home page. What initially appears on the screen upon entering a World Wide Web site. They can function as tables of contents that contain links to other sites on the Web.

HTML (Hypertext Markup Language). The programming language used on the World Wide Web. HTML documents are text files with added commands embedded in them that enable users to open several documents at once.

http (Hypertext Transport Protocol). The command used for connecting to hypertext documents on the World Wide Web. It is always typed lowercase at the beginning of a URL (see Uniform Resource Locater below) followed by a colon and two forward slashes.

Hypertext. A computer language used to create documents that contain links to other documents. When reading a hypertext document, such as a Web page, you can quickly jump to related documents by clicking your mouse on underlined or boldface words in the text.

News groups. Electronic bulletin boards where users can post questions and messages on specific subjects.

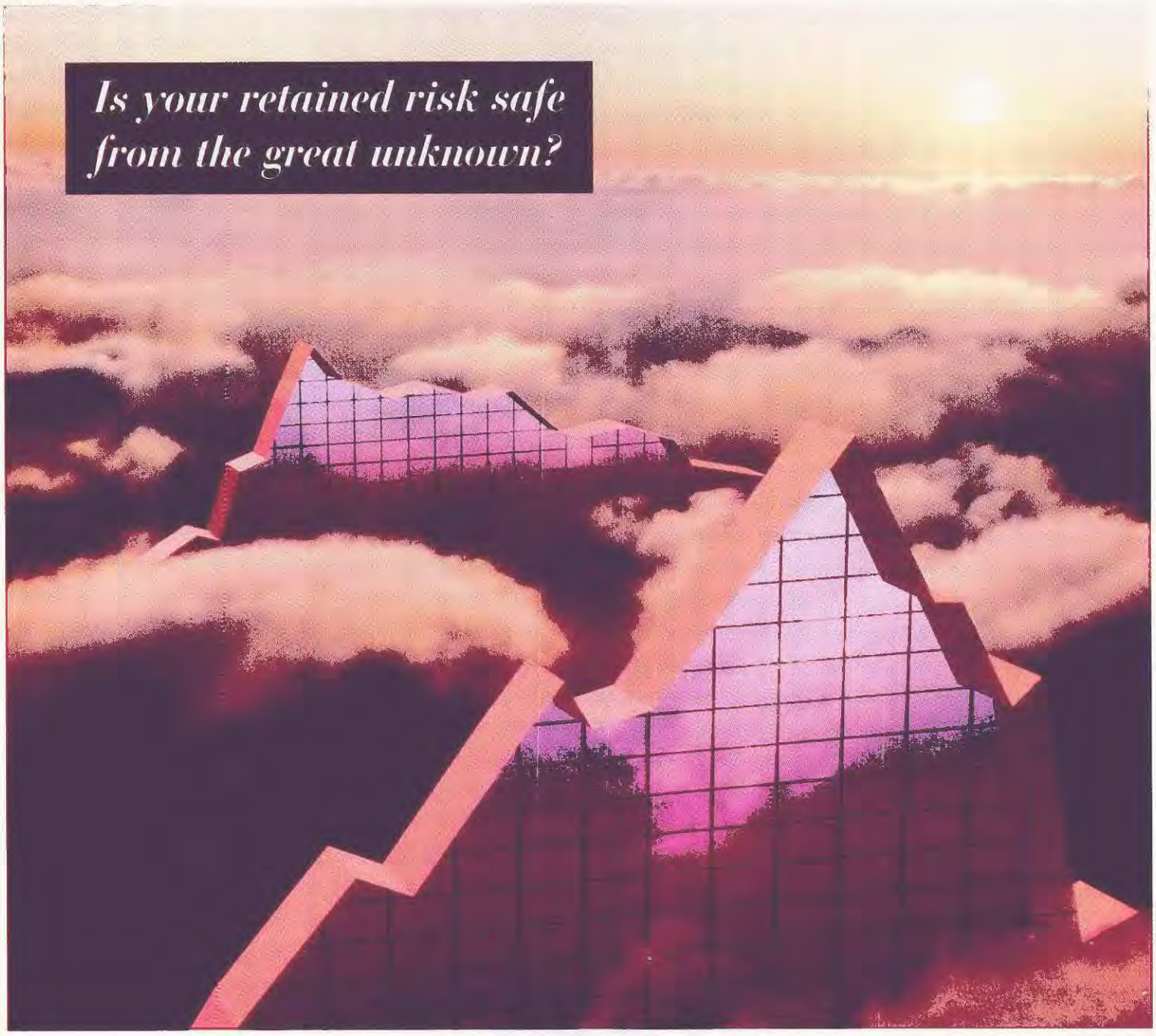
Search engine. A program to search Web sites based on key words. Popular versions include Yahoo, Lycos and Webcrawler.

Spiders. Programs that roam the World Wide Web collecting information to build indices.

URLs (Uniform Resource Locators). The World Wide Web addressing method. URLs consist of three parts: the type of Internet service used; the name of the computer on which the information or service resides; and the specific request.

Web browser. Software used to navigate the World Wide Web.

Web servers. Computers that store information on the World Wide Web.



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Internet

Continued from previous page
ent rates," said Lisa Richardson, senior research associate for the IFEBP, when asked why benefit managers have yet to catch on to the Internet. For others, time may be an issue, as well as lack of information about the Internet, cost and security, she said.

However, "I believe the Internet is upon us and you can't ignore the potential impact it will have," she said.

Once limited to government officials and high-level university researchers, the Internet now connects millions of people around the world. And, with the addition of the World Wide Web in 1991, the Internet is fast becoming the medium of choice for commercial users to gather information, communicate, collaborate and advertise and sell their wares.

The user-friendly World Wide Web enables users to point and click with a mouse on Hypertext links—underlined or boldface words—and browse multiple Web sites. Information is delivered on the Web in a page-like format and can contain text, images, video and audio programs.

Benefit managers can access the World Wide Web with a personal computer, a modem, some browser software to navigate the Web and a phone connection with an Internet access provider such as America OnLine, CompuServe or Prodigy. Users of such access services pay a monthly fee for a set amount of online time, plus an additional hourly charge for online usage that exceeds the basic package limits.

'I believe the Internet is upon us and you can't ignore the potential impact it will have,' says Lisa Richardson.

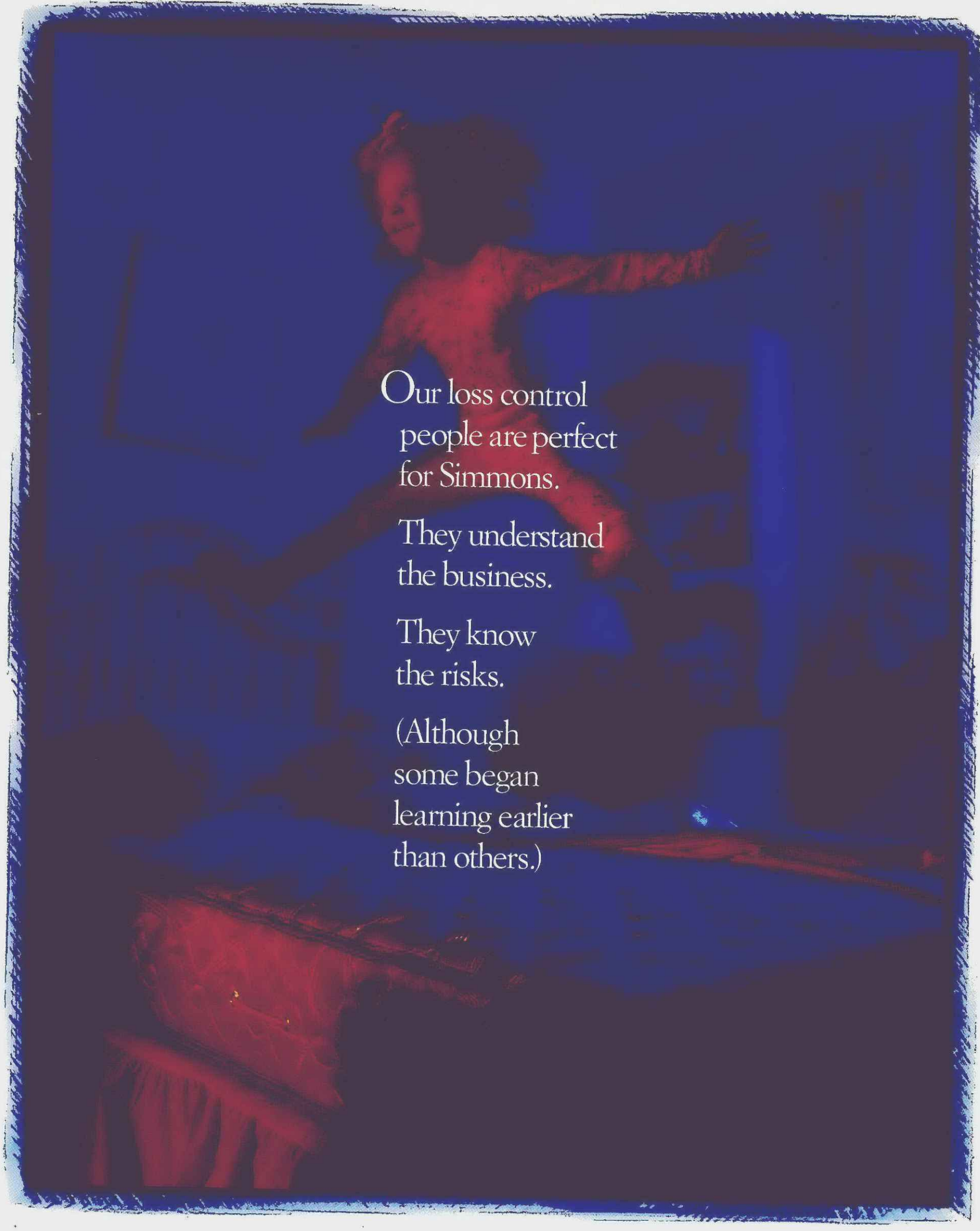
The World Wide Web contains a host of sites for benefit professionals to access (see story, page 7). For instance, there is a Web site devoted to the Employee Retirement Income Security Act and several devoted to benefits and human resources, like BenefitsLink and HR Headquarters. The Department of Labor, the Pension and Welfare Benefits Administration and the Social Security Administration are just a few governmental departments that have set up Web sites for browsers to obtain up-to-date information. The Pension Benefit Guaranty Corp. also has a site.

Indeed, benefit managers currently "surfing the Net" say accessing immediate information on the World Wide Web is most beneficial. And while discussion groups, including "listservs"—electronic mailing lists—are useful for finding out when forms and regulations have been released, they are just beginning to catch on for solving problems and sharing ideas between benefit professionals. That will come more in the future, they say.

One such listserv devoted to benefits is Benefits-L, set up by Richard Hannah, associate professor of economics and director of the Center of Economic Education at Middle Tennessee State University in Murfreesboro, Tenn.

Mr. Hannah also set up the Benefits-L Web page to service the

See **Internet** *on page 6*



"Wausau's loss control people don't hesitate to come out and go through our mattress plant, inspecting machinery, videotaping employees to study ergonomics. Their suggestions have helped minimize claims. This isn't a typical client relationship, it's a genuine personal relationship."

Roger Franklin, Vice President/Treasurer, Simmons Company

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Opinions

A mean season for reform

ALTHOUGH T.S. ELIOT called April the cruelest month, for risk managers March 1996 appears destined to be remembered as one of the most nerve-wracking as Congress finally begins its overdue consideration of major risk management legislation.

The fates of Superfund and product liability legislation probably will be evident by the end of this month, though a final vote on Superfund will not come until later.

Even as Congress acts, it's becoming increasingly apparent that a major roadblock is at the other end of Pennsylvania Avenue.

After all, lawmakers have pushed aside another major risk management concern—reform of the Occupational Safety and Health Administration—because of the White House's repeated threat to veto even the mild measure approved by the Senate Labor and Human Resources Committee earlier this month.

Given that overhauling product liability, OSHA, Superfund and the federal regulatory system were all pretty high priorities when the 104th Congress convened in January 1995, it's disheartening that these issues remain unresolved more than a year later.

As we've noted before, there's plenty of blame to go around. Republican leaders appeared more interested in scoring ideological points than passing legislation—particularly if doing so meant seriously listening to their colleagues across the aisle.

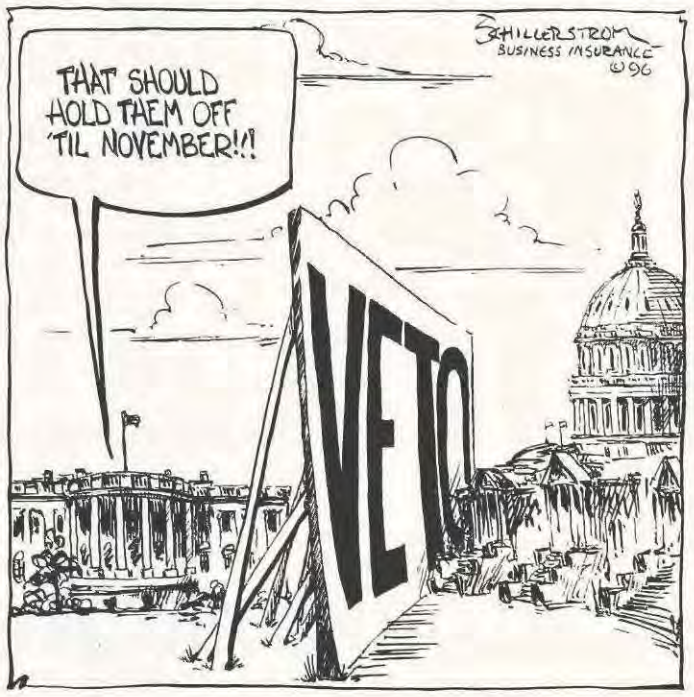
But it's increasingly evident that a good share of the blame for delay now rests with the White House.

OSHA reform is a prime example. Although the House reform plan would have stripped OSHA of too much power to ever win Senate, let alone White House, approval, a bipartisan Senate reform bill is a model of moderation. In fact, much of the bill simply codifies reforms the administration has already launched.

So what does the administration do? Its eyes on the November elections, it assures labor that even the mild Senate measure will draw a veto.

The story is much the same regarding Superfund. The president cited Superfund as a prime example of a government program that doesn't work in two State of the Union addresses. Congressional Republicans put forward reform packages, but the White House charged they would reward polluters.

Both House and Senate Republican leaders are now attempting to put together bipartisan reform proposals. The president, once again with an eye to November, has accused the Republicans of mounting the "most aggressive anti-environmental campaign in our history" and promised to veto any measure that he regards as weakening environmental protection.



Then we have tort reform. The president declared comprehensive tort reform proposals—such as those contained in the House's legal reform measure last year—unacceptable and certain to draw a veto. So when House and Senate conferees met to work out the differences between that House bill and a much narrower bipartisan Senate measure that only dealt with product liability, the conferees agreed on a measure that looks almost identical to the Senate bill.

This is the sort of reform the president supported as governor of Arkansas and he hasn't said yet that he will veto the compromise bill. But his rejection of a narrow securities law reform measure suggests that he could be persuaded to veto the product liability bill, too.

On that securities bill veto, Congress overrode a Clinton veto for the first and so far only time. If Congress makes bold moves, further overrides could be the only defense against the White House.

If the votes aren't there to override the likely vetoes, risk managers can expect a nerve-wracking month to usher in a long season of disappointment as they must prepare once again to fight legislative battles that should have been won during the current congressional session.

Letters

Wrong impressions about CIGNA plan

To the editor: I am writing to point out certain misstatements in a March 11 article, "States Eye CIGNA Plan," about CIGNA Property & Casualty's restructuring. Regardless of any individual's interpretation, the plain language of the Missouri letter does not provide policyholders in Missouri the option of deciding which corporate successor of the Insurance Co. of North America will handle their liabilities. In a corporate change, such as a division or merger, policyholders do not approve the action; regulators do, as they have already done in our case.

The restructuring means that all claims on INA policies after Jan. 1, 1996, will be handled by INA and most liabilities before that date will be handled by Century Indemnity Co. We have not, as some have alleged, sorted good from bad, but rather allocated capital and responsibility for past liabilities and ongoing business.

Your article also left the wrong impression that the ongoing operations are "contingently liable" for only the 20% of asbestos and environmental liabilities reinsured to the runoff company. The record is abundantly clear that this extreme scenario is highly unlikely and, should it occur, the ongoing operations have pledged $800 million in excess-of-loss coverage and at least another $50 million in working capital to protect the solvency of the runoff operations.

As did a prior article, this latest article mischaracterized the position of the California Department of Insurance, which has taken no action to reconsider its approval of our plan. In quoting Deputy Commissioner Norris Clark's Feb. 21 letter, which was prompted by the misstatements in your prior article, you neglected to include the following: "I have just read 'Missouri Strikes Deal for CIGNA Policyholders' in the February edition of *Business Insurance* and believe clarification of the comments attributed to me is necessary. . .Those (Missouri) notices, in and of themselves, are not considered benefits as contemplated by condition No. 5." The letter quotes the entire condition and the kind of benefits California was considering, none of which has been provided to Missouri policyholders.

Finally, your article casts doubt on the stable ratings this plan has earned from A.M. Best Co. For the record, Best has given stable ratings of A- for ongoing operations and B+ for the runoff operations. These ratings are not under review. Also, Best recently stated in a wire report that "Missouri's treatment is part of the normal regulatory process. This is dispute resolution, not preferential treatment."

You could do your readers a greater service by ensuring clarity in future reporting.

Ed K. Ota Jr.
Assistant General Counsel
CIGNA Property & Casualty
Philadelphia

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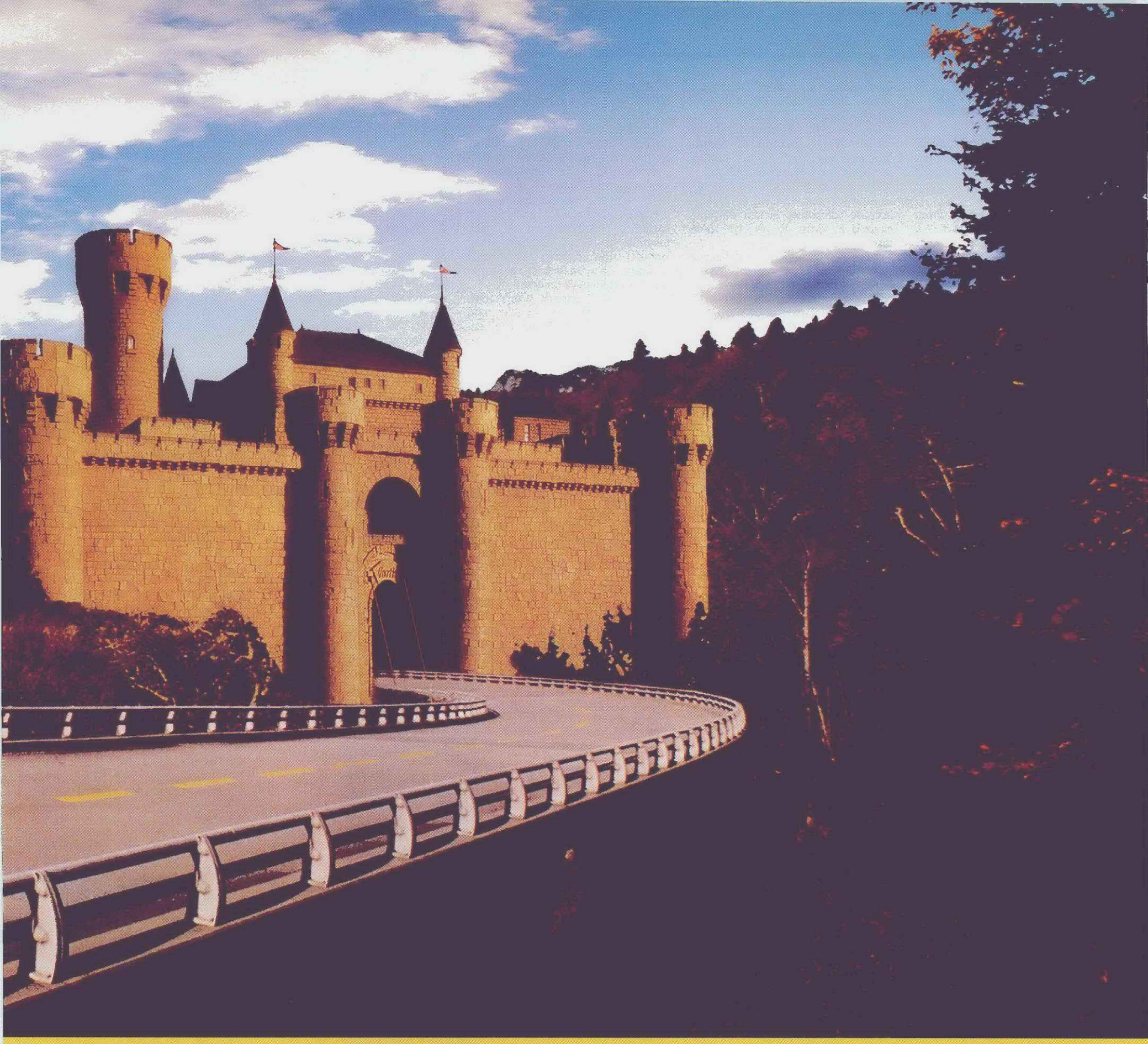
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Outsource

Continued from page 3

implement, now are processed immediately by Prudential. In addition, new services, like allowing participants to take benefits in a lump sum, have been added.

Pacific Telesis and several dozen other major employers are part of a vanguard that is reshaping benefit departments around the country.

Led by a desire to improve services as well as reduce costs, these companies essentially are getting out of the benefit administration business and are outsourcing the operation of their benefit plans to outside vendors, typically benefit consultants, insurance companies and mutual funds. These vendors, in turn, administer the plans through giant benefit centers.

Outsourcing—a term referring to the handling of a broad continuum of benefit services and functions by an outside party—is not new.

For decades, companies have turned over a portion of benefit functions, like processing of employees' health care claims or pension actuarial work, to outside firms because it was cost-efficient to do so or because companies lacked the specialized expertise to perform those tasks.

What is new, though, is the scope of outsourcing in which outside vendors assume total administrative control of benefit plans.

When an employee dials an 800 number with benefit questions, the calls are routed to benefit administration centers run by outside vendors.

There, benefit service representatives answer questions ranging from the mundane, like the size of a deductible in an indemnity plan, to the administratively tedious, such as changing a joint and survivor option, to the highly sensitive, like processing a death claim.

These changes, which still are only in their infancy, have begun to transform both the buyers and providers of outsourcing services.

For buyers, outsourcing benefit services, on the one hand, means shrunken benefit departments. The example of Pacific Telesis' defined benefit plan administration unit shrinking to a fraction of its former size is by no means unique.

When BankAmerica Corp. outsourced its defined benefit and 401(k) savings plans last year to benefit consultant Kwasha Lipton L.L.C., it was able to reduce its pension plan administrative and customer service staff to three people from 45. Other companies report similar reductions.

And some companies have gone even further. Rykoff-Sexton Inc., a Lisle, Ill.-based food manufacturer and distributor, eliminated its six-person employee benefit department when it outsourced its pension and welfare benefit program last year.

"We wanted to return to core business," said Christine Penkala, Rykoff-Sexton's former director of compensation and benefits, and now a consultant to the company and other employers considering outsourcing.

At the same time, benefit managers say their duties change significantly when benefit administrative functions are outsourced.

"My job has changed from direct administration to vendor administration," said Ron Laird, manager of benefits at BellSouth Corp. in Atlanta, which recently outsourced administration of several subsidiaries' defined benefit plans to William M. Mercer Inc.

Freed from time-consuming, day-to-day benefit plan administration, benefit managers say that down the road they'll have more time for strategic planning.

"Companies would rather have their benefits and human resource directors involved in strategic planning and move the distractions—compliance, administration, paperwork—to a third party," said Marvin Greene, a managing director with Towers Perrin in Stamford, Conn.

For providers, the move to outsourcing has been a revenue bonanza.

"Outsourcing is the fastest-growing part of our business," said Jane Nunes, a consultant at Hewitt Associates L.L.C., which operates outsourcing centers in the Chicago suburbs of Lincolnshire and Deerfield.

"This business is red hot," said Kevin Meehan, a consultant in the Washington office of Watson Wyatt Worldwide, which has a large outsourcing center in Jacksonville, Fla.

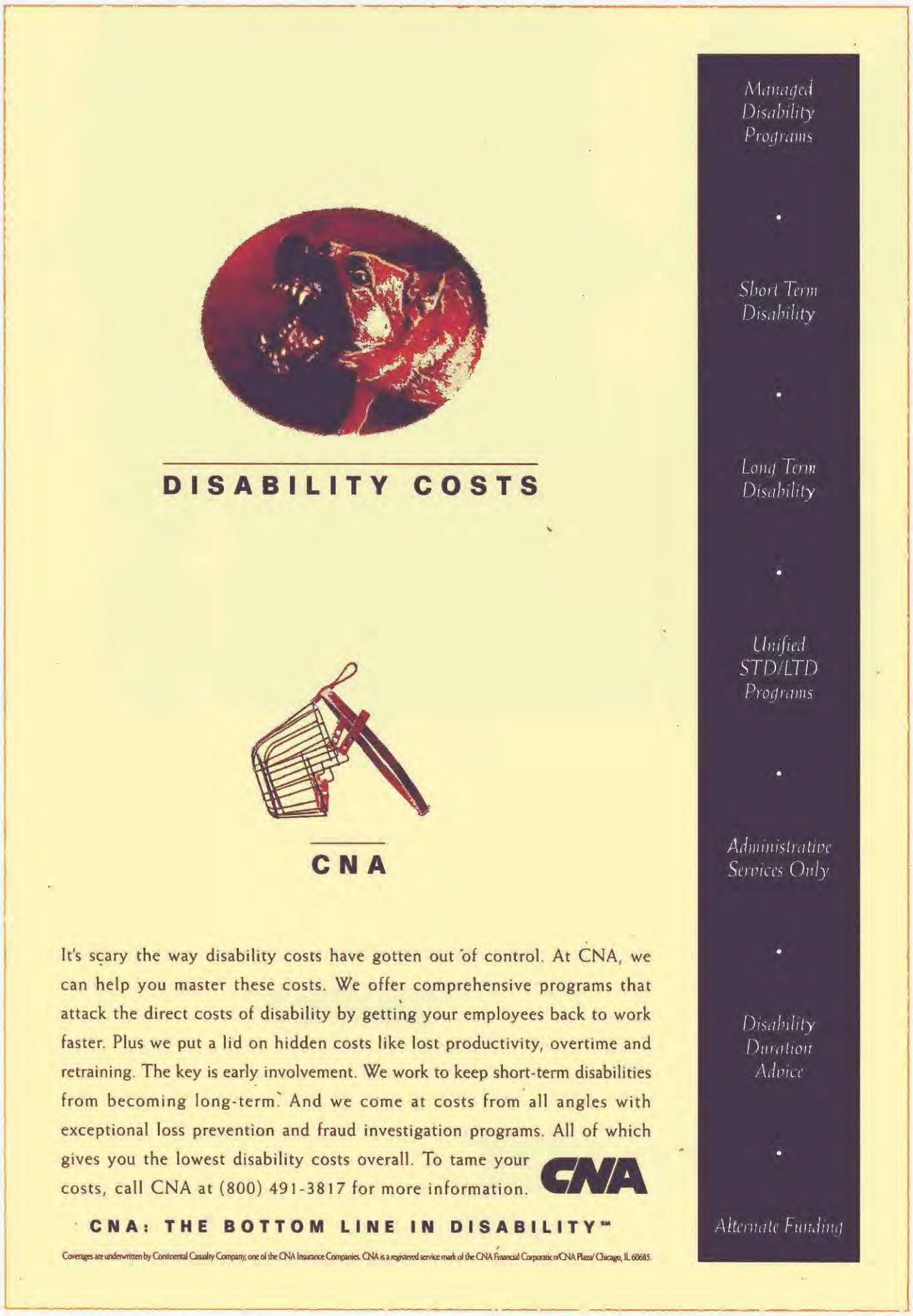
Several forces are driving the growth in outsourcing, not the least of which is the increased complexity of benefit plans and fewer corporate resources to administer those plans.

"Employers have found themselves with too much complicated work. Today, an employer may, for example, be dealing with a few dozen health maintenance organizations compared to, say 15 years ago, just one self-funded indemnity plan," noted Peter Hughes, a principal with A. Foster Higgins & Co. Inc. in New York.

While benefit plans have proliferated, the laws governing those plans also have swelled, Mr. Hughes said, ticking off a number of well-known benefit laws that have created administrative hassles for employers, like the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act.

"Benefit departments have found themselves with too much work, too much complicated work," Mr.

See **Outsource** *on page 14*



Benefit center set to open Down Under

Employee benefit centers run by outsourcing vendors are moving beyond the United States.

Later this year, benefit consultant Towers Perrin will open a benefit center in Sydney, Australia, to provide total benefit administration services to employers Down Under.

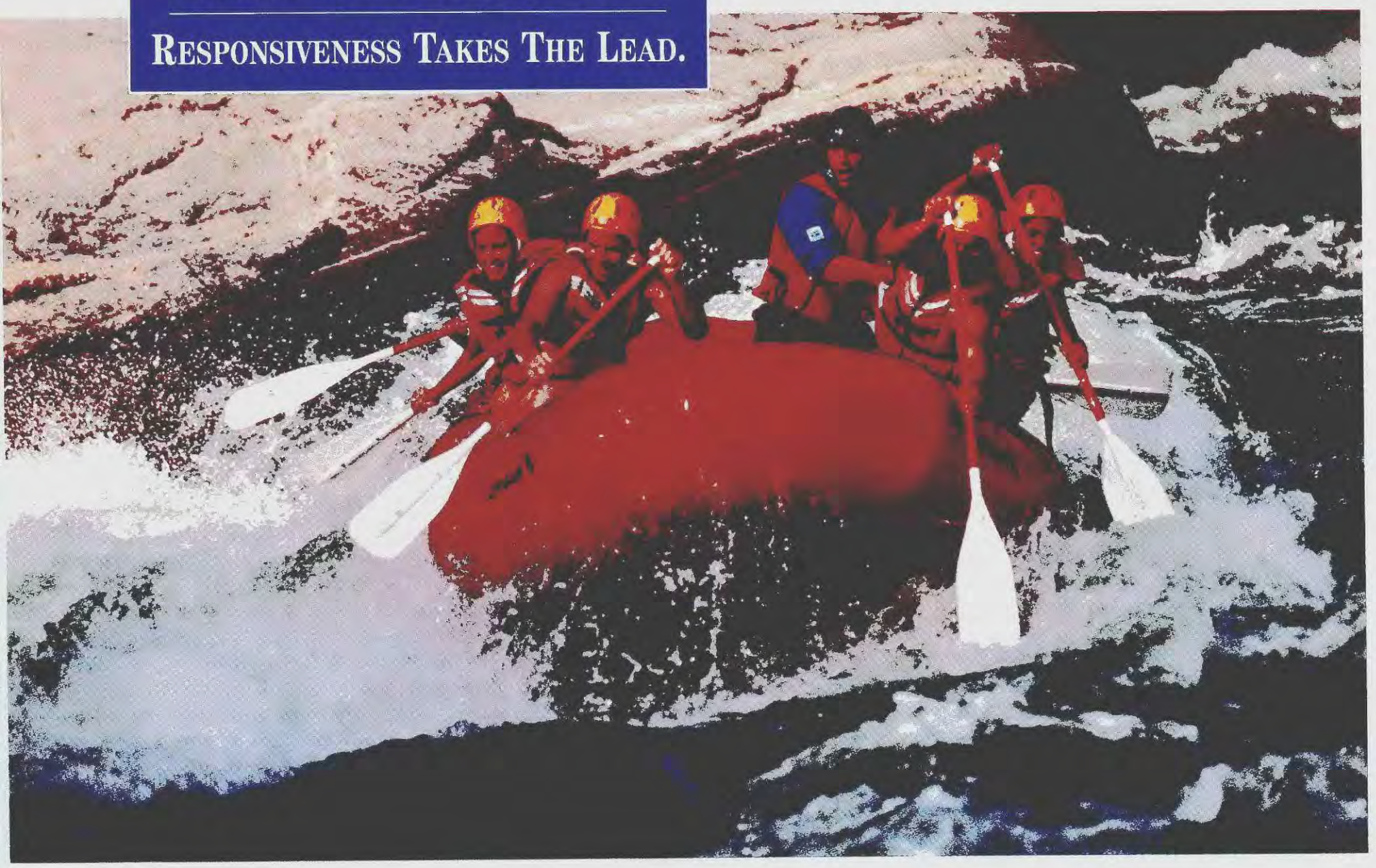
The first client of the new center will be the Australia Post, the nation's postal service. The benefit center will administer Australia Post's pension plan, which has about 45,000 participants.

The center, announced earlier this month, will offer clients a voice response system backed up by phone operators. Participants will be able, among other things, to get up-to-date information on how their pension benefits are calculated, their current accrued benefit and when they will receive benefits.

"Benefits administration is a fast growing, global business. We are making substantial investments and developing the processes and systems to deliver consistent, high-quality client service anywhere in the world," according to Marvin Greene, a Towers Perrin managing director in Stamford, Conn.

—By Jerry Geisel

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Outsource

Continued from page 12

Hughes said.

And much administrative work—sending out forms, answering routine questions—was the kind that benefit managers gladly would give up.

"No one likes to do a lot of this stuff, much of which is high-cost, non-productive work," said Michael Sternklar, a principal with Kwasha Lipton in Fort Lee, N.J.

At the same time, top management, more than ever, is viewing benefit departments as overhead and ripe for cutting, consultants say.

"Employers want to be lean and mean. The problem is when you cut bodies, you also can cut quality," said Mr. Meehan.

While benefit departments face more pressure to cut costs as their workloads have increased, employees expect better services.

"There is an expectation that you should be able to provide excellent service in everyday life dealings. If you can order goods 24 hours a day from a catalog, why can't you get answers quickly from your benefits department?" said Foster Higgins' Mr. Hughes.

Outsourcing has become the answer for more and more companies.

Sophisticated computer programs give customer service representatives at outsourcing centers instant access to information about clients' benefit programs so they can quickly answer questions and administer the plans.

"So much information is available at an operator's fingertips," said Maureen O'Malley, a principal and national director of administrative services with Buck Consultants Inc. in Secaucus, N.J.

This type of technology is available to employers, as well. But it may make little sense for one employer to make the kind of investment needed to develop and upgrade administrative and record keeping systems.

"It is a lot easier for a vendor—with many clients—to make the investment in technology," said Mr. Greene of Towers Perrin.

Employers that have contracted out the entire administration of their benefit plans say they recognized that it wasn't cost-effective for them to upgrade their systems.

"There was nothing wrong with the way we were doing things. But, to improve services to participants, things would have gotten real expensive, real fast," said Pete DiToro, vp-employee benefits administration at BankAmerica.

While cutting costs has been an important factor in why employers have turned over benefit administration to vendors, it is far from being the only factor, much less the No. 1 reason, benefit managers say.

BellSouth's Mr. Laird, for example, said the company turned to outsourcing several subsidiaries' defined benefit plans to improve plan administration.

"We had all these little subsidiaries being administered in small benefit offices. We were fragmented. Through outsourcing, we are gaining centralized administration and consistency of providing information," Mr. Laird said.

Other benefit managers say outsourcing has been driven by a need to improve plan information.

"We had data scattered in sundry facilities and our data was not in that good a shape. The driver was data integrity," said John Sweeney, vp of benefits investments with St. Gobain Corp. in Valley Forge, Pa.

By turning over defined benefit plan administration to a vendor—in this case Foster Higgins—defined benefit plan participants now receive much better service.

"There have been some cost savings, but more significantly there has been a huge improvement in services to participants. Participants are getting information on a much more timely basis," Mr. Sweeney said.

"Employees now can get answers to their questions 24 hours a day, seven days a week," said Ms. Penkala, the former benefits manager at Rykoff-Sexton, which uses a call center operated by Consumer Health Services of Boulder, Colo.

See **Outsource** *on page 18*

Voice of future: For 401(k) data, press seven now

As the drapes open slowly in a 15th floor conference room in downtown Philadelphia, the world of benefits outsourcing comes into view.

Dozens of customer service representatives are working at sleek gray and black workstations in Towers Perrin's National Employee Benefit Center.

Though all Towers Perrin employees, the benefit service representatives are functioning as the benefit departments of client firms.

Answering calls, they identify themselves as members of the clients' benefit service centers. Various corporate logos atop many workstations reinforce that identity with clients.

Clients' employees call an 800 number and enter a personal identification number. Many are then taken care of by the voice response system.

Those that request a customer service representative are routed to a staffer who can tell, with a few keystrokes, which benefit plans their companies have and what action they have taken on earlier calls.

Calls often last only three to four minutes. Common concerns include change of address and adding dependents to a plan, such as including a newborn child in a health insurance plan.

Call volume can be staggering. In January, for example, a total of 180,000 calls came in; 115,000 were handled by the voice response telephone system and 65,000 by the customer service representatives.

Most representatives have little background in employee benefits. They get two or three months of training in benefits basics and in the fundamentals of the benefit plans sponsored by service center clients.

All incoming calls are recorded. This provides an official record in case of disputes, which Towers Perrin says are rare, and also help in training and evaluating employees.

In Philadelphia, the feel is unmistakably high tech. But not without low-tech touches.

For example, written in green marker on a pad of paper on an easel is the number of calls that representatives have taken for a particular client company that day with the average time—13 seconds on the day a reporter visited—it took for callers to reach a representative.

Next to those numbers, someone has written in: "A very good job."

—By Jerry Geisel

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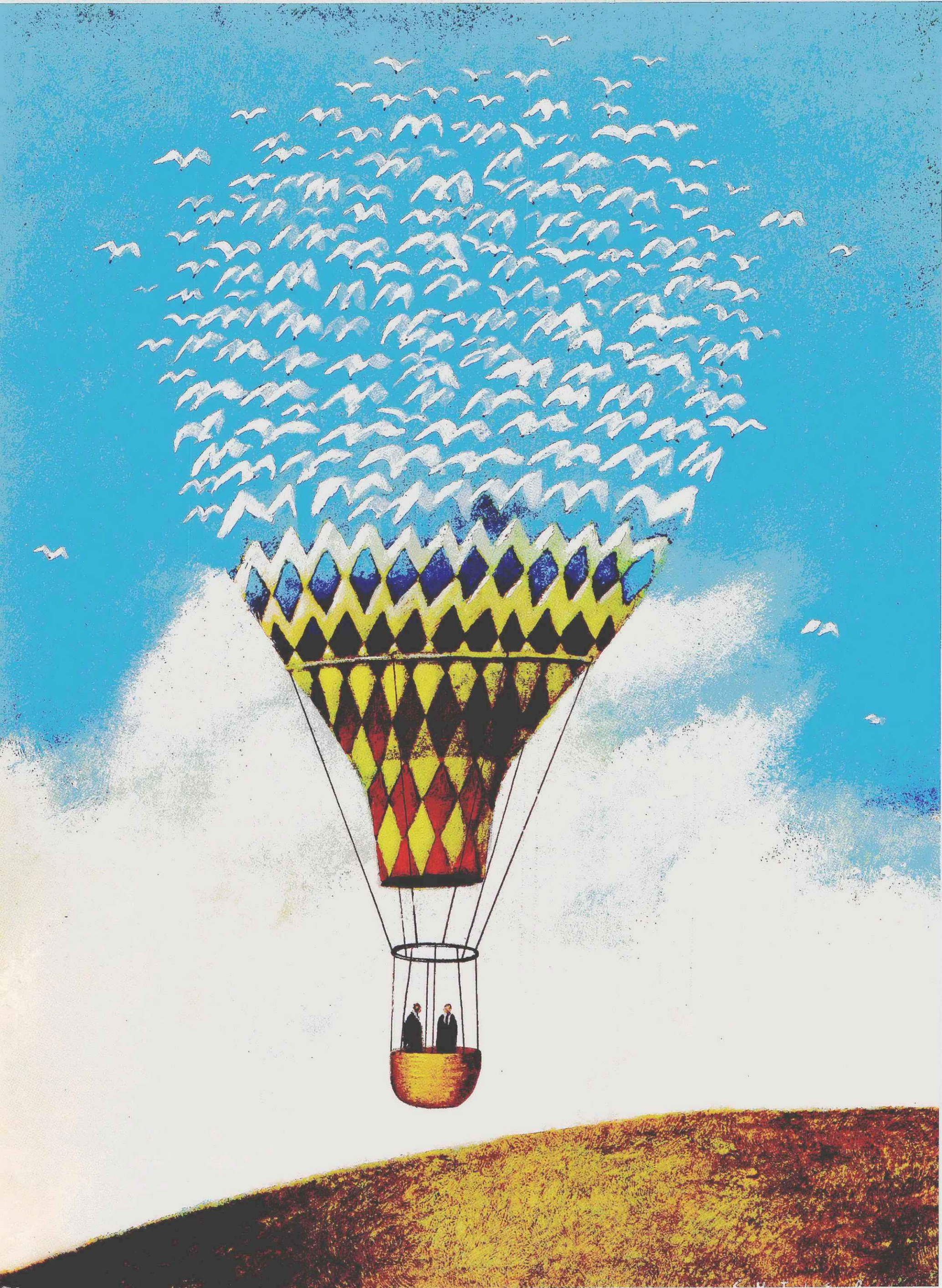
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Outsource

Continued from page 14

Employers considering outsourcing as a means to turn over the day-to-day administration of their benefit plans to a vendor should do so gradually, consultants advise.

In some cases, the transition as in the case of Pacific Telesis Group, can take as long as two years, though a year is the more common figure.

How much time is necessary to complete the transition depends in large part on the quality of benefit plan data, according to consultants.

"In our case, you are talking about a $13 billion pension plan. You want to be sure that systems are thoroughly tested. Ours was not the sort of project you would want to do in one fell swoop," explained Mr. Maley of Pacific Telesis.

At the same time, performance standards have to be ironed out. Those involve what percentage of employee calls—typically 90% to 95%—are expected to be answered within a certain period of time, often between 20 and 30 seconds.

Other performance standards include responding to requests to send out information within a certain period of time as well as providing correct information to an employee on the first call.

This transition stage to an outside employee benefit center from in-house administration could be a delicate one for a corporate employee benefit department—given that many of those involved in the transition ultimately will lose their jobs.

But benefit managers and consultants say the transition isn't as difficult as many think it is, for several reasons. Those reasons include:

- Given the relatively long transition time, affected employees have a lot of time to look for a new position.
- In many cases, employees in benefit departments find positions in other corporate operations after their jobs have been outsourced.
- Some companies give bonuses to their employees to encourage them to perform high-quality work during the transition from internal to external benefit administration.

In addition, sometimes an outside vendor itself will hire corporate benefit department staffers to work in its employee benefit center. BI

Employers have no time for benefit transfer rule

Complaints flooding Labor Department

By DEBORAH SHALOWITZ COWANS

A proposed federal rule that would require employers to quickly transfer employees' benefit plan contributions into a trust is unnecessary and may even be unworkable for some companies, according to employers.

The response to the proposal has been overwhelmingly negative: More than 500 entities have sent written comments to the Labor Department and a hearing on the matter last month lasted two days because so many organizations wanted to testify.

Employers complain that the proposed rule would increase administrative costs and not allow adequate time to process fund transfers, especially if employers have numerous payrolls. And they contend the rule should not apply to welfare plans.

Under the proposal, which is designed to protect participants, employers would have to transfer contributions into a trust within the same amount of time that they transmit employment taxes. This means employers that have more than $50,000 in Social Security tax withholding annually—meaning all big companies—would have to make deposits within as little as one day in some cases. Those with lower withholdings would have to make transfers by the 15th day of the next month.

The proposal would apply to defined benefit, defined contribution and welfare plan contributions (*BI*, Dec. 18, 1995). It was published in the Federal Register on Dec. 20, 1995.

The proposed rule grew out of the Labor Department's increasing concern with 401(k) plan irregularities, such as companies holding on to employees' deferrals for too long, explained Olena Berg, assistant secretary of labor for pension and welfare benefits.

The Labor Department is trying

Employers complain that the proposed federal rule would increase their administrative costs.

"to be more responsive to individual people who call us," Ms. Berg said.

"Part of the problem may have been the (existing) regulation itself," Ms. Berg noted. Under the current rule, which was adopted in May 1988, employers must transfer salary deferrals as soon as they can reasonably be segregated from general assets, but no later than 90 days after withholding. "There were people taking it to mean they had 90 days to hold the money," Ms. Berg said.

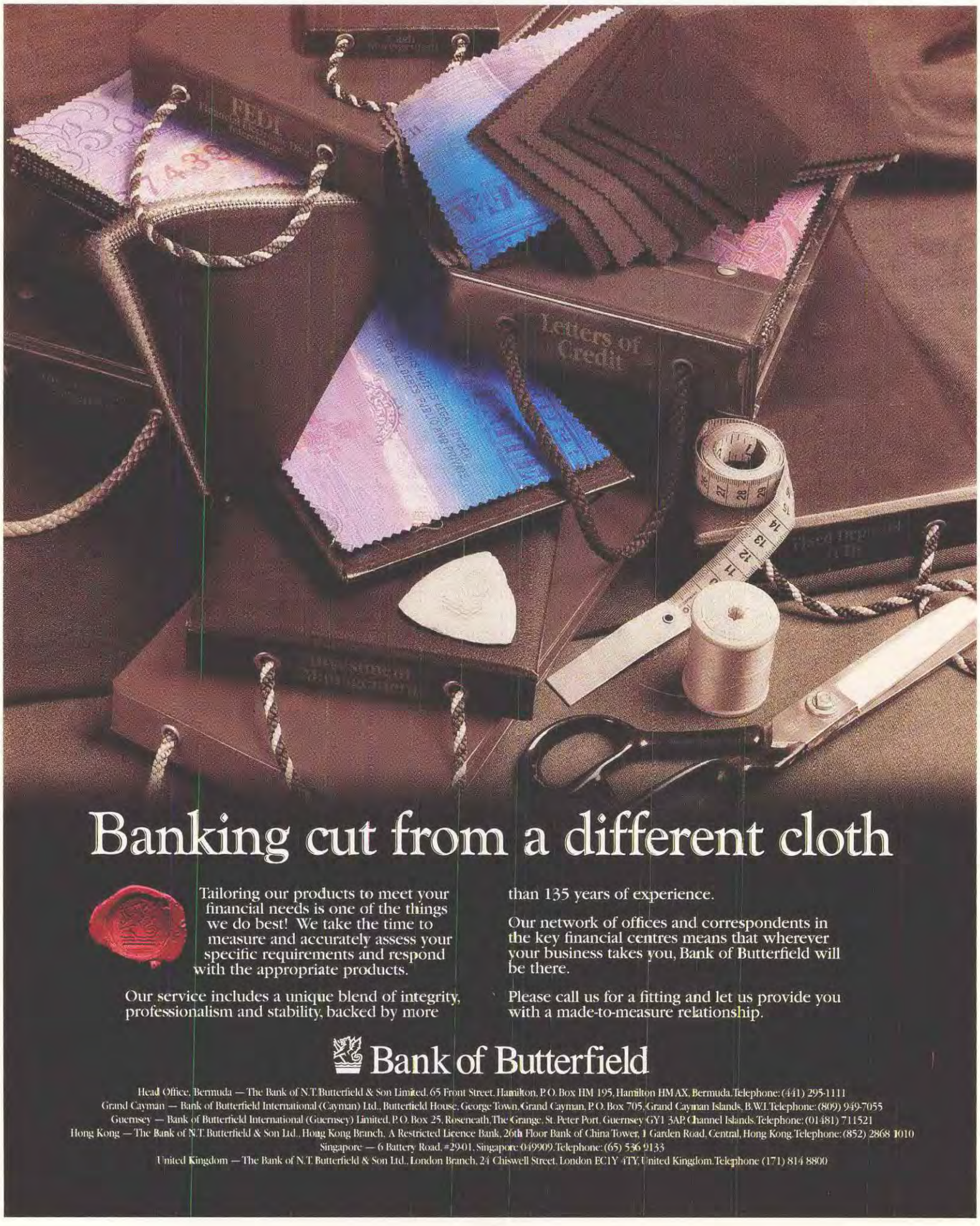
Not so, contends Mark Ugoretz, president of the big business lobbying group ERISA Industry Committee in Washington. It is "absolute nonsense" that employers use funds for their own benefit before putting them in employees' accounts, he contends. "The idea of a float is simply absurd."

If the Labor Department believes that employers are violating the transfer rule then it should discipline the offenders, Mr. Ugoretz argues.

Most employers, in a recent survey by the Assn. of Private Pension & Welfare Benefit Plans, report making the transfers at about the 15th day of the month following the withholding, said Lynn Dudley, vp of retirement policy for the business lobbying group. A few others transferred funds around the 20th or 25th day of the following month, she added.

Requiring more rapid transfers

See **401(k)** *on page 20*



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401(k)

Continued from page 18
would be particularly difficult, and expensive, for companies with multiple payrolls, employers say.

These include decentralized companies, companies that pay some workers monthly and others weekly, those with unions and salaried employees, and those with several divisions or units.

"Data input for the administration of 401(k) plans typically is scheduled on a regular basis," testified Matthew J. Stover, president and CEO of NYNEX Information Resources Co. in Middleton, Mass., on behalf of the National Assn. of Manufacturers.

Under the proposal, most companies would have to substantially modify their data-processing systems, he said. "For companies with multiple payroll operations, the changes required to information systems would prove dramatic and, as a practical matter, not feasible."

The proposed rule 'would pose serious and immediate threats to the continuation of employer-provided health care,' says Matthew J. Stover of NYNEX.

Reconciling contributions to the multiple benefit plans that many big companies offer—including 401(k) plans, pension plans and flexible plans—can take several days or several weeks, according to business lobbyists. Requiring transfers within a few days could make errors more likely, they say.

"The highest priority for employees is accuracy," said Ms. Dudley. She noted participants abhor having funds withdrawn from their accounts, even if there was an overpayment by the employer. "It's much better to (transfer funds) slowly and carefully up front so you don't screw it up."

Numerous employers objected strongly to the Labor Department's inclusion of welfare plans in its proposed rule.

"For health care plans and a variety of other welfare benefit arrangements, plan administration is fundamentally a commingling of employee contributions with the general assets of the employer," explained Mr. Stover. "In fact, the very idea of separately identifiable employee contributions to welfare plans is essentially an academic exercise.

"Unlike contributions to pension benefit plans, employee contributions to health care, disability and most life insurance plans purchase risk coverage during a specified period. The plan participant receives no benefit, absent the occurrence of illness, disability or death," he said.

Business lobbyists also say that some companies might drop employee health plans altogether if they are required to make more rapid contributions.

The proposed rule "would pose serious and immediate threats to the continuation of employer-provided health care," said Mr. Stover.

"If health plan and other welfare plan sponsorship becomes more burdensome, the commitment of employers to such programs may be strained," testified Peter M. Kelly, an attorney with the Chicago law firm of Murphy Smith & Polk, representing the U.S. Chamber of Commerce.

Employer groups say they would support some tightening of the transfer time limits for pension plans.

The APPWP suggests the 15th day of the month following the month of the withholding as a deadline. And the ERISA Industry Committee and the U.S. Chamber of Commerce suggest the last day of the month following the month of withholding. BI

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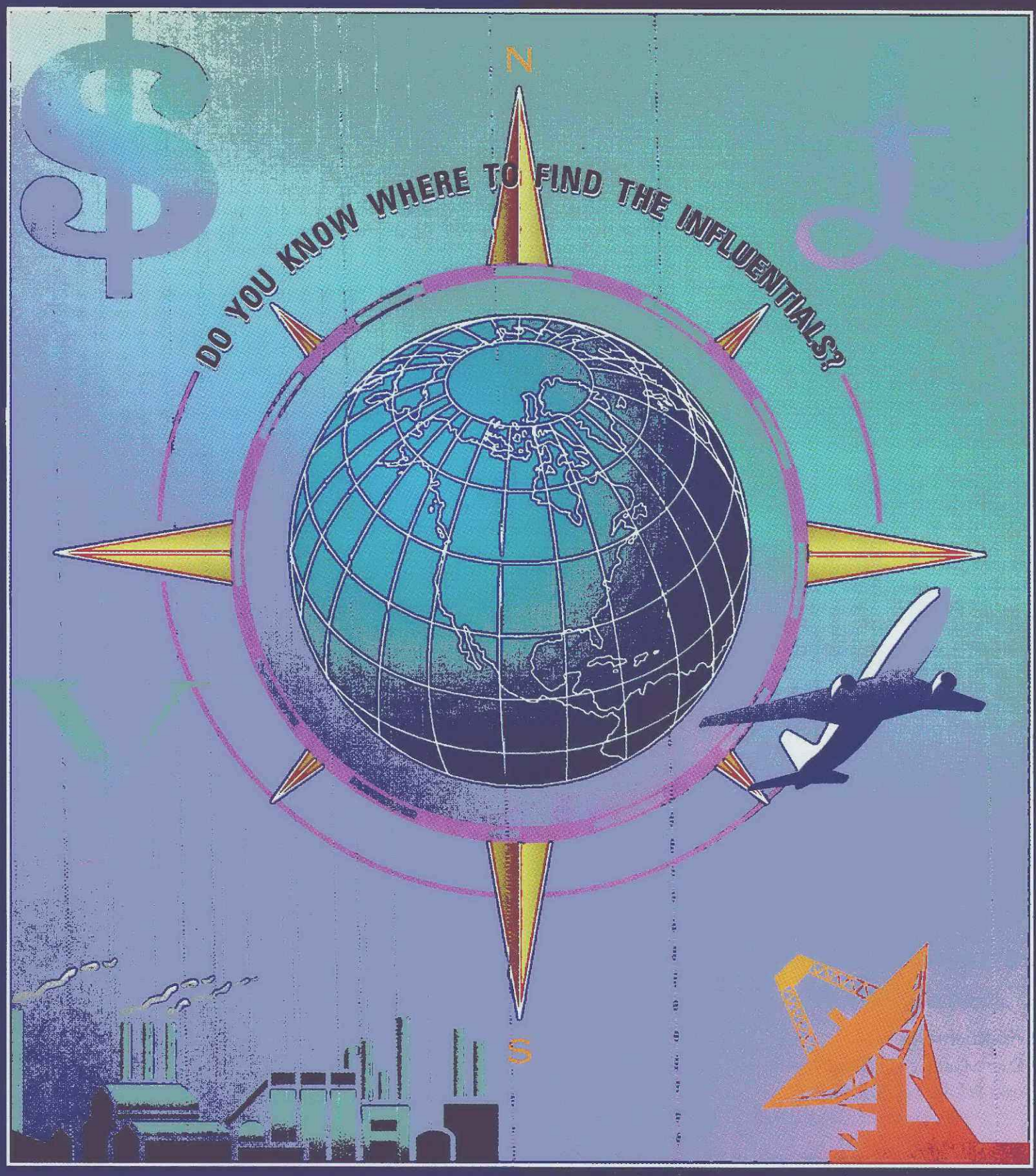
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Annual directory lists benefit information and claims systems

A

AMI Risk Consultants Inc.

11410 N. Kendall Drive, Suite 208,
Miami, Fla. 33176-1031;
305-273-1589; fax: 305-274-4706

Benefit systems since 1994.
Software systems:
■ CLAIMSYS.
Price: $5,000 to $20,000. Quoted individually.
System requirements: 386 PC; DOS, Windows or OS/2 platform; 8MB RAM, 25MB hard disk; VGA video; multiple user.
Online system.
Customization optional.
First installation: 1995.
Benefits managed: Workers comp, dental, vision.
Features: Claims management and information system with optional modules, including checkwriting, report preparation, letter preparation, security for database and archive claims.
User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.
Staff: Four total, all professionals.
Clients: Two total, all benefit departments. Sold systems to two clients in 1995.
Officers: Aguedo "Bob" Ingco, president; Caridad Ingco, vp.
Contact: Bob Ingco.
** Included in system price.*

Acclamation Systems Inc.

200 Fleet St., Pittsburgh, Pa. 15220;
412-928-8330; fax: 412-928-8212

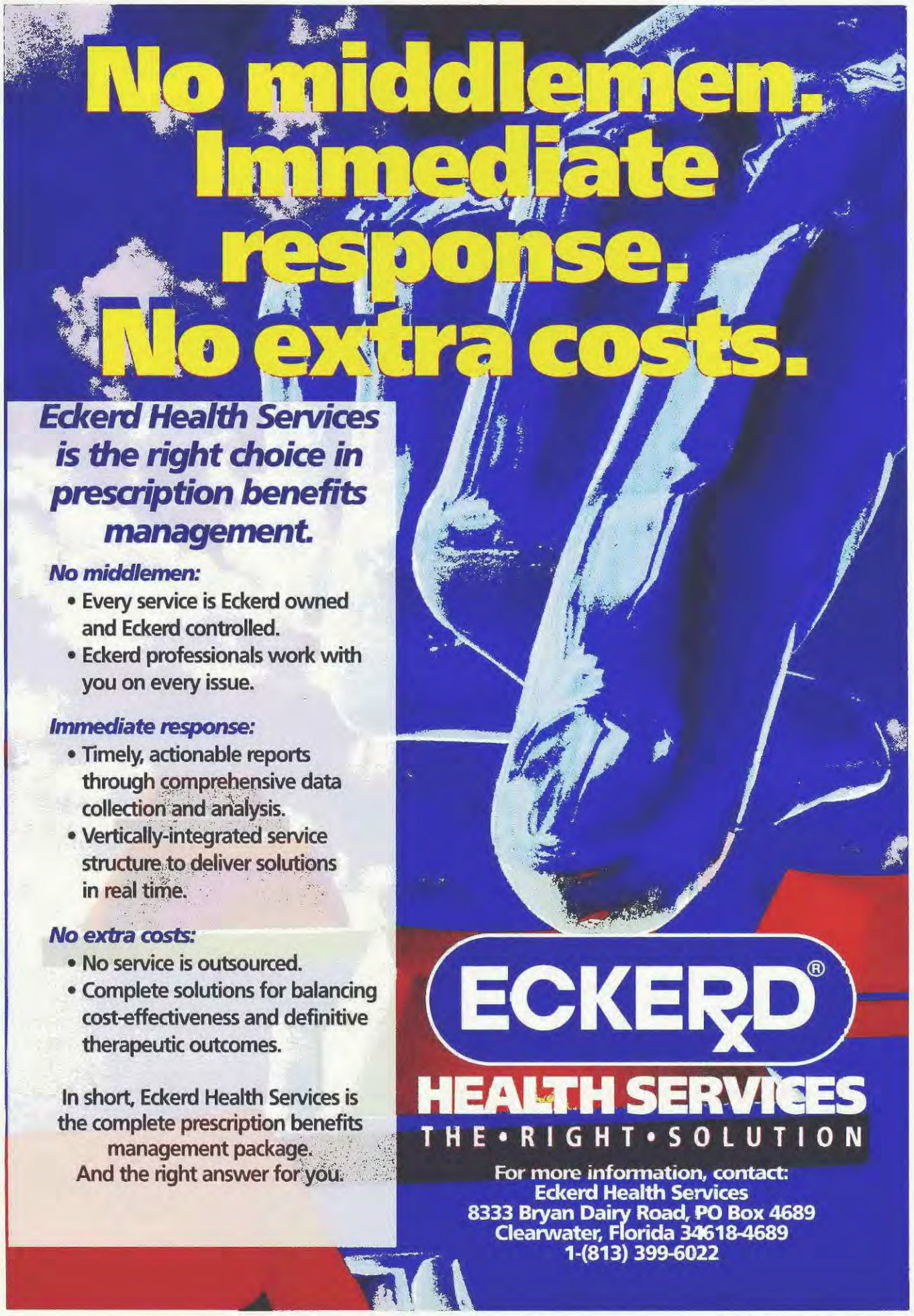
Benefit systems since: 1991.
Software systems:
■ LuminX.
Price: Quoted individually.
System requirements: Pentium PC; DOS, Windows 3.11 or Unix platform; 128MB RAM, 20,000MB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware and Powerlan; database management systems supported.
Customization optional.
First installation: 1991.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, dental, vision, prescription.
Features: Document imaging, optical character recognition, automated enrollment system, automated batch adjudication, medical coding unbundling, automated verification of benefits, managed care capabilities, full accounting, group administration, billing and reporting system, ad hoc reporting, stop loss tracking/reporting, auditing. Benefit communication features include interactive voice response system with provider verification of benefits and claim status.
User support: User groups/meetings, onsite training*, telephone assistance 10 hours per day.
Staff: 25 total, all professionals.
Clients: 15 total. Sold systems to three clients in 1995.
Officers: Joseph Ott, president; Susan Pastroff, vp; James Senge, general manager; Mark Brown, marketing/sales director; Ken Hoover, programming manager.
Contact: Mark Brown.
** Included in system price.*

Alexander & Alexander Consulting Group Inc.

125 Chubb Ave., Lyndhurst,
N.J. 07071; 201-460-6600;
fax: 201-460-6677

Benefit systems since: 1970. .
Parent: Alexander & Alexander Services Inc.
Software systems:
■ ABACUS.
Price: $80,000 minimum. Quoted individually.
System requirements: 486 or Pentium PC; DOS platform; 4MB RAM; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware.
Customization optional.
First installation: 1990.
Benefits managed: Retirement/pensions, social security benefits.
Features: Estimates to potential retirees' final calculations with optional forms of payment, election forms and customized communications, determines accrued benefits and cashout values for terminated employees, generates annual pension statements. Benefit communication features include voice response. Options include retirement benefit tracking module for storing re-

Continued on next page



Continued from previous page

tiree medical and life insurance dates, calculating insurance premiums and generating information needed for pension checks.

■ Alexware Pension Administration.
Price: Quoted individually.
System requirements: 486 or Pentium PC; Windows 3.x, Windows NT or UNIX platform; 8MB RAM; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle, Sybase, NT SQL.
Customization optional.
First installation: 1995.
Benefits managed: Retirement/pensions.
Features: Calculates individual retirement benefits; projects estimated retirement benefits; calculates optional forms of payment; provides personal retirement reports, customized benefit quotation letters and explanatory calculation worksheets; ensures compliance with legal/regulatory requirements; calculates benefits for early, normal and postponed retirement, vested terminated, death and disability. Benefit communication features available. Options include interactive voice response, imaging and check writing.
User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day.
Officers: Donald L. Seeley, president/CEO-The Alexander Consulting Group; Neil A. Burger, chairman/CEO-Alexander & Alexander Consulting Group Inc.; John L. Goodyear, chairman/CEO; Alexander & Alexander Benefits Services Inc.; Ron Amy, chairman/CEO-Alexander Clay (U.K. & Europe); Robert Brau, chairman/CEO-The Alexander Consulting Group Ltd. (Canada); Robert K. Burden, executive vp-The Alexander Consulting Group.
Contact: Neil McCollum, 404-240-6109.
** Included in system price.*

Apex Data Systems.

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

Benefit systems since: 1974.
Software systems:
■ COGNAC*PLUS CLAIMS
Price: Quoted individually.
System requirements: 486 PC; DOS or Windows platform; 8MB RAM; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Customization optional.
First installation: 1989.
Benefits managed: Disability, COBRA, group health plans, life insurance, accidental death and dismemberment, dental, vision, prescription.
Features: Consolidated group insurance administration and claims system allows preparation of certificate labels, rating, re-underwriting, bill generation, commission disbursal, claim processing. Benefit communication features include correspondence system. Options include ad hoc report writer.
User support: Onsite training, telephone assistance 8 hours per day, custom enhancements, full user documentation**.
Staff: 18 total.
Clients: 25 total. Sold systems to four clients in 1995.
Officers: Dwight Babcock, president; Cynthia Stewart, vp-marketing/customer support.
Contact: Gary E. Somerville, account executive.
*** Included in system price.*

Arena Systems Inc.

1247 Milwaukee Ave., Suite 302, Glenview, Ill. 60025; 847-824-6000; fax: 847-824-6329

Benefit systems since: 1986.
Software systems:
■ Accountable Care.
Price: Quoted individually.
System requirements: 486 or Pentium PC; Windows 3.x platform; 16MB RAM, 200MB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware and Windows NTAS.
Customization optional.
First installation: 1986.
Benefits managed: Group health plans.
Features: Enrollment, precertification/referral tracking, utilization review, health plan provider contract management and credentialing, claims payment/repricing, capitation and risk management, online protocol capabilities, reporting.
User support: User groups/meetings*, onsite training, telephone assistance 24 hours per day.
Staff: Four total, three professionals.
Clients: 20 total. Sold systems to seven clients in 1995.
Officers: Karl Kaiser, CEO.
Contact: Beth Hauck, director-client services.
** Included in system price.*

Aspetuck Systems Inc.

1 Selleck St., Norwalk, Conn. 06855; 203-852-9100; fax: 203-855-0111

Benefit systems since: 1990.
Software systems:
■ PERfect Defined Contribution Manager.
Price: $795 to $4,995. Quoted individually.
System requirements: 386 PC; DOS platform; 1MB RAM, 3MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
Customized system.
First installation: 1990.

Continued on next page

How to use directory

The directory of employee benefit information systems lists companies that produce and supply proprietary software products to employee benefit personnel in response to their information management needs.

Companies that produce and supply software products used primarily to communicate benefit programs to employees will be listed in a separate directory that will be published in the October 28, 1996 issue of BI.

Listings begin with the **year the company began offering employee benefit information system products** and the **parent company,** if any.

Information on software products follows. Software can be purchased without hardware unless noted. Next is the average **price** of a completely installed system or a statement indicating if the price is quoted individually. The **system requirements** list the type of hardware required by the client to run or access the system, including type of computer, operating platform, memory required and video; whether the system is for single or multiple users; the names of network operating systems and database management systems supported; whether the system is available **online**; and whether the system requires or provides **customization** to user specifications. Included also is the year of the product's first **installation**.

Next a list of **benefits managed** by the system are provided. The **features** section provides a brief description of standard functions performed by the system, employee communication features and optional modules or functions that can be added to the system.

Information on the company overall follows the product listings. This section includes **user support** offered and whether it is included in the system price; and **staff** figures, given in full-time equivalents for year-end 1995. Also provided is the total number of employee benefit information system **clients** in 1995, including the number of corporate benefit department clients (both sales and service) and the number of clients who bought systems in 1995. The next section states the organization's total **1995 revenues**; revenues from employee benefit information systems sales and service; and a percent breakout of the employee benefit information system revenue between sales of hardware, software and services. Names and titles of **principal officers** and a **contact person** complete the listings.

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

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Continued from previous page
Benefits managed: 401(k) plans, profit sharing, retirement/pensions (defined contribution only).
Features: Allows up to 99 contribution accounts and 999 investment accounts available, immediate or deferred match, customized vesting schedule, balances in dollars/shares, loan tracking, 5500 worksheet, discrimination tests, report writer, word processor. Benefit communication features include employee statement formats. Options include an import/export function.
User support: Onsite training, telephone assistance nine hours per day.
Staff: 10 total, eight professionals.
Clients: 175 total.
Officers: Michael Gabriele, president; Stephen Schwartz, vp; David Winkworth, vp-sales.
Contact: David Winkworth.

Associated Systems Inc.

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

Benefit systems since: 1993.
Software systems:
■ "Complete" Health Benefits System.
Price: $60,000. Quoted individually.
System requirements: 486 PC; DOS platform; 16MB RAM; 2 gigabytes hard disk; SVGA video; single or multiple user; network operating systems supported include Novell Netware; database management systems supported include dBASE.
Customized system.
First installation: 1991.
Benefits managed: Disability, COBRA, group health plans, life insurance.
Features: Processes medical, dental, short-term disability and prescription claims; precertification; coordination of benefits; PPO management; fee schedules and co-payment; reinsurance tracking; laser checks with MICR coding; billing and administration, including individual and group policy administration; interfaces to general accounting; ad hoc reporting. Options include interfaces with other benefit systems.
User support: User groups/meetings, onsite training*, telephone assistance 10 hours per day, modem support.
Staff: 10 total, including four professionals.
Officers: Frank Smith, president.
Contact: Sharon Steele, vp-marketing.
** Included in system price.*

B

Benefit Plan Systems Corp.

16 Technology, Suite 161, Irvine, Calif. 92718; 714-753-0180; fax: 714-753-0845

Benefit systems since: 1987.
Software systems:
■ COBRA EAS.
Price: $1,995. Quoted individually.
System requirements: 386 PC; DOS, Windows 3.1 or Windows 95 platform; 4MB RAM, 4MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
First installation: 1987.
Benefits managed: COBRA.
Features: Complete COBRA administration, including notification, premium collection and accounting, billing and audit compliance reporting, full up/download, custom letter writer and report capability; complete online help, including COBRA law reference. Benefit communication features available. Options include bar code scanner for payment recording.
■ GIBS (Group Insurance Billing System).
Price: $2,500. Quoted individually.
System requirements: 386 PC; DOS, Windows 3.1, Windows 95 or OS/2 platform; 4MB RAM, 4MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
First installation: 1987.
Benefits managed: Retirement/pensions.
Features: Complete billing and payment tracking for retiree; leave of absence and other non-COBRA programs; customized correspondence, reports and system fields; automatic rate calculation, including rates based upon variables such as length of service; full online help, tutorial, up/download, custom letter writer and report generator. Benefit communication features available.
User support: Onsite training, telephone assistance eight hours per day.
Staff: 16 total, all professionals.
1995 revenues: 100% from software sales.
Officers: L. Wierzba, president; C. Jarl, vp; C. Schuessler, secretary.
Contact: Leonard B. Wierzba.

Benefit Systems & Services Inc.

760 Pasquinelli Drive, Suite 320, Westmont, Ill. 60559; 708-789-2082; fax: 708-789-2093

Benefit systems since: 1986.
Software systems:
■ DATA-PLUS.
System requirements: IBM AS/400.
Online system.
Customization optional.
First installation: 1986.
Benefits managed: Flexible benefits, workers comp, disability, COBRA, group health plans.
Features: Provides benefit calculations; supports contract and pricing arrangements; provides administration form enrollment through payment and reporting; includes word processing; auto follow-up; online notebook. Benefit communication features include fax, e-mail and letter generation. Options include a front-end graphical user interface and EDI interface.
User support: Onsite training*, telephone assistance 10 hours per day*.
Staff: 10 total, five professionals.
Clients: 12 total. Sold systems to five clients in 1995.
Officers: David Lloyd, Carmen Morreale, Roy Wapiennik.
Contact: Carmen Morreale.
** Included in system price.*

BeneSoft Inc.

P.O. Box 3530, Bethany, Conn. 06525; 203-393-0320; fax: 203-393-0325

Benefit systems since: 1987.
Software systems:
■ Flexible Software.
System requirements: 386 PC; DOS or Windows 3.1 platform; 8MB RAM, 256MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware.
Customized system.
First installation: 1987.
Benefits managed: Flexible benefits, group health plans.
Features: Administration and management of flexible benefits, flexible spending accounts and traditional benefits; performs administration and analysis. Benefit communication features include enrollment forms, benefit statements and confirmation statements. Options include a voice response system and an accounts receivable program.
User support: User groups/meetings, onsite training, telephone assistance 12 hours per day*.
Staff: 20 total, 16 professionals.
Officers: Faisal A. Saleh, president; Steve Froebel, vp.
Contact: Faisal A. Saleh.
** Included in system price.*

Buck Consultants Inc.

2 Pennsylvania Plaza, New York, N.Y. 10121-0047; 212-330-1000; fax: 212-695-4184

Benefit systems since: 1970.
Software systems:
■ BASK (Buck Actuarial Systems Kit).
Price: Quoted individually.
System requirements: 486 PC; Windows 3.1 platform; 8MB RAM, 250MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
Customized system.
First installation: 1970.
Benefits managed: Actuarial valuations.
Features: Actuarial valuation of pensions and other post employment benefits, cashflow projections, gain and loss analysis, plan mergers and spinoffs, up to 40 decrements and salary increase tables, census data management features.
■ Buck BENCAL PC.
Price: Quoted individually.
System requirements: 486 PC; DOS or Windows 3.1 platform; VGA or SVGA video; multiple user; network operating systems supported include Novell

Continued on next page



Continued from previous page

Netware and Banyon Vines; database management systems supported include Oracle and NT SQL.
Online system.
Customized system.
First installation: 1986.
Benefits managed: Leave of absence, life insurance, retirement/pensions, social security benefits, employee counseling, post-retirement medical and life insurance.
Features: Maintenance of all required participant data; data editing and reporting; communication with plan participants, trustees and company management; assistance in pre-retirement counseling; preparation of employee benefit statements; creation of management reports. Benefit communication features include computer terminals, phone and service center providing information regarding plan benefits, eligibility, social security benefits, what-if scenarios and counseling. Options include interfacing with payroll/human resource systems.

■ Buck-Health & Welfare Benefit Administration System.
Price: Quoted individually.
System requirements: AS400 2.3; 12 gigabytes hard disk; multiple user.
Online system.
Customization optional.
First installation: 1988.
Benefits managed: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance, dependent care flexible spending account, vacation, flexible credits, health care FSA.
Features: Enrollment; eligibility for all health and welfare plans, including flex, calculations of credits, FSA administration, payroll and insurance interfaces, discrimination testing for FSAs, ad hoc reporting and data analysis; accomodates multiple benefit options, variations by division/operating company, tracking by election and by type of money used. Benefit communication features include enrollment form production and election confirmation statements. Options include benefit statements, telephone enrollment and inquiry.

■ Recordkeeping Plus.
Price: Quoted individually.
System requirements: 386 PC; Windows 3.1 platform; VGA video; multiple user.
Online system.
Customized system.
First installation: 1987.
Benefits managed: 401(k) plans, profit sharing.
Features: Online data entry and modification of account balances and requests, investment elections, pending voice transfers, distributions and withdrawals; ability to integrate with voice or service center; pre-retirement and financial planning; management reports and participant statements; balance projections and what-if calculations. Benefit communication features include computer terminals, voice and service center. Options include a windows-based graphical user interface for client-server processing.
User support: User groups/meetings, onsite training, telephone assistance during business hours, project and implementation support.
Staff: 1,880 total, 1,400 professionals.
1995 revenues: $196 million total.
Officers: William E. Giegerich Jr., chairman; Joseph A. LoCicero, president.
Contact: Carolee P. Martin, 201-902-2524.

William Byrne & Associates Inc.

12125 Woodcrest Executive Drive, Suite 145, St. Louis, Mo. 63141; 314-275-2600; fax: 314-275-7149

Benefit systems since: 1986.
Software systems:
■ Health Claims System.
Price: $7,000 to $18,000. Quoted individually.
System requirements: 386 PC; DOS platform; 2MB RAM, 100MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware; database management systems supported include dBASE.
Customization optional.
First installation: 1986.
Benefits managed: Disability, group health plans.
Features: Enrollment, eligibility verification, claims management. Benefit communication features include printing explanation of benefits.
User support: Onsite training, telephone assistance eight hours per day.
Staff: Eight total, two professionals.
Clients: 15 total, including 5 benefit departments. Sold systems to 4 clients in 1995.
Officers: Bill Byrne, president; Bob Cook, Mark Cutler, vps.
Contact: Mark Cutler.

California Interactive Computing Inc. (CIC)

25572 Ave. Stanford, Valencia Calif. 91355; 805-294-1300; fax: 805-294-1310

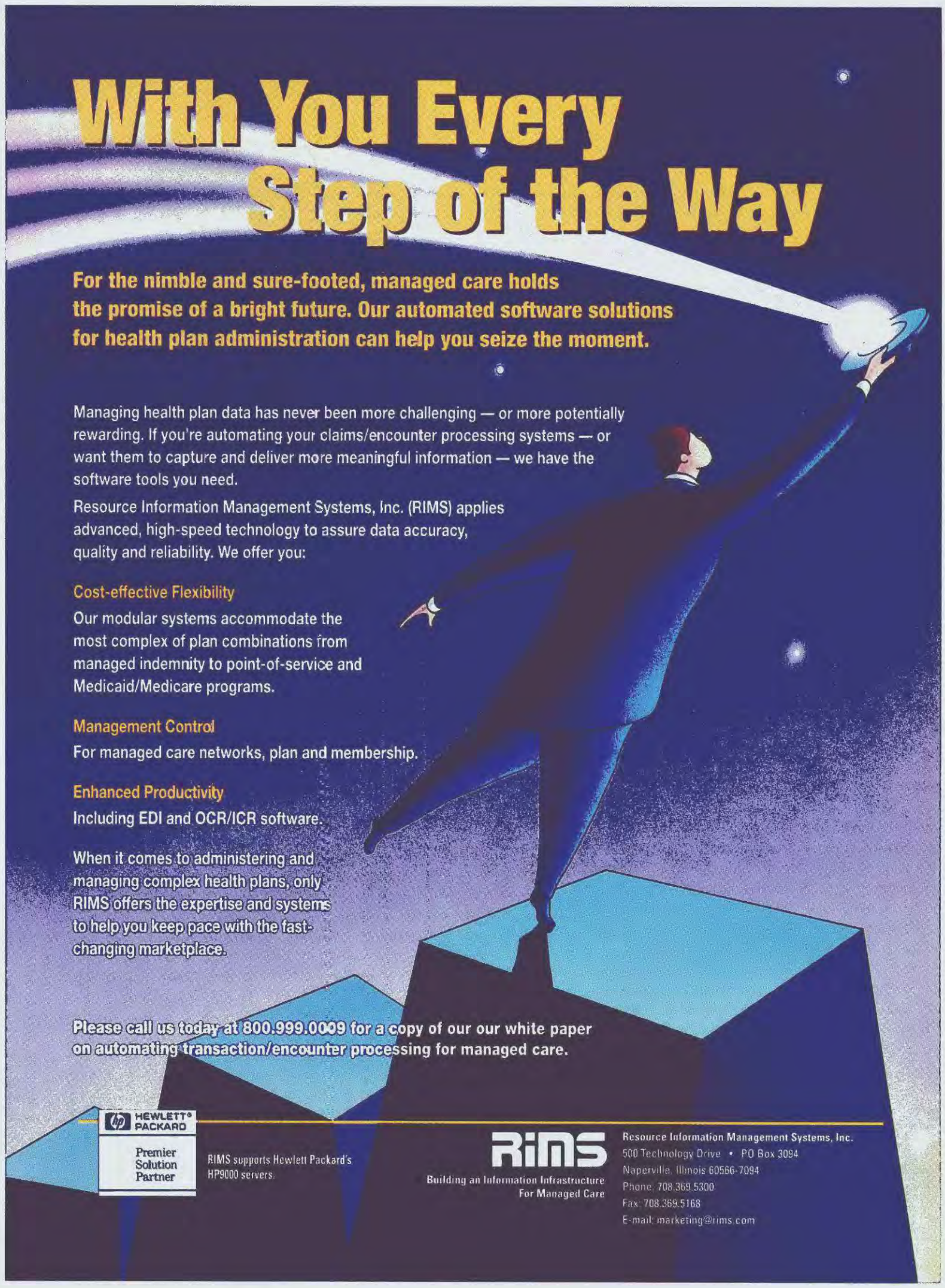
Benefit systems since: 1979.
Software systems:
■ GENIRIS.
Price: Quoted individually.
System requirements: Pentium PC; Windows NT, UNIX or AIX platform; 32MB RAM, 1,000MB hard disk; SVGA video; multiple user; database management systems supported include NT SQL.
Online system.
Customization optional.
First installation: 1979.
Benefits managed: Workers comp, disability, COBRA, group health plans.
Features: Enrollment; eligibility verification for health, dental and vision plans; hospital precertification; claims management; disability management; utilization review; medicode claims edit for medical coding; notes and diary for medical case management; specfic and aggregate reinsurance tracking; PPO contract pricing administration; ad hoc data analysis and reporting; billing; COBRA administration; SQL and HyperStar query tools; seamless integration for workers comp, disability and group health administration. Options include a document scanning and archival and retrieval system module and an electronic data interchange module.
User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*.
Clients: Sold systems to six clients in 1995.
Officers: Jerry Buckley, president; Ralph Flygare, director; Eric Hoffberg, vp; Nora Kenner, assistant vp.
Contact: Jerry Buckley.
** Included in system price.*

Cantor & Co.

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

Benefit systems since: 1983.
Software systems:
■ Riskmap + MQMS.
Price: Quoted individually.
System requirements: DOS, Windows 3.x, Windows NT, Windows 95 or OS/2 platform; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
Customization optional.
Benefits managed: Workers comp.

Continued on next page



Continued from previous page
Features: Riskmap: Forecasting of frequency, severity and total benefit cost; paid reserve and incurred loss development; multiple flexible risk financing modules, including discounted cost after tax. MQMS: Pre-programmed modules for incident reporting and claims management, customized modules can be changed without programming, statistical analytical reporting, built-in form and letter processing. Options include interfacing with other systems based on ASCII files.

User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*, system updates*.
Staff: Six total, five professionals.
Clients: 100 total, including 50 benefit departments. Sold systems to 50 clients in 1995.

1995 revenues: $600,000 total. $250,000 from employee benefit information systems sales and services, 50% from software sales, 50% from software services.

Officers: Alan B. Cantor, president; Judith J. Szarka, vp.
Contact: Alan Cantor.
** Included in system price.*

Cascade Technologies Inc.

333 Thornall St., Edison, N.J. 08837-2220; 908-906-2020; fax: 908-906-2018

Benefit systems since: 1985.
Software systems:

■ ProCAS 2000.
Price: Quoted individually.

System requirements: Client: 486 DX2/66 PC; Windows 3.11 platform; 16MB RAM, 300MB hard disk. Server: Pentium PC; Windows NT 3.5 platform; 128MB RAM, multiple gigabytes hard disk. Client/Server: VGA video; multiple user; network operating systems include any supported by Windows NT and Windows 3.11; database management systems supported include SQL server.

Customization optional.
First installation: 1994.
Benefits managed: 401(k) plans, profit sharing.
Features: Client/server based recordkeeping system for defined contribution administration; supports all types of defined contribution plans, including 401(k), profit sharing, money purchase, ESOPs and employee savings plans; accommodates periodic and daily processing; includes high level data conversion facilities, transaction data imports/exports; compliance testing; tax reporting; parameterized plan and loan setup; multitasking capabilities; provides online access for remote sites. Benefit communication features include CAS Voice and Cascade Call Center for distributing calls to benefit personnel.

User support: User groups/meetings*, onsite training**, telephone assistance eight hours per day**, 24-hour bulletin board service*.

Staff: 35 total, 33 professionals.

Clients: 500 total, including 15 benefit departments. Sold systems to 150 clients in 1995.

Officers: Vigdis Austad, president; Frank Joicy, executive vp/chief technical officer; Michael F. George, vp-marketing; Alvin Ptalis, CFO; Brian J. Regan, vp-sales.

Contact: Christine Shepherd.
** Included in system price.*
*** Included in initial licensing and first year maintenance.*

Computer Workware Inc.

5409 Eglinton Ave. W., Suite 108, Toronto, Ontario, Canada M9C 5K6; 416-620-1704; fax: 416-620-5692

Benefit systems since: 1984.
Software systems:

■ FAST Benefits Administration System & FASTCHOICE Enrollment System.
Price: $35,000 minimum. Quoted individually.
System requirements: 386 PC; DOS, Windows 3.1, Windows NT, Windows 95 or OS/2 platform; VGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
Online system.
Customization optional.
First installation: 1984.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.
Features: Enrollment, eligibility verification, health care precertification, claims management, tracking reinsurance liability, health plan provider contract management, accounting, discrimination testing, ad hoc data analysis and report generation. Benefit communication features include enrollment and plan choice modeling. Options include trust accounting module.

User support: User groups/meetings*, onsite training*, telephone assistance eight hours per day*.
Staff: 12 total, five professionals.
Clients: 1,800 total, all employee benefit departments. Sold systems to 500 clients in 1995.
1995 revenues: 90% from software sales, 10% from software services.
Officers: Edward G. Robinson, president; Keith Formosa-Blundell, vp.
Contact: Keith Formosa-Blundell, 416-620-1704 ext. 223.
** Included in system price.*

Corbel

1660 Prudential Drive, Jacksonville, Fla. 32207; 904-399-5888; fax: 904-399-5551

Benefit systems since: 1974.
Parent: Broadway & Seymour Inc.
Software systems:

■ Quantech.
Price: $6,000 to $23,000. Quoted individually.
System requirements: 486 or Pentium PC; Windows 3.1 platform; 16MB RAM; 750MB hard disk; VGA video; single user or multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle, Gupta.
Online system.
First installation: 1994.
Benefits managed: 401(k) plans, profit sharing.
Features: Discrimination testing, ADP/ACP testing, compliance testing, report writer, relational database. Options include voice response, daily valuations download.

User support: User groups/meetings*, onsite training, telephone assistance nine hours per day.
Staff: 190 total, all professionals.
Clients: 2,000 total. Sold systems to 200 clients in 1995.
1995 revenues: $22 million total. $8 million from employee benefit information systems sales and services, 30% from software sales, 70% from software services.
Officers: Don Mackanos, senior vp; Dave Phillips, Jim Smith, vps; Lori Prouty, senior vp/general manager; Rhonda Edwards, director-marketing.
** Included in system price.*

Corporate Health Strategies

2 Whitney Ave., New Haven, Conn. 06510; 203-781-5100; fax: 203-624-7935

Benefit systems since: 1981.
Parent: United HealthCare Corp.
Software systems:

■ Parallax.
Price: $50,000 to $150,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 or OS/2 platform; 8MB RAM, 35MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager.
Online system.
Customization optional.
First installation: 1985.
Benefits managed: Workers comp, disability, leave of absence, COBRA, group health plans, employee assistance program, wellness, prescription, mental health.
Features: Provides framework for managing, forecasting, monitoring and evaluating various benefit plan design issues related to health care cost, quality and access; ad hoc data analysis and report generation. Options include benefits modeling for indemnity network and HMO plans using a claims repayment methodology.

User support: User groups/meetings; onsite training*; telephone assistance eight hours per day*; analytic and consulting assistance.
Staff: 70 total.
Officers: Donald A. Foscato, president/CEO.
Contact: Susan Addiss, marketing manager.
** Included in system price.*

Corporate Systems

1200 Corporate Systems Center, Amarillo, Texas 79102; 800-927-3343; fax: 806-376-4077

Software systems:

■ CS Disability.
Price: Quoted individually.

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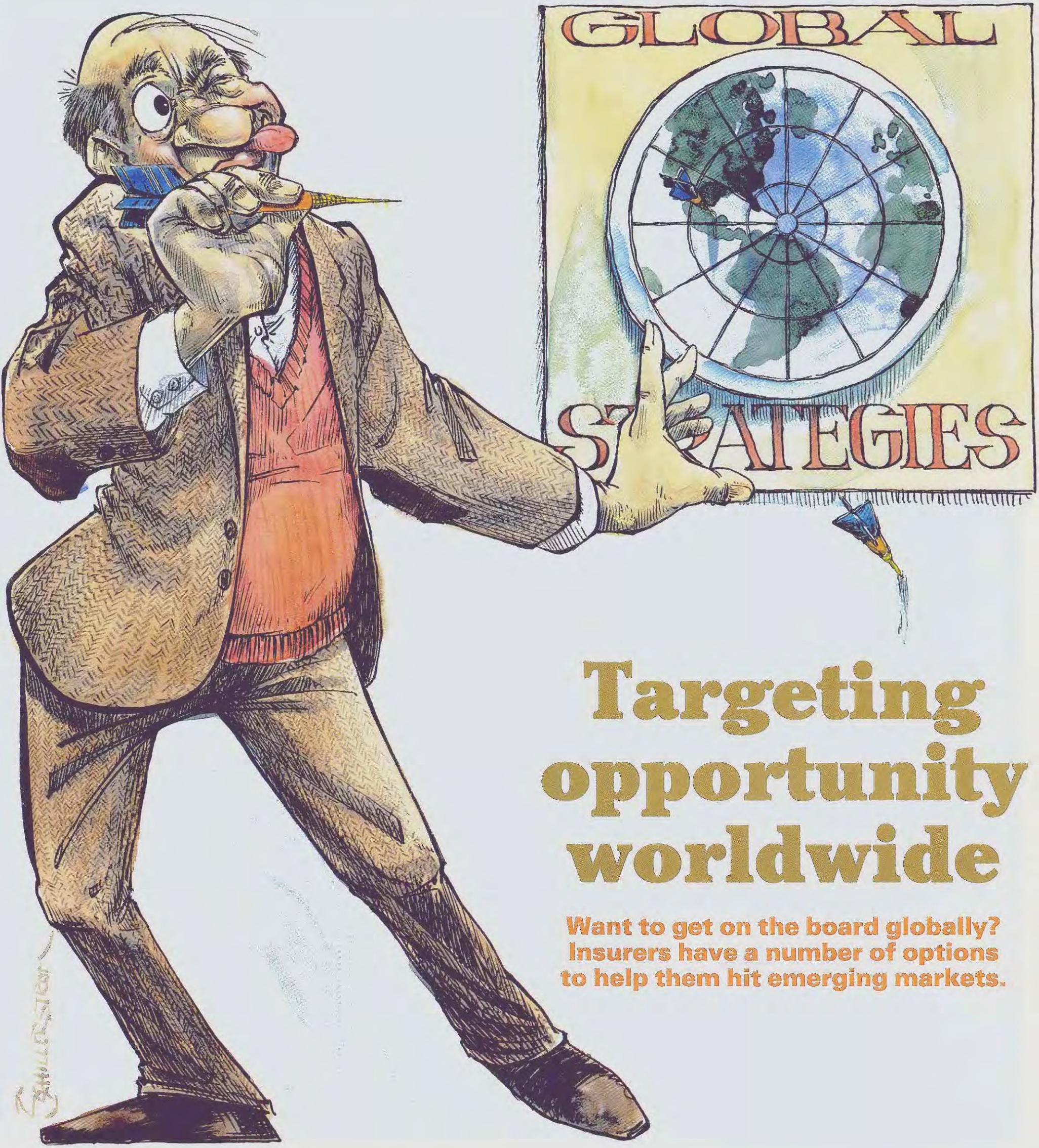
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InsurerTopics

A special editorial section
sent exclusively
to insurers and reinsurers



Targeting opportunity worldwide

Want to get on the board globally? Insurers have a number of options to help them hit emerging markets.

Insurer Topics

No setback for Hong Kong market in 1997

After change in ownership, business as usual for insurers now expanding operations in People's Republic of China

By REGIS COCCIA

Major changes in government often spell trouble for insurance companies.

But insurers operating in Hong Kong may actually see advantages when it reverts to Chinese control next year.

"Worried? I don't think so," said Bob Callard, a vp with the Chubb Corp. in Warren, N.J., who oversees several Asian markets. "There's a lot of investment across the border (from Hong Kong into southern China). In the long run, it's going to benefit the industry."

Most of the insurers in Hong Kong are pursuing licenses in China, so they aren't really concerned about the changeover in 1997, said Bernard Fung, chief executive officer-Asia region for brokerage Inchcape Insurance Services in Hong Kong.

However, "intermediaries are concerned because our status is always a little less clear in China," Mr. Fung said. The role of insurance brokers is not well defined under Chinese law.

"Everybody in Hong Kong expects the (insurance) law will be applicable after '97. We certainly expect all the independence will be well respected," he said.

Inchcape, an affiliate of London-based Bain Hogg Group, thinks of Hong Kong's relationship to China as the relationship of a subsidiary to a head office, Mr. Fung said. "The subsidiary has autonomy, but the head office has some influence."

"Hong Kong has developed into a unique place under British influence" that is unlikely to change under Chinese control, Mr. Fung said. "It's a paradigm of business success. After '97, that will continue. Hong Kong will continue to play a role as a premier financial center in the world."

To many in Hong Kong, economics transcends politics. That may be why even several insurers owned by the Chinese government—including China's largest insurer, the People's Insurance Co. of China—have set up operations there.

In an already competitive market, that added capacity is driving rates down further, said the executives.

The impact of the Chinese takeover will extend well beyond the Hong Kong market. Ultimately, the change is expected to help China's developing mar-



ket.

"It's going to be advantageous for the insurers. It's going to bring some professionalism to the Chinese market," said Mr. Callard. Western influence on Guangzhou and the Guangdong province, which neighbor Hong Kong and are already a magnet for Western development, will be more pronounced than the communist influence on Hong Kong, he added.

It also will help to attract more capacity to the market and "will bring more Western influence into the People's Republic of China."

For the more than 200 non-life insurers now operating in Hong Kong, the British dependency is a gateway to the Chinese market.

U.S. property/casualty companies with offices or affiliates in Hong Kong include: Allendale Mutual Insurance Co.; American International Underwriters, a unit of American International Group Inc.; Arkwright Mutual Insurance Co.; CNA Insurance Cos.; Chubb; CIGNA Corp.; Kemper National Insurance Cos.; and The St. Paul Cos. Inc.

At only 398 square miles, Hong Kong is less than half the size of Rhode Island, but the British dependency's population of about 6 million is nearly six times that of the United States' smallest state.

Britain, which colonized Hong Kong in the early 1800s, signed a 99-year lease on the area with China in 1898. When that lease expires June 30, 1997, Hong Kong will become part of the People's Republic of China. In 1984, Chinese and British nego-

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IT MIGHT AS WELL
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tators agreed that the dependency would retain its social, legal and economic systems after 1997.

"I think it's an opportunity for any insurer in Hong Kong," Mr. Callard said. "Hong Kong is a steppingstone into China."

Geographically, Asia is a huge area, and insurers hoping to operate in that region need to have a presence in the countries where they want to do business, he said.

Insurers interested in doing business in China can benefit from having offices in Hong Kong, said Inchcape's Mr. Fung, noting that Hong Kong once was part of China and is simply becoming part of it again.

"Hong Kong has the support industries and services to allow foreigners or investors to gain a better understanding of China," Mr. Fung said.

Many people in Hong Kong deal with China on a day-to-day basis, and "it's important to have access to those people," he said.

Another factor attractive to insurance companies is Hong Kong's infrastructure, which resembles that of other global insurance centers.

"It's a British-style market," Mr. Callard said. "What you see in Sydney and London, you also see in Hong Kong. Hong Kong is an open market."

While Hong Kong's insurance market is a British-style brokerage system, "in China it's more of a direct writer-style system," he said.

"There's a big difference between what goes on in the People's Republic of China and what goes on in Hong Kong," he said.

That's one reason The St. Paul Cos. Inc. has decided not to set up an office of its own in Hong Kong.

The insurer writes business in Hong Kong through two partners, an Australian insurer and a Hong Kong insurer.

'Hong Kong is a steppingstone into China,' says Bob Callard, a vp with the Chubb Corp.

St. Paul prefers that arrangement because there is "some uncertainty over what would happen when Hong Kong reverts to China," said George Worsley, business development manager in St. Paul, Minn.

"Our approach is to have an office in Shanghai, which is already in the People's Republic of China," he said, adding that the insurer at the moment is not pursuing a license to write business in China.

Under China's insurance law, a foreign insurance company must have a representative office in the country for at least three years before it can apply for a license.

"Our emerging market strategy is to keep an eye on things and assess situations," Mr. Worsley said.

For now, St. Paul does not plan to set up a branch in Hong Kong. "Things can change, but at the moment that's not the red-hot plan," he said.

"Any area which isn't there yet looks to be (a potentially profitable insurance market), we're looking at closely. With the great potential of China, it would be unwise for us not to consider it," he said.

One insurer that is committed to Hong Kong and opportunities in China is New York-based American International Group Inc., which traces its origins to Shanghai.

"AIG is very optimistic about the future of Hong Kong. China's longstanding policy of one country/two systems, which refers to Hong Kong retaining its economic system after 1997, is one we believe will be implemented as stated," said Maurice R. Greenberg, AIG chairman and chief executive officer.

"We also believe Hong Kong will prosper after 1997 and that it will continue to be an important market for insurance and financial services. AIG has had life and general insurance operations in Hong Kong for decades, and Hong Kong will continue to be an important market for us in the future."



The Chubb School of Insurance, a collaboration between Chubb Corp. and the Shanghai University of Finance & Economics, recently offered its first course, on loss control issues and methods, to Chinese students.

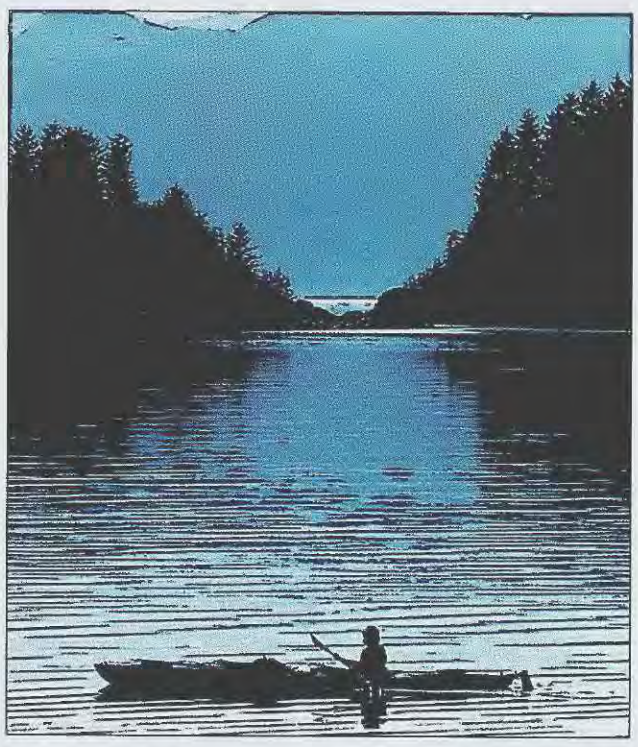
International insurers' entrance to China's immense market will be helped by the changes in Hong Kong in 1997, but it won't happen overnight, Chubb's Mr. Callard pointed out.

The evolution of insurers' involvement in China "is going to be 1997 to the early part of the 21st century—2005 to 2008," he said.

"In that part of the world, things don't move quickly. It's going to take a long time. We think in quarters, they think in decades."

"Hong Kong will continue to be a gateway to China, I think, for some time to come," Inchcape's Mr. Fung said.

For insurers looking to build a global presence, especially in the Far East, Hong Kong may be an important location. As Mr. Callard put it, "If you're going to be doing business in Asia, you have to be in Hong Kong." BI



GET THE BROADER VIEW...

Insurer Topics

Ensuring that there are no *erreurs* in *el contrato*

That's the *raison d'etre* for one commercial translation specialist

By MICHAEL SCHACHNER

An insurance company with operations in a foreign country needs to provide communication materials to its overseas employees, who collectively speak a variety of languages.

A risk manager with a large U.S. multinational tells the company's insurer that its Latin American expansion is proceeding nicely and he now needs directors and officers liability coverage in Mexico in the exact form the domestic unit of the company has.

While discussing this, the risk manager also says he'll need to replicate the company's domestic boiler and machinery program for the company's new gold mine in Brazil.

Both insurers realize they must translate technical information into multiple languages. What are these companies to do?

One first step might be to call MultiTech Communications Inc., which specializes in translating insurance-related documents from English to more than 20 languages, or from those foreign languages to English.

Of the hundreds of commercial translation firms in the country, New Haven, Conn.-based MultiTech may be the only one that does solely insurance work.

With only a tiny staff of its own, MultiTech has project contracts with about 50 translators, editors and technical consultants capable of translating policies, reinsurance treaties, claims, engineering reports, marketing brochures, court judgments, insurance laws and regulations and dozens of other types of documents dealing with insurance, pension plans and employee benefits.

Eleven-year-old MultiTech, which is owned and managed by Louis M. Cardillo, a former broker who worked for Johnson & Higgins from 1976 to 1982 in Rio de Janeiro, Brazil, seeks to offer an invaluable service to international insurers and reinsurers, as well as brokers, consultants and attorneys with international clientele.

The company specializes in making sure that key insurance language does not get lost in the translation, which can occur very easily when expert translators, technical advisers and editors do not participate in the translation process, Mr. Cardillo said.

"Being bilingual doesn't mean someone knows how to translate highly technical insurance policies and documents. That's why we try to employ professional commercial translators with business and insurance experience. And where there are gaps in the translator's knowledge, that's where the consultants, the editors and I step in," said the former brokerage executive.



Most MultiTech clients are brokers, insurers and reinsurers, along with some lawyers. Mr. Cardillo does few translations himself, though he speaks French, Spanish and Portuguese, and with a broker's background, is very much involved in "quality control."

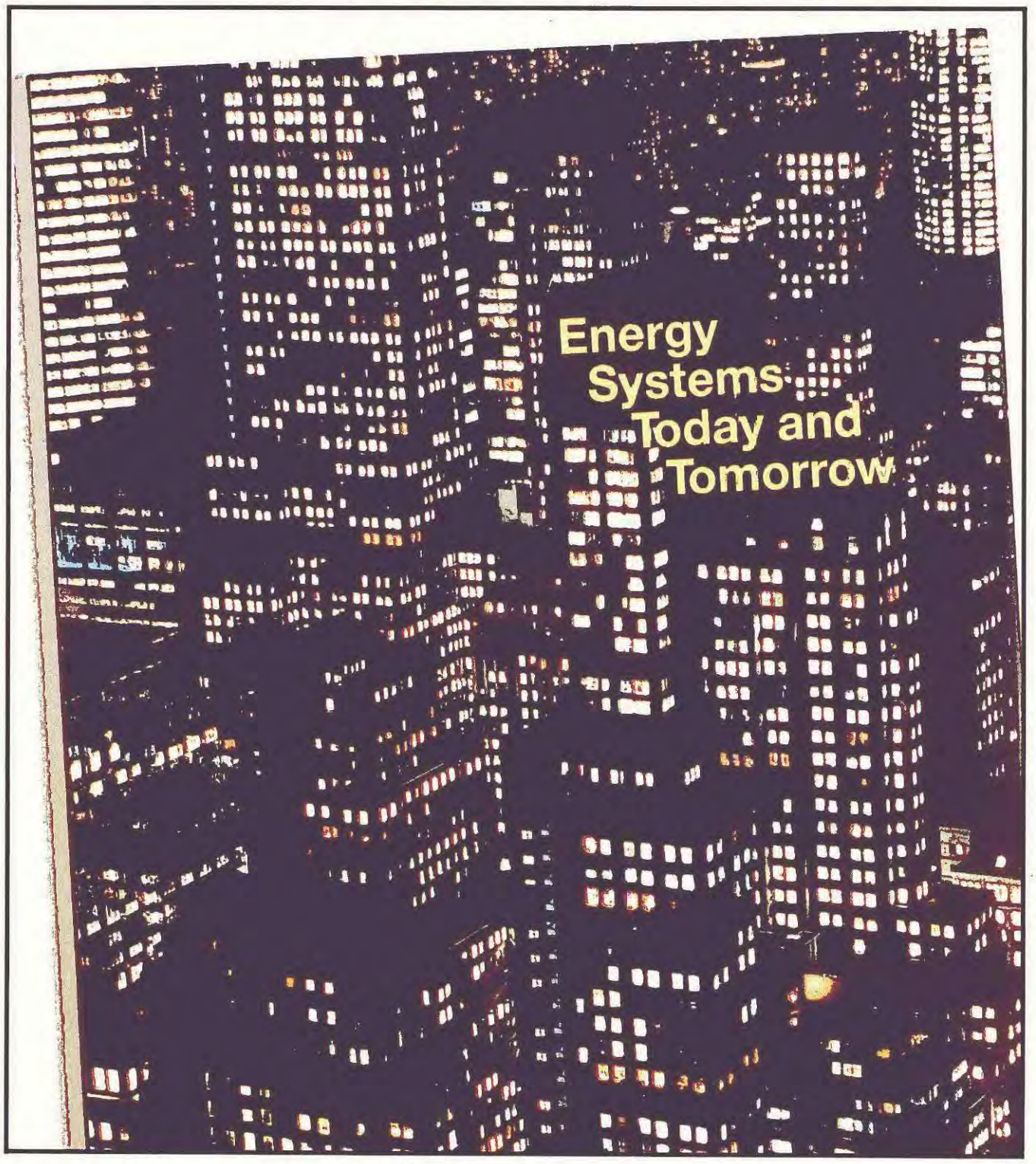
"I'm the coordinator, an editor and the bridge between people with proven commercial translating skills, a native-speaking technical consultant and an editor," said Mr. Cardillo. "It's entirely possible to have four different people working on a translation."

Common jobs for the company—which he says can do 1,000 translations in a busy year—are translating claims filed in a foreign country, and duplicating policies for corporations expanding into new markets. Beyond that, he said insurers also are interested in expanding their scope and are eager to offer successful U.S. programs in other countries.

"Technically correct translations are very important and they're hard to produce. Imagine this: Someone throws a 20-page American insurance policy at an underwriter in Mexico and the poor guy is told to have it translated perfectly into Spanish in one week. You can bet this Mexican fellow is going to have a hard time translating that document correctly considering it has likely been written and rewritten several times by a committee of American lawyers," Mr. Cardillo explained.

Since the United States is the origin of many sophisticated insurance coverages that he said are "ripe for exportation," especially for U.S. multinationals,

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Continued from previous page
the need for accurately translated insurance policies is quite high.

"With globalization and privatization of foreign insurance markets that had been government-run, you have risk managers saying, 'I want the same D&O protection in Mexico that I have here and I want the same boiler and machinery coverage in Chile that I have now,' " said Mr. Cardillo.

He then offered an anecdote of what can happen when policies are incorrectly translated: A boiler and machinery policy written in Mexico originated from a translation into Spanish from English. It was then requested that the policy be translated back into English.

When MultiTech read the B&M policy in Spanish, translators realized that a key exclusion for "wear and tear," generally referred to as "desgaste" in Spanish, instead read "desgaste y ruptura," which meant not only was wear and tear excluded, but so was an explosion or boiler rupture.

"That policy had been wrongly translated to exclude the one thing you buy boiler and machinery for. That's what we work to prevent," explained Mr. Cardillo.

MultiTech also helps brokers and other international firms in their marketing efforts.

"When a company is putting out marketing materials that sells itself as being global and multilingual, but (then has) glaring errors and inaccuracies with the technical terminology, it has lost the battle before it starts," Mr. Cardillo said.

CIGNA Corp. is one company that has used MultiTech for several years, often to translate internal communications materials for its international workforce of 5,800 people.

Errors in translated technical terminology can cost a company international clients, says Louis Cardillo.

Paul Gallanda, the Philadelphia-based insurer's director of international public affairs, has been responsible for getting these translations, and he says MultiTech has delivered.

"Most often, MultiTech has translated our materials into French, Spanish, German, Italian and Japanese, which pretty much covers our international workforce. I'd say the proof of the value of these translations is measured in the number of complaints I receive, and there haven't been any," he said.

Harold Talbot, managing director with Guy Carpenter & Co. Inc. in New York, says he has been using MultiTech for about 10 years to translate various documents, including contracts, letters and newspaper articles.

Although Guy Carpenter doesn't use MultiTech exclusively, the reinsurance intermediary is "very happy with MultiTech's services" and believes MultiTech is "probably the most insurance-oriented translator available," he said.

In the future, Mr. Cardillo said MultiTech's challenge is to stay abreast of the rapid modifications occurring almost daily in computerized translation and communications.

Where opportunities are definitely growing is with electronic mail and the Internet as international communication routes. "E-mail has changed the marketplace dramatically. E-Mail is to fax technology as the computer is to the typewriter," he said, noting much of the work MultiTech is doing is now transmitted via e-mail. "E-mail not only is cheaper than fax technology, but it's foolproof." BI

Pushing loss prevention for Caribbean properties

Insurers have a stake in encouraging policyholders to minimize risks: Adjuster

By GAVIN SOUTER

Insurers should act while the winds are calm to prevent hurricane losses in the Caribbean from blowing away future profits, a loss adjuster says.

Soaring property prices on Caribbean islands combine with frequent hurricanes to make the region an especially volatile market for insurers.

By encouraging local policyholders to take preventive action to protect their property, insurers could reduce their exposure and provide a more stable insurance market for buyers, the adjuster says.

The Caribbean has always been hit hard by hurricanes and the 1995 hurricane season was particularly harsh, said David Waller, president of Thomas Howell Group (Latinoamericana) Inc. in Miami.

In 1995, 11 hurricanes passed through the Caribbean and eight hit land in the islands, including Hurricanes Marilyn and Luis, which caused $1.5 billion and $2 billion in damage, respectively, he said.

"In terms of the islands that they hit these were disasters. For



example, on St. Thomas 85% of all properties suffered significant damage," Mr. Waller said.

And as property values and property developments on the Caribbean islands grow, insurers will carry even larger risks in the future, he predicted during a

See **Caribbean** *on page 26H*

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Caribbean

Continued from page 26E

session at the 1996 Roundtable on Insurance Conditions in the Americas sponsored by the International Insurance Council and held last month in New York.

Currently, policyholders in the Caribbean take few property loss prevention measures, Mr. Waller said. "They live in the firm belief that the hurricane will hit the next island and when they are wrong it's the insurer that picks up the bill."

The resulting effect on the insurance market is unsatisfactory for insurers and policyholders, Mr. Waller said.

Insurers that suffer losses cut back their coverage and increase rates; this new pricing level soon attracts other insurers to compete for the business; the competition drives down rates before another hurricane batters the region and starts the cycle all over again, he said.

"The effect of an insurer pulling out of a small community is very harsh," he added.

Instead of punishing policyholders with large rate increases and reduced coverage after a loss, insurers should help policyholders to better protect their property prior to a hurricane, Mr. Waller said. "With a little bit of foresight and planning and not a lot of money, you could halve the amount of losses."

'With a little planning and not a lot of money, insurers could halve the amount of losses,' says David Waller.

By taking a few simple measures, insurers can improve the risks they insure, he said. These include:

- Offering incentives to policyholders to make their buildings and homes more resistant to hurricanes, he said.

"Offer differential prices with lower rates for better designs," Mr. Waller said.

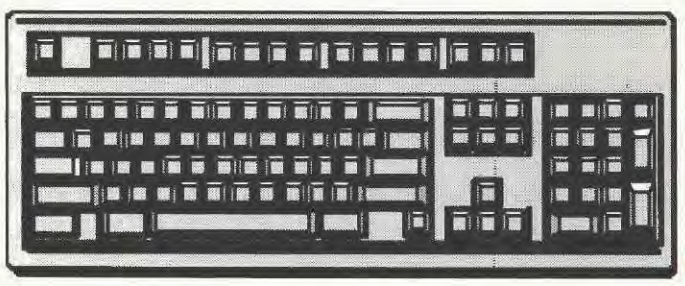
- Issuing guides to policyholders on how to protect buildings before the hurricane season begins.
- Appearing on television before and during a hurricane to tell policyholders what to do to minimize damage.
- Recommending that large commercial policyholders establish a disaster recovery plan and set up a disaster committee.
- Rewarding effective property maintenance with lower premiums.

"A five-year overhaul policy can keep a roof on in a storm," Mr. Waller noted.

- Lobbying governments in the region to enforce building codes.

"The Caribbean building code has been around for 25 years, but not one country has made it mandatory," he said.

If insurers strive to reduce the risks in the Caribbean, they will be rewarded with far fewer losses the next time a hurricane strikes, he said. "Don't back off, don't pull out; think and do something positive." BI



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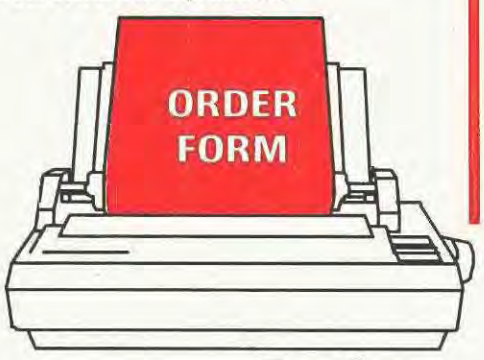
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Business Insurance®

Cedants getting rate cuts

Reinsurers vying to write business in Latin America

By GAVIN SOUTER

Reinsurance rates for Latin American ceding companies will continue to plunge for at least the next six months, a reinsurance executive says.

Stiff competition among international reinsurers for Latin American risks will drive excess-of-loss reinsurance rates down by 20% at midyear renewals and proportional treaty and facultative rates also will fall, the executive says.

Much of the increased competition is due to Bermuda reinsurers aggressively seeking new business in an attempt to meet the return on investment expectations of their owners, according to Keith L. Shroyer, vp-Latin American operations at American Reinsurance Co. in Princeton, N.J.



But low interest rates should ensure that the current soft market will not last as long as the previous soft reinsurance market that buyers enjoyed for much of the late 1980s, he said.

Ceding companies in Latin America have received substantial rate cuts in the past two years, he said. "Two years ago, catastrophe excess-of-loss rates turned soft. That was soon followed by facultative rates, and

Continued on next page

Continued from previous page
in the past year the proportional treaty segment of the market has been in over supply," Mr. Shroyer said.

One reason for the fall in rates has been the reduction in primary insurance rates, Mr. Shroyer said during a session at the 1996 Roundtable on Insurance Conditions in the Americas last month in New York, sponsored by the International Insurance Council.

"Multinational insurers have been lowering primary pricing levels and that has allowed local Latin American insurers to follow suit," he said.

Facultative reinsurance rates have come under additional pressures as local reinsurers offer competitive rates to large risks on a facultative basis, Mr. Shroyer said. These rates are being cut to keep the risks out of proportional treaties that are ceded to European reinsurers, which are aggressively chasing the business, he explained.

"So, very few companies are meeting their premium estimates for the treaties," Mr. Shroyer said.

Over the past year, catastrophe excess-of-loss rates have fallen 20% in the Caribbean; 30% in Mexico; and by 40% or more in the rest of the Latin America, he said.

Much of the competition that is driving the rates down is coming from the catastrophe reinsurance companies in Bermuda, which are now leading programs instead of following other reinsurers' rates.

In addition, to meet the investment expectations of their backers, some of the Bermuda reinsurers are expanding their lines of business outside of excess-of-loss reinsurance to generate more premium income, Mr. Shroyer said.

"They are already writing proportional treaty reinsurance and in November some of them were looking at retrocessional proportional treaty business, which was a line of business that had dried up in 1992," he said.

The increase in competition for catastrophe excess-of-loss business is also ending many long-term relationships between cedants and reinsurers, Mr. Shroyer said.

Traditionally, reinsurance buyers in Latin America had stayed with their existing reinsurers and were even willing to pay moderately higher prices rather than move to another reinsurer, he said. "That has all gone by the boards and catastrophe excess-of-loss programs are being shopped."

Proportional treaty business is also enjoying increased capacity. Reinsurers in the United States and Europe that had previously not written Latin American risks are now chasing the business, he said.

The increase in competition is also leading to changes in conditions—per event limits are effectively being jettisoned by proportional reinsurers, he said.

"A few years ago, per event limits were introduced for catastrophes but, with all the new capacity, per event limits are now considerably above the probable maximum loss for a country, so they are meaningless," Mr. Shroyer said.

At midyear renewals, the downward trend in Latin American reinsurance rates will continue, Mr. Shroyer predicted.

"Catastrophe excess-of-loss premiums will go down about 20% and that will reduce the proportional treaty premium for 1996," he said.

But while there currently is no end in sight for falling rates in Latin America, the current soft market is unlikely to be as protracted as the soft market of the 1980s, Mr. Shroyer said.

In the last soft market, reinsurers could buoy their underwriting results with investment profits, since interest rates in the 1980s were between 14% and 17%. Currently, though, interest rates are about 5%.

"So realistically the soft market may not last as long because the companies won't get the return on equity they are looking for," Mr. Shroyer said.

Regulatory changes could also affect the Latin American reinsurance market over the next year, he said.

While international reinsurers have easy access to most markets in the region, Brazil has remained largely closed, but that is set to change this year.

However, the deregulation of Brazil and the ending of the reinsurance monopoly enjoyed by Instituto Resseguros do Brasil may not be as far reaching as international reinsurers hope, Mr. Shroyer said.

"We have heard that during the first couple of years we would have to set up and capitalize a subsidiary there. Those rules may be relaxed over time, like they were in other Latin American countries, but it is still not a very positive step forward," he said. BI



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Insurer Topics

Better planning leads to better meetings

By MARK A. HOFMANN

An agenda, objectives and clear goals form "the holy grail" for making the most of meetings, a meeting planner says.

If you don't have that, says David Kliman, then you just have logistics like making sure there are enough coffee cups.

Mr. Kliman, a 16-year veteran of the meetings industry, is director-travel management and corporate events for Fireman's Fund Insurance Co. in Novato, Calif.

He also is president of Meeting Professionals International. The Dallas-based trade group is the world's largest association of meeting planners, consultants and suppliers of meeting-related services, with nearly 14,000 members in about 50 countries. Half the members represent buyers, ranging from corporate and association representatives to independent meeting planners. The other half is hotels, airlines and other companies that serve the meetings industry.

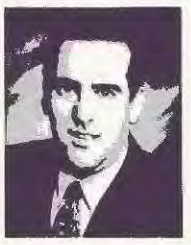
Mr. Kliman said the most common problems associated with meetings are establishing goals and objectives beforehand and then documenting the return on investment afterward. Sometimes returns are fairly straightforward, such as for an insurer-sponsored gathering of agents. "You can say, 'We've spent X dollars on having a wonderful incentive but we've written X times 100 more premium,' " Mr. Kliman said.

But, without a clear vision of what the meeting is supposed to achieve, the meeting will not succeed, he said.

This is true of elaborate multiday events as well as of down-and-dirty, "in and out of O'Hare" in the same day meetings. "If there's a lack of clear vision, that will be brutally apparent from the get-go," he said.

So, Mr. Kliman said, there must be a physically printed agenda "that says this is what we're going to talk about" and specifies the time periods.

"As a meeting professional, it's my responsibility to work with the meeting sponsor to make sure they know with a gut clarity that the spotlight will be on them" and they must have their business preparation done, Mr. Kliman said. He stressed that this doesn't mean the sponsor will read a 20-page speech verbatim; some people can run a very successful meeting without notes. But "they can't just wing it."



Mr. Kliman

Even brainstorming agendas have to be wrapped around something else.

"This is not a group therapy session where you just come in and start talking stream of consciousness, this is a business session."

A meeting's purpose will help determine how it's run, Mr. Kliman noted. For example, there is no hard and fast rule about holding events throughout the day during a multiday conference or leaving mornings free for golf. Instead, there are common-sense rules, such as not keeping people in a dark room watching slides for hours at a time.

Although there are guidelines for how many days a conference should last, there can be diminishing returns after four days, he said. "People have lives outside of meetings and they're going to start concentrating on their outside world, whether it's their family or their business."

One thing that is certain is that large insurers spend a good deal of time and money on meetings.

Meeting planners that 10 years ago did little more than make sure the temperature was right and the coffee cups ready today are involved in making sure the meetings run effectively, he said.

There's another certain thing, too, Mr. Kliman said. Even though teleconferencing and other technological advances can in some cases eliminate the need for an executive to fly to and from a distant city to make a 20-minute speech, meetings are not heading to the corporate museum anytime soon.

"I don't think you will ever replace the need to press the flesh and getting to know people," said Mr. Kliman. BI



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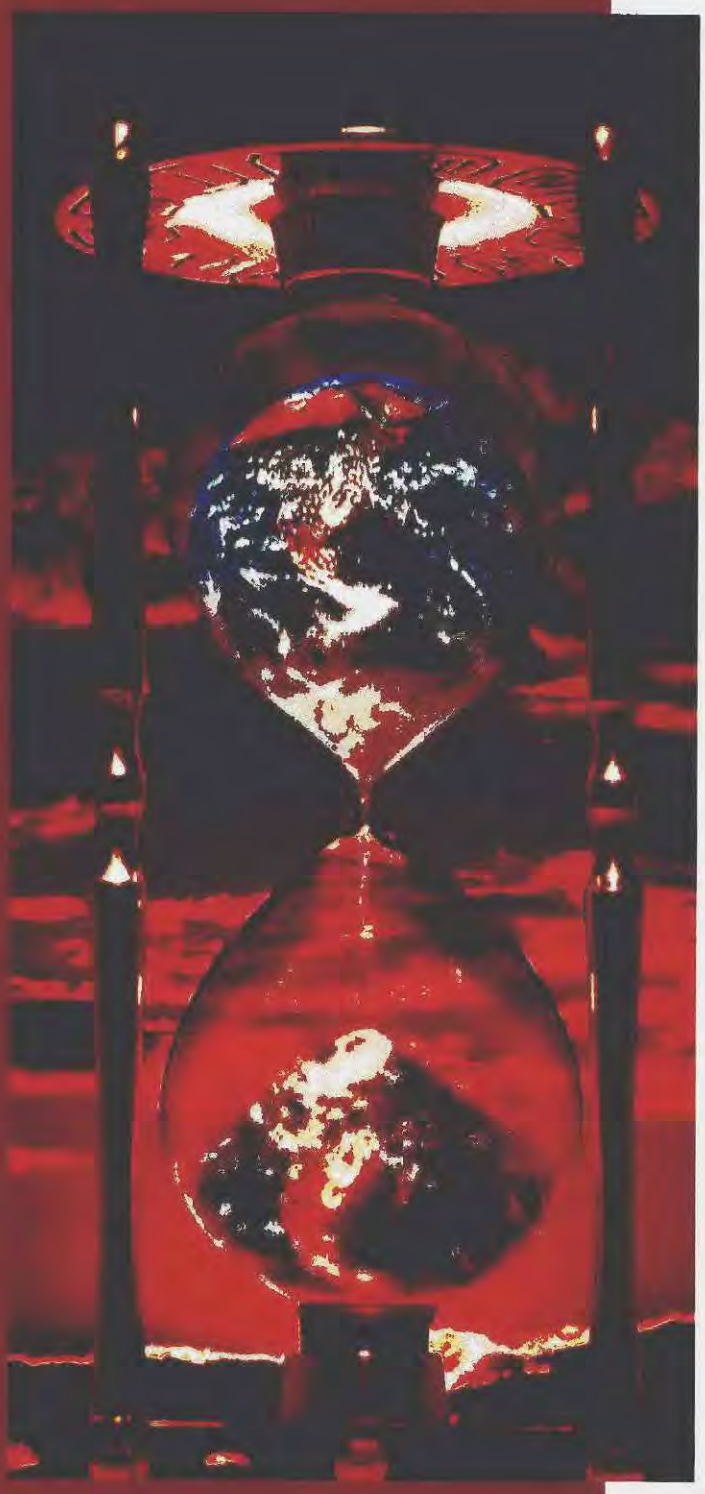
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Insurer Topics

Hockey and insurers team up for kids

Fund-raiser generates $250,000 for children suffering with cancer

By MICHAEL SCHACHNER

Not often does the common man get to rub shoulders with a professional athlete. But, hundreds of New Yorkers enjoyed an evening with 19 members of the New York Rangers hockey team last month at the New York insurance industry's "Skate with the Greats II" fund-raiser for the Ronald McDonald House, a private, non-profit residence for child cancer patients and their families.

The event, which cost between $350 and $1,000 to attend, included an opportunity to skate and chat with Ranger players and to participate in an auction of sports memorabilia. The event raised more than $250,000 in net proceeds for Ronald McDonald House, more than twice the $105,000 that was raised during the inaugural "Skate with the Greats" fund-raiser in 1994.

'When you get the analysts, bankers, brokers, insurers and accountants involved, you can really do something,' says Walter S. Tomenson Jr.

The event is the brainchild of several insurance industry executives in the New York area, including executives with Marsh & McLennan Inc. and The Equitable Cos.

"If ever there was a cause the insurance industry should be involved with, it's this. Ronald McDonald House is a wonderful facility that makes cancer treatment a much more comfortable experience for kids and their families," said Walter S. Tomenson Jr., an executive vp with M&M and a Ronald McDonald House board member.

Mr. Tomenson was co-chairman of the event along with Jerry M. de St. Paer, senior executive vp and CFO at Equitable.

Ronald McDonald House is a $24 million, 84-room residence located on Manhattan's Upper East Side. It provides temporary housing to all pediatric cancer patients being treated at any New York hospital and their families.

Mr. Tomenson said this year's event differed from the previous one in that the entire industry rallied behind it and put its money where its collective mouth is.

"When you get the analysts, bankers, brokers, insurers and accountants involved, you can really do something. Most of the corporations that co-sponsored this put up at least $5,000 and hundreds of tickets were sold. The Rangers are a great group. They do it all for nothing. It's a great event," he said.

And, individuals in attendance did their part, too.

Eager to snap up some sports items that could be worth a lot of money if players like Mark Messier and Brian Leetch continue on their paths to the Hockey Hall of Fame, one attendee bid $3,000 for the jersey worn by Mr. Leetch at this year's All-Star Game. A jersey signed by Mr. Messier went for $1,200, and many other items ranging from autographed sticks and jerseys fetched hundreds of dollars. BI



M&M's Walter S. Tomenson Jr., left, and New York Ranger hockey pro Brian Leetch, teamed up to raise funds for child cancer patients.

Texas may take prints of prospective agents

Licenses denied for those with criminal record

By MICHAEL BRADFORD

New Texas insurance agents will have to file their fingerprints with the state Insurance Department if a proposed fraud-fighting rule is put in place.

If a criminal background check turns up a record, prospective agents may be denied a license under the rule being considered by Texas Insurance Commissioner Elton Bomer.

'We don't want to subject our clients and the general public to anyone with a criminal record,' says Don Morriss.

Under the proposal, prospective agents would be required to submit to fingerprinting when taking license examinations conducted by Insurance Testing Corp. at locations throughout the state.

The prints would be forwarded to the Texas Department of Insurance and background checks would be conducted using the databases of the National Crime Information Center and the Texas Crime Information Center.

An applicant identified as having a criminal record would have to receive approval from the commissioner in order to obtain a license.

There are no state laws that bar someone with a conviction from getting a license, but there is a statute that allows denial or revocation of a license if an agent has been convicted of a felony.

"The commissioner can grant a license to someone with a record but, in the few cases that that has happened, the conviction has been quite a ways in the past and the applicant had tons of evidence that indicated he was rehabilitated," explained a spokesman for the Texas Department of Insurance.

The rule would also apply to agents already operating in the state if they applied for a license to market additional types of coverage.

Agents are supporting the proposal.

"We started off feeling like it was going to be a relatively time-consuming procedure to follow," said Don Morriss, president of the Texas Assn. of Insurance Agents.

But, after studying the proposal, the association decided it was in favor of the effort to screen applicants for criminal activity.

"We don't want to subject our clients and the general public to anyone with a criminal record," said Mr. Morriss.

He said the association's only concern is that the fingerprint checks might cause some delay in putting new producers to work while waiting on the all-clear from the Insurance Department. BI

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Online system.
Customization optional.
First installation: 1994.
Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.
Features: Ad hoc report generation.

■ CS + Managed Care.
Price: Quoted individually.
System requirements: OS/400 or CICS platform; SVGA video; multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1987.
Benefits managed: Workers comp.
Features: Calculates state fee schedules; usual, customary and reasonable review; patterns of treatment checking; utilization review; unbundling; case management; health plan provider management; ad hoc reporting.

■ CS Prism for Windows.
Price: Quoted individually.
System requirements: Pentium PC; OS/400 platform; 24MB RAM; SVGA video; multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1986.
Benefits managed: Workers comp.
Features: Claims administration, state reporting, EDI, auto reserving, claim workflow system, notepads and complete audit trails with extensive user help screens. Options include integration with CS + Managed Care.

User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*.
Staff: 442 total, all professionals.
Clients: 4,953 total, including six benefit departments. Sold systems to 361 clients in 1995.
1995 revenues: $46,000,000.
Officers: Johnny Mize, CEO; John Champlin, vp-client services; Scott Gilmour, vp-sales/marketing; Michael Unruh, vp-finances/CFO.
Contact: Scott Gilmour.
** Included in system price.*

D

DATAIR Employee Benefit Systems Inc.

735 N. Cass Ave., Westmont, Ill. 60559-1100; 708-325-2600; fax: 708-325-2660

Benefit systems since: 1967.
Software systems:

■ DATAIR's Cafeteria Systems.
Price: $695 to $2,750. Quoted individually.
System requirements: 386 PC; DOS platform; 1MB RAM, 40MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyon Vines, IBM LAN Manager and any PC LAN; database management systems supported include dBASE.
Customization optional.
First installation: 1987.
Benefits managed: Flexible benefits.
Features: Determines eligibility, survey results, enrollment, costs, contribution breakdowns, discrimination tests; processes claims, approvals and denials; check writing; year-end projections; claims carryovers; new plan year enrollments. Benefit communication features include status of account and claims, enrollment projections. Options include documents for plan and trust, SPDs, resolutions, design checklists; reporting for Form 5500 and Schedule F.

■ DATAIR's Pension System .
Price: $1,000 to $7,500. Quoted individually.
System requirements: 386 PC; DOS platform; 1MB RAM, 40MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyon Vines, IBM LAN Manager and any PC LAN; database management systems supported include dBASE.
Customization optional.
First installation: 1969; (1984 first PC version).
Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Determines eligibility, contributions, benefits, allocations, vesting, forfeitures, loans, directed investments, funding standards and emerging liabilities for money purchase target and defined benefit pensions, profit sharing, 401(k), 403(b), 457 and ESOPs; performs discrimination and compliance tests, offering solutions when failed; data import; interfaces with DATAIR and other systems. Benefit communication features include eligibility and proposal projections based on multiple variables. Options include employer data entry, report writer, government reporting, participant termination payout illustrations, trust accounting.

■ Qualified Plan Distribution (& Tax Analysis) System.
Price: $475 to $950. Quoted individually.
System requirements: 386 PC; DOS platform; 1MB RAM, 10MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyon Vines, IBM LAN Manager and any PC LAN.
Customization optional.
First installation: 1988.
Benefits managed: 401(k) plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.
Features: Calculates and projects applicable taxes under various qualified plan distribution scenarios and estate considerations regarding family, insurance, trusts, income streams, assets, required distributions, beneficiary arrangements and payout elections; includes all applicable federal taxes; state rates may be entered; incorporates applicable laws, thresholds and tax rates. Benefit communication features include printouts and PC terminals. Options include report writer.

■ Retirement Plan Documents System.
Price: $500 to $4,500. Quoted individually.
System requirements: 386 PC; DOS platform; 1MB RAM; Mono video; multiple user; network operating systems supported include Novell Netware, Banyon Vines, IBM LAN Manager and any PC LAN.

Online system.
Customization optional.
First installation: 1990.
Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Supports 12 IRS-approved defined contribution plans, including a standardized/non-standardized prototype and a volume submitter plan for each of the four plan types (money purchase, profit sharing, 401(k) and target benefit); supports five IRS-approved defined benefit plans, including a volume submitter plan and four prototypes (standardized/non-standardized and integrated/non-integrated versions); provides plan and trust documents, SPD, resolutions, ancillary documents, design checklist, filing forms, model amendments. Benefit communication features include terminals, notices, waivers, designations, elections, applications, notes, covenants, agreements and SPD. Options include flexible benefit plan documents.

User support: User groups/meetings*, onsite training*, telephone assistance 10 hours per day*, newsletter*, 24-hour fax network and bulletin board service*.
Staff: 25 total, 15 professionals.
Clients: 800 total, including 50 benefit departments. Sold systems to 267 clients in 1995.
1995 revenues: $2.9 million total. $2.9 million from employee benefit information systems sales and services, 42% from software sales, 58% from software services.
Officers: Aaron Venouziou, president; Andrew Hoskins, senior vp-systems; Gary Saake, vp-systems/programming; Judy Ringlein-Dunn, vp-customer support; Bill Lilliquist, director-marketing.
Contact: Bill Lilliquist or Rick Bindler.
** Included in system price.*

Continued on page 33

The Benefit Communications Systems directory runs Oct. 28.



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Averting rude awakening at work

By Beverly H. Patrick

EVERYONE IS QUITE CONCERNED with managing the risk of doing business in today's world. All too often we forget to emphasize risk prevention in a most important area—business manners. After all, manners are the oldest form of risk management.

When you say "manners," people immediately think of table manners or something associated with food. The next thought is usually that they are already well versed in table manners—or are not interested. After all, many people think that manners hardly exist any more.

But manners and business are not mutually exclusive.

The rules are rapidly changing for all relationships—broker/client, insurer/policyholder, internal/external customers, male/female.

All of us want to avoid adversarial situations and prevent discrimination or sexual harassment. Insensitivity can lead to big problems for employees, managers and all businesses these days (litigation! litigation!), not to mention clouding the business climate.

Now, I'm not talking strictly about social conventions like opening doors or choosing the right fork. Manners are made of stronger stuff than that. What they are really about is our morals and values, values like concern for the individual, and the very democratic principle of giving all people, rich or poor, exactly the same respect. They are about how we treat people. This matters tremendously, especially in today's workplace.

Manners have a long history of remedying sticky situations. The handshake was first employed as a way for gentlemen to show each other they were not armed. Parliamentary language, used by Congress and in formal meetings, allows people who are very angry with each other to remain cool by requiring them to speak of each other in courteous ways.

You may not have a use for parliamentary language in your daily work situation. However, everyone comes up against situations with people who are difficult, controversial or just downright uncomfortable. Manners will help. Just as people are judged by unspoken standards, a corporation, large or small business, an association, club or organization's image will be affected by the manners (good or bad) of the people who speak for it. Bad manners can prohibit you from getting that all-important contract and be a real barrier to success or advancement.

Generational biases

Manners help us work and interact everyday with people who have vastly divergent attitudes and conduct. Generational differences compound an already complex set of behaviors.

How do the generations differ? Here are some differences I see frequently of each of the three adult generations we work, live and interact with everyday.

Generation #1: People in their 50s and 60s had manners drilled into them. How does this generation behave today? This turns out to be an especially vexing question for men. Take a younger woman to lunch and she may open her own doors and often want to pay half or all of the check, actions that violate every rule the men in this generation were taught. They were taught to be gallant to women and think they are doing them a favor by repeatedly complimenting them, walking between them and the curb or leaping to their feet when a woman enters the room. They often refer to women as girls and think nothing of putting an arm around her shoulder. Young women, especially, can be offended by older men doing this.

Generation #2: The baby boomer generation—people in their 40s—though often taught good manners, for awhile became the somewhat loose generation. What they find acceptable within their own generation, i.e. sexual humor, innuendo, colorful language, may not be acceptable to older generations or from other generations. Sometimes they lack the polish of older generations, which may be reflected by a lack of manners. They can be extremely informal, both socially and professionally, and this can be very detrimental in a business setting.

Inattention to manners in the work environment can lead to costly lawsuits

Generation #3: The MTV generation—people in their late 20s and 30s—is known as the "me" generation. They seem to be in a perpetual hurry. Everything is fast-paced and fast-track. Time for manners and the "little things that count" may not even register on their screens. Instead of sensitivity and attention to others, the attitude is often "What are you going to do for me today?"

We are already seeing a fourth generation, labeled "Generation X" by the media: our high school seniors and college students who are moving into the workplace.

Their perceptions and manners are different still from any of the above three generations.

Bridging the gaps

Each generation may react very differently to the same situation. Just because they react differently does not make one of them wrong and the other right. Manners, treating everyone decently and with respect, will bridge these gaps. Manners are genderless and generationless.

Manners can help prevent or stop sexual harassment. Even though the Supreme Court now has a definition of sexual harassment, it is still very much in the eye of the beholder. Men and women must treat each other differently in the workplace than on a personal or private basis. Lines do blur in close working situations. Before you act or react, think manners first. When in doubt, don't do or say it.

Manners in the workplace, treating everyone decently and with respect, will bridge generation gaps.

Example: In a very important meeting at a large corporation, each person at the table was making a presentation. One of the men at the table singled out one of the younger women and pointedly said that he did not think she was aware of the technical terms he was using in his presentation. She was very offended and embarrassed in front of her peers. In the discrimination lawsuit which she later filed against the company, she listed age and gender as the reasons. She stated that this was not the only incident that had occurred with this same man and that the company had failed to work with him to see that he changed his attitude, or at least treated her respectfully.

Solution: In this case, the man was of generation #1 and very much from the old school. Younger people, particularly women, were deemed by him to be inferior. It showed in his attitude on a daily basis. Had he minded his manners by treating everyone with respect and decency, he could have avoided this situation and lawsuit totally. Even if in his mind younger women are inferior technically, he could have explained the point to the meeting in general and thus avoided embarrassing the young woman at this meeting and others.

The company should have addressed his attitude long before this meeting occurred and worked with him to make business manners an ingrained part of his and all employees' attitudes.

There are other problem areas as well.

Behavior that is OK outside the office can be improper at work.

The trouble stems from confusing business manners with social manners. Business has definite protocols that differ from social ones. Overdoing informality and sociability at the office gets people in trouble.

Example: There was a manager in an insurance agency who on a routine basis referred to everyone, men and women, in all positions, as boys and girls. He thought it was cute and it was a part of his persona. One day, after constantly using these terms to everyone, he said, "Hey boy, bring me that file." This was to a young male of African American descent who immediately filed a lawsuit stating that he was demeaned by the constant use of the word boy, that it was never cute and had ceased to be tolerable.

Solution: While everything that is embarrassing or not politically correct in today's environment is not always meant to hurt or embarrass us, we need to be always conscious of others with whom we work and interact. What is acceptable to us is not always to them. In this instance, the minute his superiors heard the manager using these terms they should have immediately counseled him to refrain from this "cutesy" language. Even if no one was offended, this language does not belong in the business world. Bad habits can be broken and good habits learned. Again, even if a company "wins" the battle, it loses the war.

Office gossip is another red flag. Gossip is raw data in the communication channel. It should not be regarded as information. The same goes for off-color, racist or ethnic stories and jokes. Do not listen or participate. Avoid them.

Example: An officer of a large national corporation loved to hear and tell stories and jokes of all kinds. Everyone who knew this person was aware of that trait and frequently told and sent stories and jokes. One of the secretaries who worked with this person was offended by any story or joke with the slightest hint of a sexual overtone and found it difficult to work in an environment where this was a part of the workday. While it did not lead to a lawsuit, this excellent secretary left the company with a bad feeling for the executive and the company.

Solution: All of us need to be aware of the feelings of others. While we may think something is funny and not hurting anyone, often that is not the case. Behaving in this manner one time can be a mistake and forgiven. To repeatedly operate in this manner opens the company up for lawsuits and says to the world that its officers, and therefore the company, have no regard for the people who work there. This translates to the clients of the company and ultimately leads to lost business—a very costly mistake that can be avoided by using business manners.

In addition, new technology has created new applications for manners in the workplace. Voice mail and online computer communications require you to be just as courteous as you should be in person or on the telephone and in written communications. Some people use these modes of communication to let "their wilder side" have free rein. Do not fall into this trap—and see that those with whom you work do not, either. It is not just the incidents that happen in person or in the office itself that can lead to lawsuits.

A risk management approach

Risk managers, one of your primary responsibilities is to make sure your company has a safe work environment. The mental work environment can be just as important as the physical environment. There are many gray areas where even the well-intentioned can collide. Work with your human resource department to ensure that you have an employee handbook that expressly states the policies of the company so that employees have no doubt as to how the company stands on a particular issue or what is expected of them. Eliminate as many of those "gray areas" as possible. Most employees will appreciate this.

For instance: Someone in a company hires a novelty telegram service to show up at a company-wide meeting. You know the type of telegram I mean—the one where a well-dressed man or woman appears and proceeds to strip to music. What if an employee sues the company for sexual harassment because he or she was offended by this performance? Can it be deemed to be sexual harassment and, if so, is it covered by most general liability insurance policies?

You may have coverage under your liability policy or you may have purchased one of the specialty policies

See **Manners** *on next page*

Time to treat mental disorders seriously

By Keith Dixon

ALARMING NUMBERS DEMONSTRATE the need for behavioral health care plans. At a given moment, about 20% of the workforce is impaired by clinical depression, manic depression, anxiety disorders or substance abuse—the main forms of mental illness.

Mental illness and substance abuse do not respect social, race or class boundaries, nor do they discriminate by intelligence, educational level or achievement. Why then should we expect these disorders to conform to the arbitrary—and often inadequate—limits placed upon their treatment by so many behavioral health care plans?

The time for unlimited benefits in behavioral health care has come, and implementation will lead to better employee care and parity with physical medical treatment.

While there are caps in medical as well as behavioral health care coverage plans, behavioral health plans traditionally have strained under tighter restrictions that can hinder the plan's very goal: employee health.

In the late 1980s, behavioral health benefits were one of the fastest-growing components of medical health plans. Employers responded by imposing limits—both monetary and in number of covered episodes per lifetime—to cut growing treatment costs. The side effects: premier treatments were available to a privileged few, and the focus on outpatient treatment virtually killed the inpatient movement.

But, times and methods have changed, and employers and benefit providers should recognize that limiting or cutting benefits is not the most effective way to save money. In fact, behavioral health care problems that are not completely treated only cost the employer and society more. The U.S. Department of Health and Human Services reports that in 1992, the direct and indirect costs to society of mental and addictive disorders was $370.4 billion—far more than cancer ($104 billion), respiratory disease ($99 billion), AIDS ($66 billion) or coronary heart disease ($43 billion).

Unlimited benefits promote better treatment, lower cost

The move toward unlimited benefits is driven by the search for parity with physical health care coverage, which would contribute to the de-stigmatization of patients with behavioral health conditions. Currently a hot topic in the mental health care community, the American Managed Behavioral Healthcare Assn., medical schools and various federal agencies and psychological groups are all trying to reach a consensus on parity. The states of Maine and Minnesota already have passed laws expanding insurance coverage for mental illness treatment and eliminating cost sharing requirements.

Minnesota's law places benefit limits and cost sharing measures for mental illness at parity with other inpatient and outpatient services, with annual caps for the services eliminated. In Maine, employers with more than 20 workers must have all individual and group health insurance policies, contracts and certificates cover seven major psychiatric disorders at parity with coverage of other medical illnesses. The law requires deductibles and cost-sharing measures to be equal to those paid for medical illnesses, and medical necessity will be the only limitation of treatment.

Medical necessity, along with a managed care system, is key to effective implementation of an unlimited benefit. Since the time when high costs brought about caps and limits, managed care tools such as diagnosis, treatments and outcome tracking in the behavioral health care field have evolved greatly.

Critical factors in controlling costs and assuring quality and appropriateness of care are requirements of preauthorization of services based on set criteria, effective treatment planning and case management, careful provider selection and outcomes measurement and monitoring.

My own experience with a variety of behavioral health plan designs shows little correlation between design, utilization and costs. Following managed care principles will allow for unlimited benefit implementation at the same cost or perhaps just 10% more than capped plans.

An example of how an unlimited benefit plan may shape up can be found in a proposal from Vista Behavioral Health Plans. The company plans to eliminate all limitations on days of inpatient hospitalization, day treatment, residential care or outpatient visits per calendar year. Also targeted for elimination are any lifetime or annual maximums. Outpatient copayments still will be required.

It can work.

Using expert judgments and agreements with providers, managed mental health care companies can assure that employees and dependents will get the services they need when they need them, without the artificial benefit plan restrictions and limitations now common in the field.

Benefit limits, in effect, penalize people for trying to get well. If once-a-week counseling is what's needed—that's what the client will get in an unlimited system. And, in the case of chemical dependency, if treatments after two episodes don't solve the problem, the unlimited benefit allows for more of what is needed.

No longer will providers be forced to deny treatment to someone who needs it.

Developing and seeking unlimited benefits is both an ethical step and a cost-effective move along the path to greater employee wellness. BI



Keith Dixon is chief executive officer of San Diego-based Vista Behavioral Health Plans, which specializes in mental health and chemical dependency services.

Manners

Continued from previous page

now available that offer coverage for sexual harassment. However, the best policy continues to be avoidance.

You need to think of gray areas like these and the examples cited above as they may be areas you do not typically think of as creating a non-safe work environment.

And what about hiring a speaker or trainer to present at one of your company meetings? Who is responsible for the content of their material being "safe"?

Voice mail and computer communications are another area that is often neglected by risk managers.

If you already have a company handbook in place, make sure that it is current, and that everyone has a copy of it, has read it and has documented they have done so. This should be an annual occurrence—make it a part of your annual review of all company policies and procedures, insurance and otherwise.

Some final tips

Remember:

✓ Decency is irresistible.
✓ Separate your business and social life.
✓ We are humans first—men and women second.
✓ Manners must be an ingrained part of who you are.
✓ Make manners common sense by regular application.
✓ True manners are genderless and generationless.
✓ Treat everyone with respect. Keep your business manners in place at the office party.

So, mind your manners, they are the most effective risk management tool we have until our minds truly change and our morals catch up. BI



Beverly H. Patrick has spoken nationally on the importance of proper etiquette in the workplace. She works as a consultant in Virginia Beach, Va.

Employee's fatal shooting covered by workers comp

Legal Briefs

The Court of Appeals of Virginia ruled that an employee's fatal injuries arose out of his employment when he was shot while driving through a public housing project.

Michael Whetsell was shot and killed as he drove from his employer's office to the building where he worked as a custodian. The only direct route to the office took him past a subsidized housing project. On the day he was killed, Mr. Whetsell had driven to the office to pick up his paycheck and to receive special instructions for work he was to do that week. While driving back to the office building he maintained, Mr. Whetsell was struck by a bullet and died three days later. His widow filed for compensation benefits. The compensation commission awarded benefits, but the employer and insurer appealed.

The appellate court concluded that Mr. Whetsell's risk of being shot was peculiar to his employment since he was required to drive through a crime-ridden area and by a building notorious for its frequent shootings. Thus, the court said his employment exposed him to a heightened risk of being shot. This evidence was sufficient to show that the injury arose out of Mr. Whetsell's employment, the court said. The court affirmed the award of compensation.

Roberson vs. Whetsell, Virginia Court of Appeals, Nov. 21, 1995 (*BI*/04/A.-$10).

On-the-job assault compensable

A Kansas appellate court has upheld an award of workers compensation benefits to an employee injured by a co-worker's assault over a personal matter because it was exacerbated by an employment hazard.

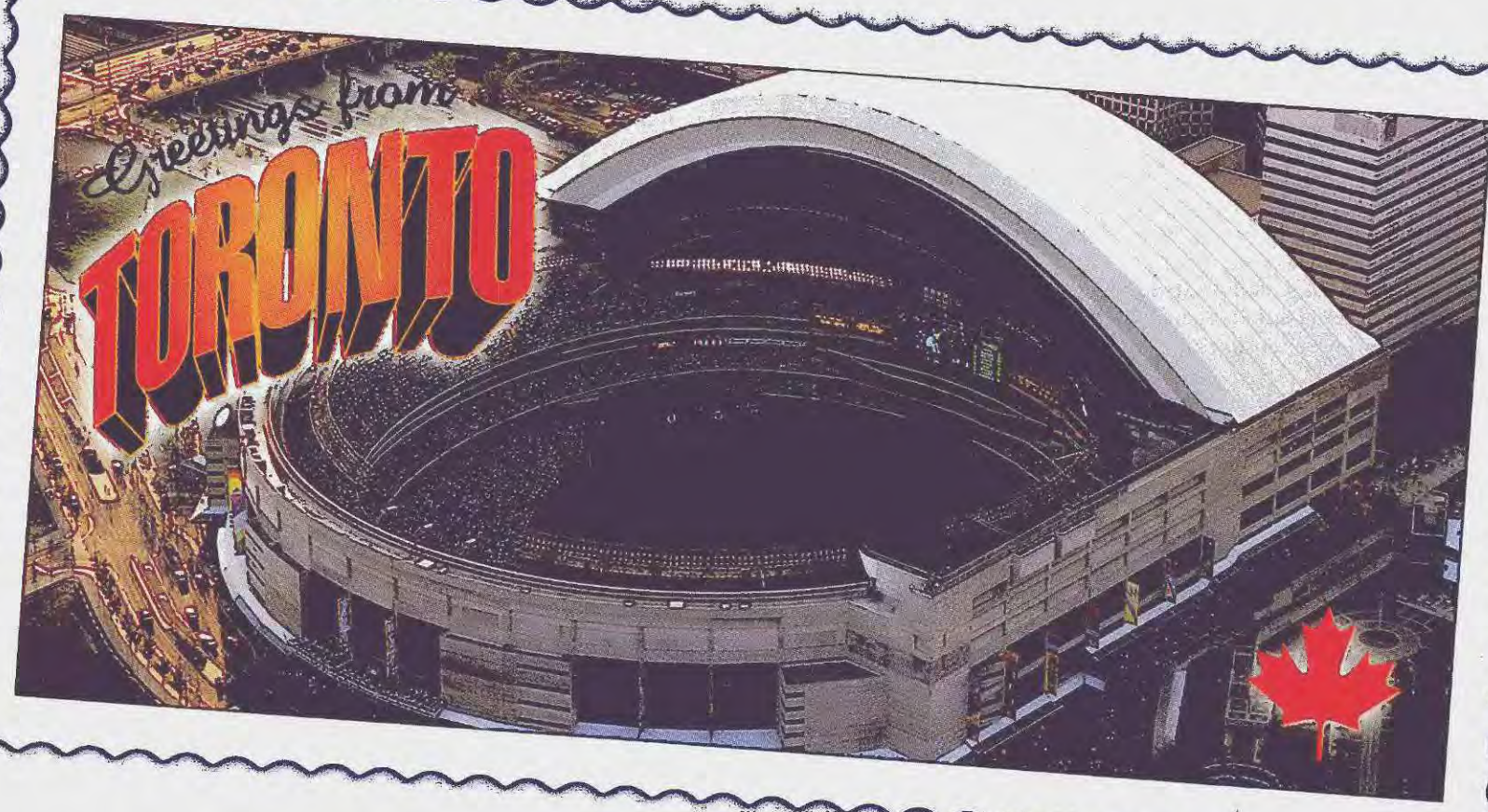
James T. Baggett sustained an injury while working for B&G Construction in December 1991. He was at a job site estimating measurements for a flight of stairs when he was pushed from behind. A co-worker demanded the return of $3 Mr. Baggett had borrowed earlier. Mr. Baggett turned to see who pushed him and backed up a few steps. He fell about 12 feet into a hole that led to the basement, landing on a concrete floor. He sustained a serious head injury and a fractured clavicle. Mr. Baggett's claim for benefits was granted by the Workers Compensation Board. The employer appealed.

On the appeal, B&G argued that Mr. Baggett's injuries did not arise out of his employment, but rather from a personal attack by another employee. But the court said that Mr. Baggett would not have sustained the serious injuries during the pushing match had he not been on the job site, which contained an open hole. "The concurrence of the assault and employment hazard caused Mr. Baggett's injuries; thus, it is compensable," the court said.

Baggett vs. B&G Construction, Kansas Court of Appeals, May 19, 1995, *Motion for Publication Granted*, July 14, 1995 (*BI*/01/J. $10). BI

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a $10 check payable to Mayo H. Stiegler, to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

Most Tourists Watch in Fascination as the SkyDome's Roof Retracts, Exposing its Stadium to the Open Air.



Only *BI's* Readers are Fascinated with its Exposure to Liability.

No one takes in the sights of Toronto in quite the same manner as *BI's* audience of risk and employee benefits managers, brokers, and insurance and reinsurance executives. While most tourists enjoy visiting such attractions as the CN Tower, Roy Thomson Hall and the SkyDome, our readers examine these landmarks with much closer scrutiny — searching for the property and liability risks.

Because of their dedication to their profession, many of *BI's* 155,000* readers will travel to Toronto this April for the annual meeting of the Risk and Insurance Management Society. Still others will remain at home looking for the most effective ways to protect their companies and clients from exposures and provide their workers with employee benefits. But no matter where they are, they will all be looking to *Business Insurance* for clear reporting, unobstructed views and the most comprehensive perspective of the issues discussed at the industry's biggest conference.

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Publishing: April 22, Ad Closing: April 10

RIMS REPORT:
EMPLOYEE BENEFITS & WORKERS COMP
Publishing: April 29, Ad Closing: April 17

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ASK A RISK MANAGER

Protecting firms, and people, from assaults in the workplace

Q **My employer operates several retail outlets across the country. A disturbing trend in our liability claims experience appears to be a marked increase in physical assault incidents. Are you aware of this trend extending on a national basis, and what can we do to protect our companies from this serious exposure?**

A The organization I work for also operates several hundred retail outlets on a national scale, and I agree that assault-related incidents are on the increase. Of particular concern to any employer should be cases where the employee is a willing participant in such violent, anti-social behavior. The serious exposure you refer to originates from various sources.

For starters, insurance protection does not always apply because of the "intentional acts" and "punitive damages" exclusions. And, defense costs associated with these incidents can be a high-ticket item because of the complex discovery process required to adequately manage the cases. In many instances, the insurance agreement may extend to the employer but not the employee. This situation leads to further problems since defense work must be coordinated between two different law firms. Sure sounds like the beginning of a big headache, right?

A common reaction when we talk about employee-related assaults is to shake our heads in dismay, express our concerns about the many social ills and then prepare to wrestle with the next set of problems. However, with the number of these cases escalating and gaining national attention, we simply cannot afford to treat this behavior as a sign of the times. The correct way to deal with it is by adhering to a careful employee selection process and developing and implementing continuous employee training programs that aim at keeping our employees focused and motivated to perform their jobs professionally. As employers, it is our responsibility to communicate to our workforce that we have zero tolerance for violent behavior in any form.

The employee selection process should include a background check and a motor vehicle record check if the employee's job duties require him or her to operate a vehicle. Many employers also are utilizing a variety of aptitude tests that help identify certain bad behaviors before an employee is recruited. Organizations that do not expend the effort to weed out undesirables will pay a heavy price down the road. Employee training programs should focus not only on technical abilities but also include sensitivity skills that heighten our awareness of the feelings of others. Although this sounds like basic stuff, it is too often ignored in a culture that is driven by a desire to expand market share and increase profit margins. Remember the comment about intentional acts being excluded from general liability coverages. An employer is definitely at risk when it decides to do nothing to influence the behaviors of its workforce through the above measures.

Regarding insurance protection, carefully read your comprehensive general liability policy and make certain that exposures for employee vs. employee incidents are covered. Also, pay particular attention to wording in the intentional acts exclusion. Yet another aspect to consider is the fact that assault claims are likely targets for media attention, since the public has an insatiable appetite for stories with a sensational flavor. Part of your risk control strategy, therefore, should include knowing how to communicate with the press on such matters. If your company is identified as having problems with violence, its profitability and ultimately survival could be at stake. After all, perception is everything in today's business climate.

In conclusion, the best means of protecting your company from assault-related incidents is to take an active role in the employee selection process and subsequently to offer workers the necessary tools and skills to handle every job. Investing time and energy in these processes is the best means of controlling violent acts. BI

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Risk Manager, Ask A Benefits Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.



This month's column on risk management issues is written by Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C. Dennis J. Nirtaut, managing director of compensation and benefits for Andersen Worldwide in Chicago, answers questions on employee benefit plans. William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore., answers actuarial questions in the casualty field.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

One way to cut insurance costs: Buy this book

"101 Ways to Cut Business Insurance Costs without Sacrificing Protection" (2nd Ed.)
By William S. McIntyre IV, Jack P. Gibson and Robert A. Bregman
Published by International Risk Management Institute Inc., 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217
$24.95

Books & Ideas

By Kevin M. Quinley

BOOKS WITH NUMBERS AND LISTS in their titles seem to be in vogue nowadays. Witness, for example, "The Seven Habits of Highly Effective People," "Ten Stupid Things Women Do to Mess Up Their Lives," "The Five Rituals of Wealth" and so forth. In similar vein comes a new release that should rivet the attention of insurance and risk professionals.

A practical guide, short on theory but high on payback, aimed at the practitioner, not the risk management theoretician.

Classic is an overdone word, but one that fits in certain situations. Perhaps classics include the 1966 Ford Mustang sports car, any novel by Charles Dickens or the movie "Casablanca." Classic implies an enduring quality and utility. In the realm of risk management, what constitutes a classic?

One risk management classic and list-maker is "101 Ways to Cut Business Insurance Costs," now updated and released by the International Risk Management Institute in Dallas. This second edition of the earlier text is well worth the investment of time and money.

Say what you like about risk management increasingly being more than just insurance buying, a good chunk of the risk manager's job includes making insurance purchasing decisions. In that decision-making process, at least two considerations apply: how much can I save on the price/premium and what breadth of coverage can I procure?

This is a delicate balancing act. You can get dirt-cheap coverage if you're willing to sacrifice coverage—and perhaps financial stability as well. You can procure broad coverage if you're wiling to pay for it through the nose. The trick for any risk manager is to keep these goals in some form of balance and harmony.

The authors, Messrs. McIntyre, Gibson and Bregman, are all affiliated with IRMI, which is fast establishing itself as one of the pre-eminent publishers of insurance and risk management texts. The book is chock-full of practical, money-saving tips, a veritable toolbox for risk managers. Reading it, risk managers will learn:

- To understand experience rating and five ways to lower their experience modifier.
- Seven ways to get larger insurance settlements and faster claims processing.
- Eleven tips on eliminating or reducing workers compensation losses and their associated costs.

This how-to guide provides cost-cutting strategies for every major line of coverage. It is even organized by line of coverage to help readers find information easily. The book is a cram course in insurance management, with chapters covering automobile insurance, CGL insurance, umbrella coverage, property coverage, broker relationships, claims, loss control, competitive proposals and two chapters on workers compensation. Each chapter is self-contained, so the risk manager can go straight to the section that best addresses his or her needs at a given time.

"101 Ways" is designed to help insurance buyers and their agents and brokers do a better and quicker job of auditing their insurance program to reduce insurance costs without forgoing needed coverage.

This book is an updated version of an earlier text published about five years ago by McGraw-Hill. It is, however, more than just a rehash of the earlier version.

What I like is it is a practical guide, short on theory but high on payback, aimed at the practitioner, not the risk management theoretician.

Buying a copy of "101 Ways" may be one of the wisest $25 investments risk managers can make, as long as they also invest time in reading it and applying the advice given by the authors. BI



Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.

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FREE LITERATURE FOR READERS

Issue Date: MARCH 18, 1996
Card Expiration: MAY 13, 1996

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All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:
A ❑ Mfg/Svcs; B ❑ Association; C ❑ Union; D ❑ Government; E ❑ Educational Inst; F ❑ Ins Agent; G ❑ Ins Broker; H ❑ Ins/Reins Co; I ❑ Consultant; J ❑ Actry/Attorney; K ❑ Adj/Apprs; L ❑ TPA; M ❑ Health care Inst; N ❑ Other ____

2. Number of employees:
1 ❑ 150 or less; 2 ❑ 151 - 499; 3 ❑ 500 - 999; 4 ❑ 1,000 - 4,999; 5 ❑ 5,000 or more; 6 ❑ Unknown

3. My title is best defined as:
A ❑ Administrative Mgt; B ❑ Financial Mgt; C ❑ Risk Mgt; D ❑ Benefits Mgt; E ❑ Loss Prevention Mgt; F ❑ Other_____

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

5. Do you now receive a personally addressed copy of *Business Insurance*?
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Title _____

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DAVID Corp.

180 Howard St., Sixth Floor,
San Francisco, Calif. 94105;
800-553-2843; fax: 415-362-5010

Benefit systems since: 1984.
Parent: Watson Wyatt Worldwide.
Software systems:

■ Comp2000.
Price: Quoted individually.
System requirements: 386 PC; DOS platform; 4MB RAM, 300MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager.
Customization optional.
First installation: 1991.
Benefits managed: Workers comp, disability.
Features: Claims administration, reserve worksheet, diary function, disability calculations, medical fee schedule, investigation tracking, litigation tracking, subrogation module, medical claims management, word processing, government reports and forms, payment processing, state-specific law and regulatory compliance for California. Benefit communication features include customized form letters. Options include interfacing with accounts payable and personnel systems.

■ CompPlus.
Price: Quoted individually.
System requirements: 386 PC; DOS platform; 4MB RAM, 300MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include DataFlex.
Customization optional.
First installation: 1986.
Benefits managed: Workers comp, disability.
Features: Claims management, utilization review, medical fee schedules, loss development, loss forecasting, policy and reserve tracking, risk analysis, certificates of insurance, safety and loss control, incident reporting, federal and state reporting, OSHA reporting, payment processing, laser check printing, diary and notepad functions, litigation and medical detail tracking, online help. Benefit communication features include customized form letters. Options include interfacing with P&CPlus and payroll/personnel systems.
User support: User groups/meetings, onsite training*, telephone assistance 15 hours per day*, product integration consulting.
Staff: 55 total, 40 professionals.
Clients: 295 total, including 230 benefit departments. Sold systems to 45 clients in 1995.
Officers: Jim Swanke, president/CEO; Allen Krakower, COO; Joe Lumpkin, director-sales/marketing; Christofer Carpenter, director-software services; Greg Park, director-programming/software support.
Contact: Jennifer James, marketing manager.
** Included in system price.*

Deloitte & Touche L.L.P.

400 1 Financial Plaza, 120 S. Sixth St.,
Minneapolis, Minn. 55402;
612-397-4014; fax: 612-397-4550

Benefit systems since: 1987.
Software systems:

■ Superior Resource & Plan Administration System (SURPAS).
Price: $30,000. Quoted individually.
System requirements: 486 PC; Windows 3.1x platform; 8MB RAM, 10MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1987.
Benefits managed: 401(k) plans, disability, leave of absence, COBRA, group health plans, life insurance, retirement/pensions, social security benefits.
Features: Enrollment for flexible benefits, health plans, retirement plans and 401(k) plans; eligibility verification for flexible benefits, health plans and retirement plans; ad hoc queries and reports for flexible benefits, health plans, retirement plans and 401(k) plans. Benefit communication features include printed or voice response for current elections in flexible benefits and retirement plans. Options include defined benefit module to calculate and communicate pension plan benefits, health and welfare module to calculate eligibility and deductions.
User support: Onsite training*, telephone assistance eight hours per day*, data maintenance.
Staff: Eight total, seven professionals.
Contact: James R. Zook, senior manager.
** Included in system price.*

Digital Insurance Systems Corp. (DISCorp)

3455 Mill Run Drive, Suite 400, Hilliard,
Ohio 43026; 614-771-5423;
fax: 614-771-6064

Benefit systems since: 1986.
Parent: Novalis.
Software systems:

■ HCPSystem.
Price: Quoted individually.
System requirements: Open VMS platform; 128MB RAM, 1,000MB hard disk; mono video; multiple user.
Online system.
Customization optional.
First installation: 1986.
Benefits managed: Group health plans, life insurance, dental, vision, prescrip-

Continued on next page

Call In The Reserves.

American Excess Insurance Association
(203) 528-2155 Fax (203) 282-9393

Continued from previous page
tion, short- and long-term disability.
Features: Enrollment, benefit plan administration, eligibility, utilization and referral management, claims processing and payment, provider management, customer service, reports, premium billing and accounts receivable. Optional modules for provider capitation, prescription claims, trust fund processing, EDI, general ledger interface, agent/broker commissions, communications management.
User support: User groups/meetings, onsite training, telephone assistance 10 hours per day, consulting.
Staff: 30 professionals.
Clients: 42 total.
Officers: Donald Demers, president; Paul Balcerzak, vp.
Contact: Paul Balcerzak.

DORN Technology Group Inc.
38705 Seven Mile, Suite 450, Livonia, Mich. 48152; 313-462-5800; fax: 313-462-5807

Benefit systems since: 1982.
Software systems:
■ RISKMASTER/Win.
Price: $25,000 to $40,000. Quoted individually.
System requirements: 486 or Pentium PC; Windows platform; 8MB RAM, 40MB hard disk; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware; database management systems supported include Sybase, NT SQL and Informix.
Online system.
Customization optional.
First installation: 1982.
Benefits managed: Workers comp.
Features: Workers comp claims management; employee management; safety and training programs; medical review scheduling; return-to-work tracking; lost time reporting; automatic indemnity payments and third-party withdrawal; reporting; OSHA 101 and 200; all 50 states first report of injury; easy 800 reporting view; multiple site data management; automatic importing of employee information; unlimited reporting by body part, cost center and injury type; certificate tracking, complete litigation support and witness tracking, user defined reserve types. Benefit communication features available. Options include general claims management.
User support: User groups/meetings*, onsite training, telephone assistance 12 hours per day.
1995 revenues: $4 million total.
Officers: Mark Dorn, president; Paul Hafeli, treasurer.
Contact: Mark Dorn.
** Included in system price.*

E

Empire Medical Review Services
P.O. Box 100, Thiensville, Wis. 53092-0100; 414-238-1310; fax: 414-238-1312

Software systems:
■ ElectroniClaim.
Price: $5,000 to $50,000. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 or Windows 95 platform; 8MB RAM, 100MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include dBASE.
Customization optional.
First installation: 1995.
Benefits managed: Workers comp, group health plans.
Features: Receiving software supporting professional services and hospital bills, carrier direct in HCFA, supports all major electronic claim formats including UB92 and ANSI 837, clearing house support for NEIC medical and hospital claims, enhanced error checking and reporting, unattended file upload and download through electronic bulletin board system, code files included; laser printing of forms and data, help windows.
User support: User groups/meetings, onsite training*, telephone assistance eight hours per day*.
Staff: Five total.
Clients: Four total. Sold systems to three clients in 1995.
Officers: Robert W. Thickens, president.
Contact: Lisa Schneider.
** Included in system price.*

Erisco Inc.
1700 Broadway, New York, N.Y. 10019; 212-765-8500; fax: 212-582-8030

Benefit systems since: 1968.
Parent: The Dun & Bradstreet Corp.
Software systems:
■ ClaimFacts.
Price: Quoted individually.
System requirements: MVS or VSE platform; VGA video; multiple user; network operating systems supported include IBM LAN Manager.
First installation: 1980.
Benefits managed: Workers comp, disability, group health plans, dental.
Features: Eligibility verification; duplicate search; COB checking; claim benefit determination; payment computation; automatic claims adjudication; single screen processing; online file maintenance; automated correspondence. Options include periodic enhancements.
■ Facets.
Price: Quoted individually.
System requirements: 486 PC; Windows platform; 8MB RAM, 330MB hard disk; VGA video; multiple user; network operating systems supported include IBM LAN Manager; database management systems supported include Sybase.
Customization optional.
First installation: 1993.
Benefits managed: Group health plans.
Features: Claims processing, batch processing, hospital precertification, outpatient prior authorization, capitation, risk fund management, clinical editing, billing. Options include periodic enhancements.
■ GroupFacts.
Price: Quoted individually.
System requirements: MVS or VSE platform; VGA video; multiple user; network operating systems supported include IBM LAN Manager.
First installation: 1980.
Benefits managed: Group health plans.
Features: Online administration of traditional group health plans, including HMOs and PPOs; enrollment; calculates premiums; handles remittance; computes commissions; supports reinsurance and carrier reporting. Options include periodic enhancements.
User support: User groups/meetings*, onsite training*, telephone assistance 24 hours per day*.
Staff: 217 total, 200 professionals.
Officers: Anthony Bellomo, president; Joseph Posluszny, CFO; John Jordan, vp-sales; Rich Kerian, vp-health management systems.
Contact: Treacy White, 800-537-4726.
** Included in system price.*

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F

FDP Corp.
2140 S. Dixie Highway, Miami, Fla. 33133; 800-337-2677 or 305-858-8200; fax: 305-854-6305

Benefit systems since: 1968.
Software systems:
■ Easy Laser 5500/SAR Forms.
Price: $595 to $995.
System requirements: IBM compatible PC; DOS or Windows platform.
Customization optional.
First installation: 1985.
Benefits managed: IRS forms.
Features: Uses automatic calculations, data merge ability and year-to-year data mapping to generate completed laster printed 5500 and related forms and reports; provides IRS help screens and edit checks; electronic filing available.
■ FDP/125 (Cafeteria Plan Enrollment & Administration System).
Price: $1,995 to $5,000.
System requirements: IBM compatible PC; DOS platform.
Customization optional.
First installation: 1987.
Benefits managed: Flexible benefits.
Features: Feasibility testing, enrollment and administration for all phases of Section 125/cafeteria plans; what-if scenarios for onsite enrollment; tax savings for employer and employee; check writing; discrimination testing and full rollback capabilities. Options include a cafeteria plan document module.
■ FDP/PEN.
Price: Quoted individually.
System requirements: IBM compatible PC; DOS platform.
Customization optional.
First installation: 1984.
Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Proposal and administration of defined benefit and defined contribution plans, including 401(k), age-weighted and ESOPs; handles un-insured, insured and self-insured plans; computes solutions for specific cost goals, formulas and Keough salaries; includes discrimination tests and other compliance features. Benefit communication features include computer printouts. Optional modules available.
User support: User groups/meetings, onsite training, telephone assistance 10 hours per day*.
Staff: 180 total, 55 professionals.
Clients: 1,800 total. Sold systems to 250 clients in 1995.
1995 revenues: $19.4 million total. $6.3 million from employee benefit information systems sales and services, 85% from software sales, 15% from software services.
Officers: Michael C. Goldberg, president; Doug Kennedy, executive vp; Chris Stroud, Ed Pick, Richard Fleischman, Beverly Price, Kathy Muro, vps; Cindy Goldberg, secretary/treasurer.
Contact: Chris Stroud, vp-pension marketing.
** Included in system price.*

FACTS Services Inc.
1575 San Ignacio, Suite 406, Coral Gables, Fla. 33146; 305-284-7400; fax: 305-661-6710

Benefit systems since: 1980.
Software systems:
■ FACTS.
Price: Quoted individually.
System requirements: 486 PC; DOS, Windows or UNIX platform; 8MB RAM, 1,616MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware and NFS; database management systems supported include PICK.
Online system.
Customization optional.
First installation: 1980.
Benefits managed: Disability, COBRA, group health plans, dental, vision, prescription.
Features: Integrated subsystems provide enrollment, eligibility and plan verification; claims management; medical case management; provider contract management; clinical auditing; reinsurance tracking; age, sex and area-related premium billing and commission accounting; MICR laser check and EOB encoding; optical imaging and Intelligent Optical Character Recognition; automatic adjudication; EDI/electronic claim submission; preauthorization, precertification and utilization review; custom report generator. Options include integrating with other FACTS software.
■ FACTS 125.
Price: Quoted individually.
System requirements: 486 PC; DOS, Windows or UNIX platform; 8MB RAM, 1,616MB hard disk; multiple user; network operating systems supported include NFS; database management systems supported include PICK.
Online system.
Customization optional.
First installation: 1983.
Benefits managed: Flexible benefits.
Features: Fully automated enrollment, benefit accounting and year end allocation of funds; online calculations of tax consequences; integrated subsystems provide enrollment, eligibility verification, claims management, spending account administration, premium and expense coding. Options include integrating with other FACTS software.
■ FACTS COMP.
Price: Quoted individually.
System requirements: 486 PC; DOS, Windows or UNIX platform; 8MB RAM, 1,616MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware and NSF; database management systems supported include PICK.
Online system.
Customization optional.
First installation: 1985.
Benefits managed: Workers comp with integrated managed care.
Features: Integrates claims processing routines for medical, indemnity, vocational rehabilitation, lump sum settlements, legal and miscellaneous expenses; supports administrative processing codes, state fee schedules and benefit parameters and special fund allocations; integrated subsystems provide enrollment, detail tracking of case history and reserve status, accident and cause code definition and tracking. Integrated managed care features include 24-hour coverage, preauthorization, precertification and utilization review, clinical editing and auditing of provider bills and duplicate claim checking with FACTS Health Claims Processing System. Options include integrating with other FACTS software.
■ FACTS HMO.
Price: Quoted individually.
System requirements: 486 PC; DOS or UNIX platform; 8MB RAM, 1,616MB hard disk; multiple user; network operating systems supported include Novell Netware and NFS; database management systems supported include PICK.
Online system.
Customization optional.
First installation: 1994.
Benefits managed: Group health plans.
Features: Provides independent physician election options for employee and dependents; primary care provider

Continued on next page

Continued from previous page

profiling; physician referral and patient encounters tracking by physician, diagnosis, procedures, specialty and similar parameters; physician capitation and subcapitation payments; risk pool monitoring and reporting; provider discounting on fee-for-service; physician utilization and comparison reporting; detailed member reporting. Options include integrating with other FACTS software.

User support: User groups/meetings*, onsite training, telephone assistance nine hours per day, 24-hour modem support*, consulting, extended support (holidays and outside regular hours).
Staff: 33 total, 26 professionals.
Clients: 155 total, including 13 benefit departments. Sold systems to 15 clients in 1995.
1995 revenues: $4.75 million total. $4.75 million from employee benefit information systems sales and services, 15% from hardware sales, 33% from software sales, 52% from software services.
Officers: Robert S. Graham Jr., president; David L. Graham, vp.
Contact: Jane L. Whitelock, marketing manager.
** Included in system price.*

Flex Compensation Inc.

10405 Sixth Ave. N., Suite 170, Plymouth, Minn. 55441; 612-544-8332

Benefit systems since: 1986.
Software systems:

- FlexAdmin-Enrollment Administration.

Price: $3,495 minimum. Quoted individually.
System requirements: 386 PC; DOS or Windows 3.1 platform; VGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
First installation: 1986.
Benefits managed: Flexible benefits.
Features: Benefit election and enrollment recordkeeping; user definable parameters so that various plan designs are supported; tracks eligibility; calculates and stores benefit credits and prices for eligible employees; produces personalized enrollment forms and various election analysis reports; performs discrimination tests; generates administration reports such as insurance enrollment information and monthly premium transmittal reports. Options include links with payroll/HRIS and a spending account administration module.

- FlexAdmin-Spending Account Administration.

Price: $1,495 to $3,495. Quoted individually.
System requirements: 386 PC; DOS or Windows 3.1 platform; VGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
First installation: 1986.
Benefits managed: Flexible benefits.
Features: Maintains separate participant records for health and dependent care accounts for two plan years simultaneously; produces deposits and audits; adjudicates claims; prints checks and EOBs. Options include payroll/HRIS interface, multiple company processing capabilities and an enrollment administration module.
User support: Onsite training, telephone assistance eight hours per day*.
Staff: Eight total, three professionals.
Clients: 126 total, including 120 benefit departments. Sold systems to 13 clients in 1995.
Officers: Gary Bohline, president; Allison Hendrickson, vp.
Contact: Allison Hendrickson.
** Included in system price.*

Fringe Benefits Management Co.

1720 S. Gadsden St., Tallahassee, Fla. 32301; 800-847-8211 or 904-425-6200; fax: 904-425-6220

Benefit systems since: 1993.
Software systems:

- EZ VISTA.

Price: $2,200.
System requirements: 386 PC; DOS platform, 4MB RAM, 10MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager.
Customization optional.
First installation: 1993.
Benefits managed: Flexible benefits, disability, COBRA, life insurance.
Features: Employer data maintenance, benefit plan maintenance, enrollment, non-discrimination testing, deduction reconciliation, vendor remittances and reports, flexible spending account administration, FSA reimbursement checks, Form 5500 report, enrollment confirmations, W-2 report, FSA employee statements, deduction management module. Benefit communication features include the VISTA Enrollment System used to educate employees about their benefits.
User support: Onsite training, telephone assistance eight hours per day, initial system training/file set up*.
Clients: Seven total, all benefit departments. Sold systems to one client in 1995.
1995 revenues: $11.8 million total.
Officers: Michael Sheridan, president/CEO; Lorraine S. Ritch, senior vp; Agnes McMurray, senior vp-administration; Debra Tougas, senior vp/controller; William Bischoff, senior vp/corporate counsel.
Contact: Selene Mead.
** Included in system price.*

G

Gallagher Bassett Benefit Administrators

2 Pierce Place, Itasca, Ill. 60143; 708-773-3800; fax: 708-285-4000

Benefit systems since: 1990.
Parent: Arthur J. Gallagher & Co.
Software systems:

- Processor 1-Electronic Data Systems Inc.

Price: $5,000. Quoted individually.
System requirements: Mainframe.
Online system.
Customization optional.
First installation: 1990.
Benefits managed: Disability, group health plans.
Features: Eligibility verification; billing precertification; claims management; utilization review; medical coding; PPO adjudication and claim processing; medical case management; tracking stop loss liability; disability duration monitoring; provider contract management; verification of premium payment for claim dates; 1099 data; automated check issue; ad hoc report generation; actuarial, accounting and management reports. Options include clinical logic/screening interface with claims processing and reporting.
User support: User groups/meetings, onsite training*, telephone assistance nine and one half hours per day*.
Staff: 263 total, 95 professionals.
Clients: Nine total. Sold systems to four clients in 1995.
1995 revenues: $21.5 million total.
Officers: Gary R. Fansler, COO; William R. Talcott, executive vp.
Contact: William R. Talcott, 708-285-3744.
** Included in system price.*

Genelco Inc.

1600 S. Brentwood Blvd., St. Louis, Mo. 63144-1330; 800-983-8114; fax: 314-968-9589

Benefit systems since: 1985.
Parent: General American Life Insurance Co.
Software systems:

- Health Claims Plus.

Price quoted individually.
System requirements: IBM OS/400 platform; Mono video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include DB2 for OS/400.
Online system.
Customization optional.
First installation: 1985.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, dental, vision, prescription, group life, accidental death and disability.
Features: Adjudicates and administers claims for managed care and point-of-service plans; utilization review subsystem provides large case management, second surgical opinion, precertification and other services. Options include unbundling system that allows access to claims editing databases for detecting coding errors; batch claim adjudication/EDI subsystem that automates claim adjudication and accepts data electronically.

- Benefit Administration Plus.

Price quoted individually.
System requirements: IBM OS/400 platform; Mono video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include DB2 for OS/400.
Online system.
Customization optional.
First installation: 1986.
Benefits managed: Disability, COBRA.
Features: Collects premiums/fees, provides online eligibility information for health claim administration, subsystem reports and tracks all facets of new business.
User support: User groups*, user meetings, onsite training, telephone assistance nine hours per day, system maintenance, technical support, one-week implementation support*, documentation*.
Staff: 123 total, 25 professionals.
Clients: 120 total, including 58 benefit departments. Sold systems to 11 clients in 1995.
1995 revenues: $35 million total. $15.7 million from employee benefit information systems sales and services, 2% from hardware sales, 13% from software sales, 85% from software services.
Officers: E. Christopher Simonds, president/COO; Russell E. Korte, president-software division; David Litschgi, Mike Molinar, vps.
Contact: Susan Wagy.
** Included in system price.*

H

HCIA Inc.

1417 Lake Cook Road, Suite 450, Deerfield, Ill. 60015; 847-317-3400; fax: 847-948-0676

Benefit systems since: 1989.
Software systems:

- CHAMP (Comprehensive Health Analysis & Management Program).

Price quoted individually.
System requirements: 486 PC; DOS platform; 16MB RAM; VGA video; multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1989.
Benefits managed: Workers comp, disability, COBRA, group health plans, mental health/substance abuse, prescription, dental, vision.
Features: Supports claims management, utilization review, medical coding/unbundling, medical case management, health plan financial management and provider contract management, provider profiling/benefit modeling, ad hoc data analysis and report generation, access to database using a query. Options include a utilization management module.
User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*, newsletter*.
Staff: 65 total, 53 professionals.
Clients: 89 total, including 54 benefit departments. Sold systems to nine clients in 1995.
1995 revenues: $50 million total. $8.5 million from employee benefit information systems sales and services, 45% from software sales, 55% from software services.
Officers: George Pillari, chairman/president/CEO; Sachi Morishige, vp/COO; Barry Offutt, vp/CFO; Jean Chenoweth, Taylor Dennen, vps.
Contact: Jean Lawhead, sales consultant, 847-317-3478.
** Included in system price.*

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2569; fax: 215-875-2524

Parent: Hay Group Inc.
Software systems:

- PCL Pension Calculation Language.

Price quoted individually.
System requirements: 486 PC; any Windows platform; 8MB RAM, 5MB hard disk; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Customized system.
First installation: 1992.
Benefits managed: Disability, life insurance, retirement/pensions, social security benefits.
Features: Calculates retirement income, benefits under different retirement scenarios, disability benefits, vested benefits upon termination, cash-outs, death benefits, retirement income projections, calculates optional benefit forms, including joint and survivor benefits, temporary social security supplements, special early retirement windows, lump sum payments, certain and continuous payments, supplemental executive plans. Benefit communication features available.
User support: Onsite training, telephone assistance.
Staff: 200 total, 70 professionals.
Contact: Kurt Fichthorn, executive vp.

Health Management Technologies Inc.

150 Moraga Way, Suite 150, Moraga, Calif. 94556; 510-631-6750; fax: 510-631-6789

Benefit systems since: 1988.
Software systems:

- Return Managed Care PC software.

Price: $35,000 to $100,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 platform; 16MB RAM, 120MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager.
Customization optional.
First installation: 1994.
Benefits managed: Workers comp, disability, managed care.
Features: Day one management of all case types; channels cases to selected providers; coordinates return-to-work; electronic rolodex of providers; treatment sites and resources; documents case activity; referrals and case notes; monitors medical utilization, case outcomes and estimated cost savings; standard letter generation; accounts receivable for case management, ad hoc report writer; job analysis with disability duration guidelines; front-ends bill and claims support; EDI support.
User support: User groups/meetings, onsite training, telephone assistance 10 hours per day*, 24 hour emergency line*, newsletter*.
Officers: K.J. Wolfe, president; James Wolfe, chief marketing officer; Eric Wolfe, senior vp-technical services.
Contact: James Wolfe.
** Included in system price.*

Hewitt Associates L.L.C.

100 Half Day Road, Lincolnshire, Ill. 60069; 847-295-5000; fax: 847-883-8321

Benefit systems since: 1974.
Software systems:

- Integrated Health Information System (IHIS).

Price quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 or Windows 95 platform; 16MB RAM, 120MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle.

Continued on next page

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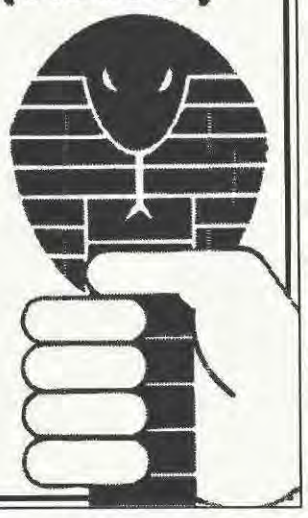
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Continued from previous page

Online system.
Customized system.
First installation: 1993.
Benefits managed: Flexible benefits, workers comp, disability, group health plans.
Features: Enrollment and eligibility analysis, vendor analysis and management of claims payment performance, network provider analysis and performance profiling, chronic illness analysis and performance monitoring, lifestyle and preventable illness analysis, flexible benefit plan pre and post election analysis, total episode of disability analysis, comparative analysis of health care experience and disability experience, online ad hoc reporting capabilities. Options include condition-based episoding by claimant, disability analysis, workers compensation

■ Pension Administrator.
Price quoted individually.
System requirements: 486 PC; DOS or Windows 3.1 platform; 4MB RAM; VGA video; single or multiple user; network operating systems supported include Novell Netware and Banyon Vines.
Online system.
Customized system.
First installation: 1986.
Benefits managed: Retirement/pensions, social security benefits.
Features: Calculates various pension benefits; manages and maintains a comprehensive employee database; uses participant and plan data to calculate various retirement, disability, termination and death benefits; determines plan eligibilities and calculates actual benefits for future termination dates; optional forms of payment may be displayed; provides online batch processing and benefit statements; estimates social security benefits based on input earnings; monitors Section 415 benefit limits. Benefit communication features include report writer; customized statements, letters, listings and worksheets; voice response system for accrued and projected retirement benefit estimates; access to account representatives at Hewitt Associates Benefits Center.

■ Total Benefits Administration (TBA) System.
System requirements: 486 PC; OS/2 platform; 16MB RAM, 250MB hard disk; SVGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
Customized system.
First installation: 1992.
Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Integrated system supporting defined contribution services, defined benefit administration and health and group benefit programs. Benefit communication features include telephone voice response system, access to account representatives at Hewitt Associates Benefits Center, interactive computer link for modeling and performance transactions via kiosk.
User support: Onsite training*, telephone assistance eight hours per day*, user groups/meetings**, software update training/installation**.
Staff: 1,593 total, 252 professionals.
Clients: 653 total. Sold systems to 30 clients in 1995.
1995 revenues: $450 million total. $180 million from employee benefit information systems sales and services, 100% software sales/services.
Officers: Dale L. Gifford, CEO; James J. Rushin, director-business development; Gerald I. Wilson, chairman-executive committee; Christine A. Seltz, director-public relations; Thomas L. Schmitz, director-Total Benefits Administration.
Contact: Lawrence J. Garifo (Pension Administrator); James L. Connor (Integrated Health Information System); Brian Caffarelli (Total Benefits Administration).
** Included in system price.*
*** Included in system price and offered for IHIS only.*



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Human Resource MicroSystems

160 Sansome St., Suite 1050, San Francisco, Calif. 94104; 415-362-8400; fax: 415-362-8595

Benefit systems since: 1983.
Software systems:

■ HRIS-Pro.
Price: $10,000 minimum. Quoted individually.
System requirements: 486 PC; Windows 3.1 platform; 12MB RAM, 25MB hard disk; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include dBASE.
Customization optional.
First installation: 1984.
Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, flexible spending accounts.
Features: Enrollment, eligibility verification. Benefit communication features include benefit statements.
User support: User groups/meetings, on-site training, telephone assistance eight hours per day.
Staff: 20 total.
Clients: 500 total. Sold systems to 50 clients in 1995.
Officers: Don Helt, president.
Contact: Kate MacIntyre.

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Human Resources Consulting Group Inc. (HRCG)

6400 S. 428 E., Suite 220, Salt Lake City, Utah 84107; 801-261-6555; fax: 801-261-6575

Benefit systems since: 1983.
Software systems:

■ Flexcomp.
Price: $5,000. Quoted individually.
System requirements: 386 PC; DOS platform; 1MB RAM; Mono video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Online system.
Customization optional.
First installation: 1986.
Benefits managed: 401(k) plans, flexible benefits, leave of absence, COBRA.
Features: Enrollment, database of employee information, benefit explanations, FSA claims adjudication, insurance carrier check cutting, discrimination testing, report generation. Benefit communication features include computer terminals. Optional modules available.

■ Voice Response.
Price: $10,000 minimum. Quoted individually.
System requirements: 486 PC; OS/2 platform; 8MB RAM; Mono video; multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1989.
Benefits managed: 401(k) plans, flexible benefits, leave of absence, COBRA, life insurance, retirement/pensions.
Features: Enrollment, eligibility verification. Benefit communication features include phone service. Optional modules available.

User support: User groups/meetings, onsite training, telephone assistance 10 hours per day*.
Staff: 25 total, all professionals.
Clients: 600 total. Sold systems to 26 clients in 1995.
Officers: Rob Thurston, senior vp; Richard Packham, vp.
Contact: Rob Thurston.
** Included in system price.*

I

IQ + Systems

2113½ Ripley Ave., Redondo Beach, Calif. 90278; 800-777-5311 or 310-937-6566; fax: 310-937-6568

Benefit systems since: 1990.
Software systems:

■ IQ + Administration.
System requirements: 386, 486 or Pentium PC; DOS or OS/2 platform; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Banyon Vines.
Online system.
Customization optional.
First installation: 1990.
Benefits managed: 401(k) plans, workers comp, disability, COBRA, group health plans, retirement/pensions.
Features: Health and welfare: multiemployer billing and receipts accounting, member and dependent enrollment, eligibility calculation and verification, health care claims management, 1099 forms and government reporting via tape or disk. Pension: defined benefit, defined contribution and 401(k) management; pension calculated and payment; Social Security Administration and Pension Benefit Guaranty Corp. reporting; 1099R forms and government reporting via tape or disk; benefit notification. Benefit communication features include printed notices and computer terminals.

User support: User groups/meetings, onsite training*, telephone assistance 12 hours per day**, onsite assistance as needed.
Clients: Six total. Sold systems to two clients in 1995.
1995 revenues: $250,000 total. $250,000 from employee benefit information systems sales and services, 40% from software sales, 60% from software services.
Officers: J. Patrick Broman, president; Edna Buttery, vp-sales.
Contact: J. Patrick Broman.
** Included in system price.*
*** Included in system price first year.*

Insurdata Inc.

5215 N. O'Connor Blvd., 800 Central Tower, Irving, Texas 75039; 214-402-4000; fax: 214-656-0572

Benefit systems since: 1973.
Software systems:

■ Insurdata Claims & Administration System.
System requirements: Hardware required to access system is included with system license.
Online system.
Customization optional.
First installation: 1973.
Benefits managed: Flexible benefits, COBRA, group health plans.
Features: Provides document imaging/optical character recognition, eligibility verification, claims processing via auto adjudication, medical unbundling, precertification tracking, COBRA notification and premium tracking, cafeteria plan administration, flexible spending account administration, ad hoc reporting, physician profiling, patterns of treatment.

User support: User groups/meetings, onsite training, telephone assistance 24 hours per day.
Officers: Raymond C. Morrison Jr., president; Jim Taylor, vp-finance/administration; Doug Freeman, vp-data processing.
Contact: Ray Morrison.
** Included in system price.*

L

LCS Inc.

4747 Lincoln Mall Drive, Suite 305, Matteson, Ill. 60443; 708-747-4010; fax: 708-747-7269

Benefit systems since: 1987.
Software systems:

■ Logical Claim Solutions.
Price: $35,000 to $50,000. Quoted individually.
System requirements: 486 PC; DOS platform; 4MB RAM, 600MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware.
Customized system.
First installation: 1987.
Benefits managed: Flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, life insurance, dental.
Features: Provides enrollment, eligibility verification, health care precertification, claims management, utilization review, medical coding, medical case management, reinsurance liability tracking, disability duration monitoring/control, health plan provider contract management, discrimination testing, ad hoc report generation, electronic data interface, bulk payments to providers, capitation maintenance and payment to providers, PPO and other provider contract automated adjudication and repricing, medical outcomes and total care comparative data generation.

User support: User groups/meetings, onsite training, telephone assistance 24 hours per day.
Staff: 15 total, nine professionals.
Clients: 61 total.
Officers: Donald Long, president.
Contact: Don Long or Kathy Hildreth.

Lawson Software

1300 Godward St., Minneapolis, Minn. 55413-3004; 612-379-2633 or 800-477-1357; fax: 612-379-7141

Benefit systems since: 1988.
Software systems:

■ Lawson Software Benefits Administration.
Price: $25,000 minimum. Quoted individually.
System requirements: 386 PC; DOS, Windows 3.1, Windows NT, Windows 95, OS/2, OS/400, AIX, HPUX, Sun Solaris, Dynix PTX, OSF/1 or System V platform; 2MB RAM. 16MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle and Sybase.
Online system.
Customization optional.
First installation: 1988.
Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Payroll interface automatic deduction creation, flexible and cafeteria style benefits plans, testing for highly compensated employees and automated data processing, online employee benefit modeling and forecasting, online benefit history by participant, personalized employee benefit statements, retiree processing, spending accounts, defined contribution and defined plans. Benefit communication features include computer terminals, e-mail, printed benefits statements. Options include integration with Lawson payroll and personnel modules and Lawson financial, materials management and distribution management packages.

User support: User groups/meetings*, onsite training, telephone assistance 24 hours per day, upgrade support*, cyclical notification*, critical patch delivery*, internet support*, faxline support*.
Staff: 17 total, 15 professionals.
Clients: 451 total. Sold systems to 44 clients in 1995.
1995 revenues: $84.6 million total. $1.9 million from employee benefit information systems sales and services, 74.1% from software sales, 25.9% from software services.
Officers: Richard Lawson, president/CEO; William Lawson, COO; Ken Behrendt, CFO; Don Slusarski, vp-sales; Richard Patton, vp-research/development; Dan Metzger, vp-marketing.
Contact: John Townsend, 800-477-1357.
** Included in system price for the first six months.*

M

William M. Mercer Inc.

1166 Ave. of the Americas, New York, N.Y. 10036; 212-345-7584; fax: 212-345-7423

Benefit systems since: 1975.
Parent: Marsh & McLennan Cos. Inc.
Software systems:

■ 415 Express.
Price: Quoted individually.
System requirements: 386 PC; DOS platform; 10MB RAM, 540MB hard disk; VGA video; single user; network operating systems supported include Novell Netware.
Customized system.
First installation: 1988.
Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Tests for compliance with Section 415 combined limits, customized defined benefit plan provisions, recognizes benefits grandfathered under pension laws, allows projection of limits to future determination dates. Options include a module for full flex administration.

■ Allocation Express.
Price: Quoted individually.
System requirements: 486 PC; DOS platform; VGA video; single user; database management systems supported include dBASE.
Online system.
Customization optional.
First installation: 1989.
Benefits managed: 401(k) plans, profit sharing.
Features: Participant accounting system for all aspects of defined contribution plan administration. Benefit communication features include telephones, employee statements and other printed material and voice response systems.

■ Data Reconciliation System (DRS).
Price: Quoted individually.
System requirements: 486 PC; DOS platform; 10MB RAM, 540MB hard disk; VGA video; single user; network operating systems supported include Novell Netware; database management systems supported include dBASE.
Customized system.
First installation: 1988.
Benefits managed: Retirement/pensions.
Features: Reconciliation of yearly census data, incrementing of service fields and other pertinent data.

■ FlexKey/FlexLink.
Price: Quoted individually.
System requirements: DOS platform; 640K; VGA video; single user.
Online system.
Customized system.
First installation: 1984.
Benefits managed: Flexible benefits, group health plans, life insurance.
Features: Immediate access to enrollment/eligibility information; personalized enrollment materials/confirmation statements; automated eligibility testing and computation of credits, prices and benefit coverage; interface file to pass information to other systems; ad hoc queries/reports; online display and remote or local printing; transfer of data between PC and FlexKey; mailing services. Benefit communication features include employee statements, telephone and computer terminals. Options include a time sharing module.

■ LoanKey.
Price: Quoted individually.
System requirements: 486 PC; DOS platform; single user; database management systems supported include dBASE.
Customization optional.
First installation: 1986.
Benefits managed: 401(k) plans, profit sharing.
Features: Loan administration, amortization schedules, promissory note, truth-in-lending, what-if loan modeling, standard reports, conforms to regulation Z requirements, functions independently of any recordkeeping system. Benefit communication features include reports, schedules, promissory notes and non-disclosure statements.

■ Pension Express.
Price: Quoted individually.
System requirements: 486 PC; DOS platform; 540K conventional memory, 6MB extended memory; VGA video; single or multiple user; network operating systems supported include Novell Netware.
Customized system.
First installation: 1989.
Benefits managed: Retirement/pensions.
Features: Eligibility verification for defined benefit events; defined benefit calculation results; storage; data impact. Benefit communication features include reports and batch printing of customized reports.

■ Social Security Calculation System (SSCalc).
Price: Quoted individually.
System requirements: 286 PC; DOS platform; Mono or VGA video; single user.
Customization optional.
First installation: 1979.
Benefits managed: Social security benefits.
Features: Calculates retirement and disability benefits under Social Security law in effect at any time since 1975, provides for escalation of Social Security tables and employee wages.

■ TestKey.
System requirements: 486 PC; DOS platform; single user; database management systems supported include dBASE.
Customization optional.
First installation: 1987.
Benefits managed: 401(k) plans.
Features: Performs discrimination tests in accordance with the rules established by the Tax Reform Act of 1986.

■ Total Retirement System (TRS).
Price: Quoted individually.
System requirements: 386 or 486 PC; DOS platform; 60MB RAM, 4MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware.
First installation: 1989.
Benefits managed: Retirement/pensions.
Features: Provides modules for valuation and reporting on various types of retirement plans; pension valuation and retiree medical valuation; asset/liability modeling and projection and associated reporting; data management module for data collection and editing.

■ TRACS OnLine.
Price: Quoted individually.
System requirements: 486 PC; DOS, Windows or OS/2 platform; 4MB RAM (single user); VGA video; single or multiple user.
Online system.
Customization optional.
First installation: 1993.
Benefits managed: 401(k) plans.
Features: Allows inquiries and changes to investment elections and contribution percents, initiation and modeling of loan requests, initiation of withdrawals and distributions, performs balance rearrangements and fund transfers. Benefit communication features include report generation and confirmation statements. Options include activating or deactivating features based on intended use by employees and plan sponsors.

User support: Onsite training available for all systems except SSCalc, telephone assistance nine to 15 hours per day for all systems, installation support available for LoanKey, TestKey and TRACS OnLine systems only.
Staff: 3,778 total.
Clients: 759 total, including 377 benefit departments.
Officers: Timothy J. Lynch, chairman; Vikesh Mahendroo, president; Michael O'Neill, managing director/head-Mercer Technologies Unit.
Contact: Edward R. Angel, principal, 708-317-7513.

Meritech Solutions Inc.

2121 Newmarket Parkway, Suite 100, Marietta, Ga. 30067; 770-916-0282; fax: 770-916-1385

Benefit systems since: 1977.
Software systems:

■ MaxCare.
System requirements: OS/400 platform; multiple user.
Customization optional.
First installation: 1990.
Benefits managed: Disability, COBRA, group health plans, life insurance, prescription, vision.
Features: Eligibility verification, health care precertification flagging, claims management, medical case management flagging, ad hoc report generation, medical coding/unbundling interface.

User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*, consulting services, customized training.
Officers: Lorna Johnson, managing vp; Debbie Ray, director-customer support; Bessie Gay, director-development.
Contact: Elliot Kinberg, sales/marketing manager.
** Included in system price.*

Continued on next page

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Continued from previous page

O

Omni Software Inc.

3526 Couchville Pike, Hermitage, Tenn. 37076; 615-889-0582; fax: 615-902-9712

Benefit systems since: 1982.
Software systems:

■ OmniClaims.
Price: $3,950 to $27,600. Quoted individually.
System requirements: 486 or Pentium PC; SCO Unix platform; 16MB RAM, 100MB hard disk; Mono, VGA or SVGA video.
Online system.
Customization optional.
First installation: 1995.
Benefits managed: Disability, group health plans, life insurance.
Features: Tracks eligibility for up to 10 coverages per employee, multiple plans per group, claims processing, billing, agent commissions, fund accounting and reporting, adjudicate and track workers comp and COBRA claims, ad hoc report writer.
User support: User groups/meetings, onsite training*, telephone assistance 10 hours per day.
Staff: Seven total., four professionals.
Clients: 15 total, including two benefit departments. Sold systems to 15 clients in 1995.
Contact: H Guinn Nixon, president/CEO, 615-889-0582.
** Included in system price.*

P

P&W Software

5655 Lindero Canyon Road, Suite 403, Westlake Village, Calif. 91362; 818-707-7690; fax: 818-707-9097

Benefit systems since: 1987.
Software systems:

■ PowerPlus.
Price: $4,000 to $30,000. Quoted individually.
System requirements: 386 PC; DOS platform; 530MB RAM, 20MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
Customization optional.
First installation: 1987.
Benefits managed: Flexible benefits, COBRA.
Features: Data import and export, ad hoc report writers, benefit eligibility determination, benefit election recording, payroll deduction interfaces, insurance carrier eligibility interfaces, premium report calculations, benefit ID card preparation, discrimination testing, highly compensated and key employee determination, retiree billings. Flexible spending account features include FSA claim management, FSA check printing, direct deposit payments, employee statements and letters, complete audit trails, W2 report data, forfeiture reports. Benefit communication features include personalized enrollment forms, telephone enrollment, eligibility verification and FSA account balances. Options include links to medical claim processing systems; electronic interfaces to payroll systems, insurance carriers and claims processors.
User support: User groups/meetings, onsite training, telephone assistance nine hours per day, newsletters*.
Staff: Nine total, three professionals.
Clients: 230 total, including 160 benefit departments. Sold systems to 34 clients in 1995.
Officers: Thomas E. Philipp, president; Michael C. Wilson, vp.
Contact: John Tefft.
** Included in system price.*

R

Resource Information Management Systems Inc. (RIMS)

500 Technology Drive, Naperville, Ill. 60566; 708-369-5300; fax: 708-369-5168

Benefit systems since: 1981.
Software systems:

■ QicClaim/2 Health & Managed Care Administration Software.
System requirements: 486 PC; DOS, HPUX or AIX platform; 32MB RAM, 500MB hard disk; multiple user.
Customization optional.
First installation: 1981.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, dental, mental health.
Features: Claims adjudication and managed care processing, accommodating indemnity to point-of-service plans, risk-based capitated payment and package pricing programs; processes health claim transactions and managed care encounters, including membership, provider files, plan of benefits definition, system tables and reinsurance. Optional modules include procedure-driven claims/encounter adjudication, batch data entry/electronic claims receipt and application, PPO and HMO capitated payment, utilization management, claims screening, billing, cost containment, application processing, disability administration, flexible spending programs, customer services tracking, intelligent query, OCR/intelligent character recognition, image workflow and storage technology, automated print/mail service.
User support: User groups/meetings*, onsite training, telephone assistance 24 hours per day, customized training, consulting services, executive forums.
Staff: 250 total, 228 professionals.
Clients: 400 total. Sold systems to 52 clients in 1995.
1995 revenues: $31.4 million total. $30.4 from employee benefit information systems sales and services, 19% from hardware sales, 37% from software sales, 44% from software services.
Officers: Terry Kirch, president; Tom Heimsoth, chairman; Jerry Horwitz, executive vp-finance/business operations; Paul Kronberg, vp-sales; Rick Fitzgerald, vp-consulting/integration services & software development; Steve Clements, vp-product/market management.
Contact: Ellen Lockwald, manager-market development.
** Included in system price.*

S

SBC Systems Co. Inc.

30 Perimeter Center E., Suite 203, Atlanta, Ga. 30346; 770-399-6321; fax: 770-399-6322

Benefit systems since: 1977.
Software systems:

■ SBC Benefits Workstation.
Price quoted individually.
System requirements: 486 or Pentium PC; Windows 3.11, Windows NT or Windows 95 platform; 32MB RAM, 2,000MB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware and UNIX; database management systems supported include Oracle.
Customization optional.
First installation: 1977.
Benefits managed: 401(k) plans, flexible benefits, profit sharing, retirement/pensions.
Features: Defined benefit plan administration: includes tables for actuarial, covered compensation, Social Security and insurance; benefit formulas include fixed, offset, unit collars, time of service and cash balance. Defined contribution/401(k)/403(b) administration: includes unlimited number of contribution sources with an unlimited number of investment funds; share, mutual fund and pension accounting; insurance and loan management; periodic valuations with discrimination testing, employee maintenance program with automated interfaces; report writer. Flexible benefits: includes flexible benefit credit formulas, credit calculations, interface to human resource/payroll systems, benefit reimbursement and check printing, enrollment and confirmation forms. Benefit communication features available.
User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day.
Staff: 17 total, all professionals.
Clients: 100 total, including 60 benefit departments. Sold systems to 10 clients in 1995.
Officers: Murray Goldman, president; Eva Chang, executive vp; Margaret King, vp.
Contact: Runae Sawdey, 770-399-6321 ext. 140.
** Included in system price.*

SBPA Systems Inc.

10777 Westheimer, Suite 125, Houston, Texas 77042; 713-974-7272; fax: 713-974-3544

Benefit systems since: 1975.
Software systems:

■ GBAS (Group Benefits Administration System).
System requirements: DEC ALPHA or VAX platform.
Customization optional.
First installation: 1975.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.
Features: Provides claims adjudication; unbundling; letter and ID card generation; billings; eligibility verification; carrier reports; commission calculations; agent licensing; utilization review; COBRA and Section 125 administration; claim review; claim registration; PPO repricing; reinsurance flags and reporting; fund accounting; EDI; electronic claims; procedure code driven claims recognition; online editing for unbundled charges; automatic adjudication; managed care processing, including capitation and withholdings. Benefit communication features available. Options include ad hoc reporting, MICR encoding of checks, claims editing for unbundled charges, electronic claims.
User support: User groups/meetings*, onsite training*, telephone assistance*, seminars*, user interface publications*.
Staff: 22 total, 21 professionals.
Clients: 42 total, including seven benefit departments. Sold systems to one client in 1995.
1995 revenues: $3.1 million total. $3.1 million from employee benefit information systems sales and services, 10% from hardware sales, 40% from software sales, 50% from software services.
Officers: Arnold Heinrich, president; Tim Stunz, executive vp; Donna Smith, vp.
Contact: Arnold Heinrich or Donna Smith.
** Included in system price.*

The Segal Co.

1 Park Ave., New York, N.Y. 10016-5895; 212-251-5000; fax: 212-251-5490

Software systems:

■ AnswerQuest.
Price: $35,000 to $150,000. Quoted individually.
System requirements: 486 PC; Windows platform (3.1 and higher); 12MB RAM, 10MB hard disk; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Customized system.
First installation: 1992.
Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Assists administrative staff in answering benefit questions; uses a pre-programmed question database with tailored answers to benefit plans, policies and procedures; uses a series of menus, indexes and search options to pinpoint precise answers; provides scripted, easy-to-understand responses. Benefit communication features include interface with other programs, databases and voice response

Continued on next page

What would you do if

we told you that you're probably paying for health claims that are the responsibility of a third party?

What would you do if

we told you there are millions of dollars in potential third party liability claims to be capitalized on by self-insured companies and third party administrators?

What would you do if

we told you we have exactly what you need in our people and our systems to make sure you are paying only those claims that are your responsibility?

Then, what would you do if

those third party liability cases could be investigated and worked by a professional and motivated staff and your money returned to your bottom line which was otherwise lost.

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Continued from previous page

systems; screen printouts sent to caller.

■ PensionPartner.
Price: $90,000 to $120,000. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1, Windows NT or Windows 95 platform; 16MB RAM, 10MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Customized system.
First installation: 1993.
Benefits managed: Retirement/pensions, social security benefits.
Features: Eligibility verification, vesting, all benefit calculations, all optional forms calculations, IRC Section 415(b) testing, IRC Section 401(a)(17) testing, what-if calculations, benefit recalculations, participant notification forms and letters generation. Benefit communication features include annual statement of pension benefit entitlement. Options include ad hoc report generation, word processing mailmerge and database management.
■ SegalEvaluator.
Price: $25,000 minimum. Quoted individually.
System requirements: 386 PC; DOS platform; 3MB hard disk; single or multiple user.
Customized system.
First Installation: 1981.
Benefits managed: Compensation.
Features: Internal job evaluation, correlates job content with pay, quantifies job components in dollars, produces reports. Benefit communication features include automated job descriptions.
■ SegalFlex.
Price: $10,000 to $40,000. Quoted individually.
System requirements: 386 PC; DOS platform; 4MB extended memory; single user.
Customization optional.
First installation: 1993.
Benefits managed: Flexible benefits.
Features: Enrollment, FSA administration, ad hoc report writer, discrimination testing, eligibility reporting, premium reporting, tracking of employee election history, payroll file/report production, form letter generation, automated rule processing and conversion from current administration system to SegalFlex system. Benefit communication features include benefits inquiry via kiosk, enrollment form generator, confirmation statements, interface with SegalVoice. Options include processing benefit statements.
User support: Answer Quest: User groups/meetings, onsite training, telephone assistance*, system and database updates*. PensionPartner: User groups/meetings, onsite training*, telephone assistance seven hours per day*, online support via modem. SegalEvaluator: User groups/meetings*, onsite training*, telephone assistance eight hours per day*. SegalFlex: User groups/meetings, onsite training*, telephone assistance seven hours per day*, online support via modem* .
Staff: 26 total, 24 professionals.
Clients: 22 total, including 16 benefit departments. Sold systems to 12 clients in 1995.
Officers: Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Dale B. Grant, vice chairman; Richard M. Frenzel, executive vp.
Contact: Larry Kurzner, 212-251-5200 (Answer Quest); Joni Schreer, 212-251-5393 (PensionPartner); Howard Goldsmith, 212-251-5258 (SegalEvaluator); Synde Kamelhar, 212-251-5165 (SegalFlex).
** Included in system price.*

Standard Data Corp.

440 Ninth Ave., Eighth Floor, New York, N.Y. 10001; 212-564-4433; fax: 212-564-4751

Benefit systems since: 1959.
Software systems:
■ Standard Benefit Administration System.
Price quoted individually.
System requirements: AS/400 platform; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include OS/400.
Online system.
Customized system.
First installation: 1959.
Benefits managed: Disability, COBRA, group health plans, life insurance, retirement/pensions, Taft-Hartley benefit plans.
Features: Allows centralized data maintenance for use in one or more of the standard benefit MODELs. Online displays of the database in alphabetical and numeric order; extensive reporting; contract rates; multiple mailing address maintenance; journalizing of database changes; interactive interfaces and direct transfers for an open operating environment; scheduled batch processing of reports, letters and labels. Benefit communication features include online reporting for every system.
■ Standard Annuity System MODEL*.
Features: Flexible plan use; member, dependent and beneficiary displays; individual account maintenance with automated yield and expense calculations; QDRO and alternate payee processing; flexible fund valuation; annual account statements; maintenance of required documentation; application and forms tracking; multiple loan application tracking and processing; termination tracking and processing; check printing; check registers for pension, death and disability benefit payments; online stops, voids and reissuing of paid benefit checks; reporting for actuarial and annuitant statements. Benefit communication features include online reporting. Options include integration with other modules from Standard Data Corp.
■ Standard Benefit Eligibility System MODEL*.
Features: Online premium billing; determines eligibility for employees, members and their dependents for specific benefits. Benefit communication features include online reporting. Options include integration with other modules from Standard Data Corp.
■ Standard Claims System MODEL*.
Features: Flexible plan maintenance with effective and system date sensitivity; multiple fund and plan capability; online eligibility at the patient level; online history by individual, family and provider; user authority, plan limits, reasonable and customary maintenance and duplicate checking within and between claims; PPO, COBRA and COB tracking and processing; subrogation and episode processing; reversal and repayment of claims; tracking of system produced EOBs and checks for online reporting; split payments with third-party payees and consolidated payments by payee ID; claims aging, IBNR and other required statistical reports. Benefit communication features include online reporting. Options include integration with other modules from Standard Data Corp.
■ Standard Pension System MODEL*.
Features: Pension recordkeeping, calculation and disbursement; pension credit calculation and history; early retirement reduction factors and multiple actuarial tables; QDRO and alternate payee processing with pension source integration; pension modeling scenarios; online pension calculation, updates and redeterminations; check registers for pension, death and disability benefit payments; online stops, voids and reissuing of paid benefit checks; reporting for actuarial and pensioner statements; pension application tracking; maintenance of required documentation. Benefit communication features include online reporting. Options include integration with other modules from Standard Data Corp.
■ Standard Remittance/Billing System MODEL*.
Features: Online tracking of hours worked by pay period, employer and benefit; online inquiry of the relational database; prelisted remittance reports; billing for COBRA, retired and other self-paying members; retroactive premium adjustments with balance forward accounting; employer contribution and member work history displays; over/under calculation, maintenance and display; bank reconciliation featuring check maintenance; daily posting, cash receipts and balancing; effective and system date sensitivity for benefit rate maintenance and reporting; employer delinquency and discrepancy displays and notices; dues, reciprocal and self-pay processing. Benefit communication features include online reporting. Options include integration with other modules from Standard Data Corp.
User support: User groups/meetings, onsite training**, telephone assistance 24 hours per day**.
Staff: 110 total, 90 professionals.
Contact: Kathy Kogut.
** The Standard Benefit Administration System Models can be purchased as an integrated benefit processing solution or as stand alone modules.*
*** Included in system price.*

TXEN Inc.

10 Inverness Center Parkway, Suite 500, Birmingham, Ala. 35242; 205-995-9898; fax: 205-995-8640

Benefit systems since: 1989.
Software systems:
■ Managed Healthcare System.
Price: $100,000.
System requirements: DOS or Windows platform; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Online system.
Customization optional.
Benefits managed: Flexible benefits, dis-

Continued on next page

GenIRIS

The fully Integrated Risk and Claims Management System

an innovation of CIC

GenIRIS has all the necessary system components and information networking for cutting the cost of benefits. It adjudicates and manages workers' compensation, group medical, and property & casualty claims, plus integrated disability management, all within a wholly unified system. Data flowing between subsystems minimizes the need for operator intervention, and assures data integrity. It can be seamlessly integrated with managed care and bill review subsystems. GenIRIS features open systems architecture, and includes EDI and imaging. Its comprehensive risk analysis and reporting module utilizes data from all of the system's various subsystems. The seamless and transparent interfaces between CIC's insurance claims and risk management systems, and multiple third-party systems, such as managed care and bill review systems, results in a highly productive multi-user environment.

Installed on an AIX, UNIX, or WINDOWS NT platform, GenIRIS is a truly state-of-the-art, and highly cost-effective, benefits management system for self-administered organizations, third-party administrators, and insurance companies.

California Interactive Computing, Inc.
25572 Avenue Stanford
Valencia, CA 91355
(805) 294-1300 • (805) 294-1310 FAX

Business Partner

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Ua

On December 6th 1995 Unionamerica Holdings plc, the holding company of Unionamerica Insurance Company Limited, was listed on the New York Stock Exchange. This marks a new phase in Unionamerica's 24-year history: almost a quarter of a century since it began to establish its position as a specialist casualty and property insurer and reinsurer. The New York listing reflects Unionamerica's focus on the US market, where it currently has accredited reinsurer status in 38 jurisdictions, including the key States of California, Illinois, New York and Texas. It places the company in a strong financial position to develop the innovative trading solutions which have become its hallmark, and underlines the confidence placed in its underwriters by the market.

Listed NYSE THE NEW YORK STOCK EXCHANGE

Unionamerica Holdings plc
Unionamerica Insurance Company Limited
The London Underwriting Centre, 3 Minster Court, Mincing Lane, London EC3R 7DD.
Tel: 44 171-617 5959 Fax: 44 171-617 5970

Continued from previous page
ability, COBRA, group health plans, life insurance.
Features: Includes the following modules provided as one unit: membership/eligibility, providers, claims, billing, correspondence, references, general ledger, accounts payable, accounts receivable, PPO repricing, provider withholds, risk funds, capitation, referral and authorization processing, primary care, provider processing and utilization review reporting. Options include flexible spending module, unbundling/bundling module, electronic claims and ACCESS/MHS reporting system.
User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.
Staff: 100 total, 90 professionals.
Clients: 45 total, including three benefit departments. Sold systems to 14 clients in 1995.
Officers: Tom Patterson, president; Paul Reaves, executive vp; Steven Selikoff, vp-operations; Grey Wood, vp/general manager; Dick Waggener, vp.
Contact: Amy Knowles, 800-962-2540.
** Included in system price.*

Travis Software Corp.

P.O. Box 820469, Houston, Texas 77282-0469; 713-496-3737; fax: 713-496-3737

Benefit systems since: 1986.
Software systems:
■ Corporate Cobra Manager.
Price: $1,295 to $3,750.
System requirements: 386, 486 or Pentium PC; DOS, Windows or OS/2 platform; 640MB RAM, 3MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
First installation: 1986.
Benefits managed: Leave of absence, COBRA.
Features: Automatically produces required letters and notices for COBRA administration and FMLA premium billing, tracks enrollment periods, bills premium, provides full reporting of COBRA activity. Benefit communication features include costs of continuation health benefits to FMLA and COBRA participants. Options include custom letter writer, report writer, downloading and network modules.
■ Retiree Premium Billing System.
Price: $1,295 to $4,500.
System requirements: 386, 486 or Pentium PC; DOS, Windows or OS/2 platform; 640MB RAM, 3MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
First installation: 1988.
Benefits managed: Group health plans.
Features: Communicates retiree health/welfare benefit costs to participants, bills premiums due using premium notices or coupons on multiple billing frequencies, provides receivables aging and full reporting. Benefit communication features include printed eligibility and cost information on retiree health/welfare plans. Options include custom letter writer, report writer, downloader/uploader and network options.
■ Travis Cobra for Windows.
Price: $1,695 to $4,995.
System requirements: 486 or Pentium PC; Windows 3.1 or Windows 95 platform; 4MB RAM, 10MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
Customization optional.
First installation: 1994.
Benefits managed: COBRA.
Features: Foreground or background printing of COBRA letters and notices; bills premium to COBRA or FMLA participants; tracks enrollment periods; provides full reporting; custom letter writer, report writer and downloader. Communicates costs and availability of continuation health benefits to FMLA and COBRA participants. Options include network modules.
■ TravisFlex.
Price: $1,295 to $3,750.
System requirements: 386, 486 or Pentium PC; DOS, Windows or OS/2 platform; 640MB RAM, 3MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware, Banyon Vines and IBM LAN Manager; database management systems supported include dBASE.
Customization optional.
First installation: 1987.
Benefits managed: Flexible benefits.
Features: Administration and enrollment for simple flexible benefit plans or full cafeteria plans, check writing capability. Benefit communication features include printed output for benefit election and eligibility. Options include report writer, downloading/uploading and network option.
User support: Onsite training, telephone assistance seven hours per day*, in-house training courses.
Staff: 17 total, 10 professionals.
Clients: 3,413 total, including 3,013 benefit departments. Sold systems to 117 clients in 1995.
1995 revenues: $1.8 million total. $1.8 million from employee benefit information systems sales and services, 34% from software sales, 66% from software services.
Officers: Alan H. Williams, president; John Worner, vp.
Contact: Alan H. Williams.
** Included in system price.*

WLT Software of Florida

831 N. Hercules Ave., Clearwater, Fla. 34625; 813-442-9296; fax: 813-443-4936

Benefit systems since: 1981.
Software systems:
■ *ChekClaims* Claims Editing/Unbundling System.
Price: Quoted individually.
System requirements: 386, 486 or Pentium PC; DOS or Windows platform; 1MB RAM, 100MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware.
Customization optional.
First installation: 1993.
Benefits managed: Flexible benefits, workers comp, disability, COBRA, group health plans, life insurance.
Features: Provider bill editing; provides edits for appropriate diagnoses, procedures, place of service, age, sex, frequency and modifiers; checks primary and assistant surgeon fees, unbundled procedures, duplicate procedures, duplicate bills and cosmetic, incidental and elective procedures; analyzes follow-up days, non-specific diagnoses and assistant surgeon necessity. Options include employee benefit claims administration, workers compensation claims administration, flexible benefits administration.
■ *CompClaims* Workers' Compensation Claims Administration System.
Price: Quoted individually.
System requirements: 486 or Pentium PC; DOS or Windows platform; 1MB RAM, 100MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware.
Customization optional.
First installation: 1985.
Benefits managed: Workers comp.
Features: Claims administration, including reinsurance tracking, accounting, fee schedule and PPO processing, billing, claims processing, attorney tracking, management, administrative, government, safety engineering and cost management reporting, bill review, 24 hour coverage. Options include EDI, claims editing, employee benefits administration and flexible benefits administration.
■ *FlexClaims* Flexible Benefits Administration System.
Price: Quoted individually.
System requirements: 386, 486 or Pentium PC; DOS or Windows platform; 1MB RAM, 100MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware.
First installation: 1986.
Benefits managed: Flexible benefits.
Features: Section 125 administration, claims payment and accounting; includes fund accounting, claims processing and payment, proposal generation, letter writer, electronic mail bag, extensive reporting and remote processing. Options include employee benefits administration, workers compensation claims administration, claims editing, EDI.
■ *MediClaims* Health Claims Administration System.
Price: Quoted individually.
System requirements: 386, 486 or Pentium PC; DOS or Windows platform; 1MB RAM, 200MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware.
Customization optional.
First installation: 1981.
Benefits managed: Flexible benefits, workers comp, disability, COBRA, group health plans, life insurance, dental, vision, prescription.
Features: Health claims administration and billing, including 24 hour coverage and PPO processing. Options include EDI and auto adjudication capabilities when interfaced with other software, workers compensation claims administration and claims editing.
User support: User groups/meetings, onsite training, telephone assistance 10 hours per day.
Officers: William L. Tiner Jr., president; Anne M. Tiner, executive vp; Thomas P. Brooks, vp-sales.
Contact: Thomas P. Brooks.

Watson Wyatt Software

5335 S.W. Meadows Road, Suite 200, Lake Oswego, Ore. 97035; 503-620-9800; fax: 503-598-4444

Benefit systems since: 1991.
Parent: The Wyatt Co. dba Watson Wyatt Worldwide.
Software systems:
■ CHOICE 3.0.
Price: Quoted individually.
System requirements: 486 PC; Windows platform; 66MB RAM, 16MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL.
Customized system.
First installation: 1995.
Benefits managed: Flexible benefits.
Features: Enrollment, evidence of insurability data, flex credit calculation, salary deduction calculation, edit plan election data, demographic trend analysis, customized graphs and reports, ad hoc data analysis and ad hoc report generation (enrollment). Benefit communication features include computer terminals; phone; interface with IVR system, kiosk and worldwide web. Options include integration with other modules from Watson Wyatt Software.
User support: Onsite training*, telephone assistance 24 hours per day*.
Staff: 45 total, 39 professionals.
Clients: 105 total.
Officers: Pat Amendola, director-software/systems; Greg Campbell, project office director; Pam Hodge, marketing manager.
Contact: Eve Sather, 800-776-1046.
** Included in system price.* BI

The Benefit Communications Systems directory will run in the Oct. 28 issue. If you wish to be included, call Rich Trout at 312-649-5483 to be added to the mailing list.

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Products & Services

Cancellation coverage

NOVATO, Calif.—Cancellation insurance for sponsors of large special events is now available from Fireman's Fund Insurance Co.

The insurance protects organizers, sponsors, broadcasters and investors in major events, such as the Olympic Games and large trade shows, from unforeseen circumstances like fire, flood, earthquake and terrorism. It can also be used to protect against losses from civil unrest, broadcast transmission problems and labor strikes.

Coverage limits begin at $75 million per event and additional limits can be arranged as required.

Policies are custom-designed and can cover a single event or be written as an open policy covering several events over a period of years.

For more information, call Steve Brett, senior vp, 415-899-2000.

Product liability guide

NEW YORK—A handbook on controlling product liability losses and avoiding the expense of recalls and other corrective actions is available from American Insurance Services Group Inc.'s Engineering and Safety Service.

The 32-page guide, "Product Liability Loss Control," explains how design, quality control, legal and marketing departments can each take more responsibility to minimize liability risk, and a 63-item checklist summarizes key points. Information on standards organizations, basic legal terms, federal regulatory agencies and court decisions also is summarized.

The guide costs $8.25. For more information, contact AISG's Engineering and Safety Service, 800-533-AISG.

Subrogation software

FORT WASHINGTON, Pa.—Computer software designed to help self-insured employers, health maintenance organizations, group health insurers and third-party administrators with subrogation cases is now available from Strategic Recovery Partnership Inc.

Called Subro Suite, it contains medical benefit subrogation case law, statutes and Employee Retiree Income Security Act information by state. Designed by attorneys, it also contains a legal glossary and can store insurance data.

It is designed especially for non-lawyers, such as benefit managers and claim managers, who handle subrogation cases.

The product comes with attorney telephone support for help on general legal matters and specific cases.

For more information, call Robert Marcino, executive vp, 215-653-0706. BI

PBGC seen regaining its financial strength

Deficit plunges, underfunding also declining

By JERRY GEISEL

WASHINGTON—The Pension Benefit Guaranty Corp. is continuing its financial rebound.

The PBGC's deficit—the difference between its assets and the benefits it has guaranteed to participants in terminated underfunded plans the agency has taken over—plunged 74% to $315 million last year from $1.2 billion in 1994.

"The federal insurance program protecting pensions of the nation's workforce has been restored to a level of financial strength unseen in more than a decade," said Secretary of Labor Robert Reich, who also is chairman of the PBGC's board of directors.

PBGC attributes its deficit drop to record investment income and lack of terminations of big underfunded plans.

That nearly $900 million drop in the agency's deficit marks the second year in a row that the deficit has sharply declined. In 1994, the deficit dropped 59% from $2.9 billion in 1993.

The improvement in the financial position for the agency's single-employer insurance program is good news for defined benefit plan sponsors, which pay premiums to support the program.

Congress in past years has had to raise premiums several times as the agency's deficit soared. The basic premium is $19 per plan participant for employers with fully funded plans, up from only $1 per participant when the agency was created in 1974. But the per participant premium for employers with severely underfunded plans can be hundreds of dollars.

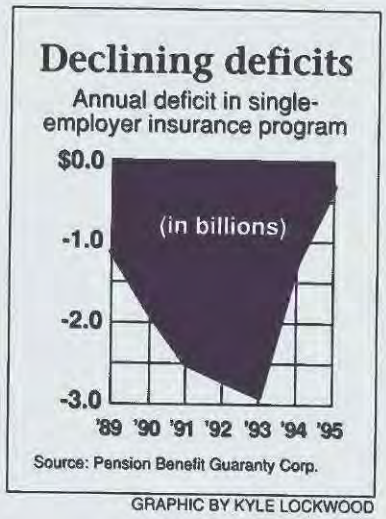
With the rapid improvement in the agency's financial base, termination insurance premiums should remain stable and perhaps could decline.

The agency's future looks promising. Total underfunding in pension plans in 1994—the last year for which complete information is available—declined to $31 billion from $71 billion. Improved pension funding translates into a marked reduction in the agency's exposure to big losses.

The PBGC attributes the reduction in its deficit to record investment income as well as the lack of terminations of big underfunded pension plans in 1995.

Companies, flush with record earnings, have been plowing more money into their pension plans. In addition, pension reform legislation developed by the Clinton administration and enacted in 1994 requires employers with underfunded plans to speed up contributions to those plans (*BI*, Dec. 5, 1994).

Meanwhile, the agency's insurance program for participants in multiemployer pension plans reported a surplus of $192 million, down only slightly from $197 million in 1994. BI



GRAPHIC BY KYLE LOCKWOOD

Superfund

Continued from page 2

up old urban sites for redevelopment would be able to write their cleanup costs off their taxes immediately rather than over a period of up to 10 years, as is now the case. The initiative would cost the government about $2 billion over seven years.

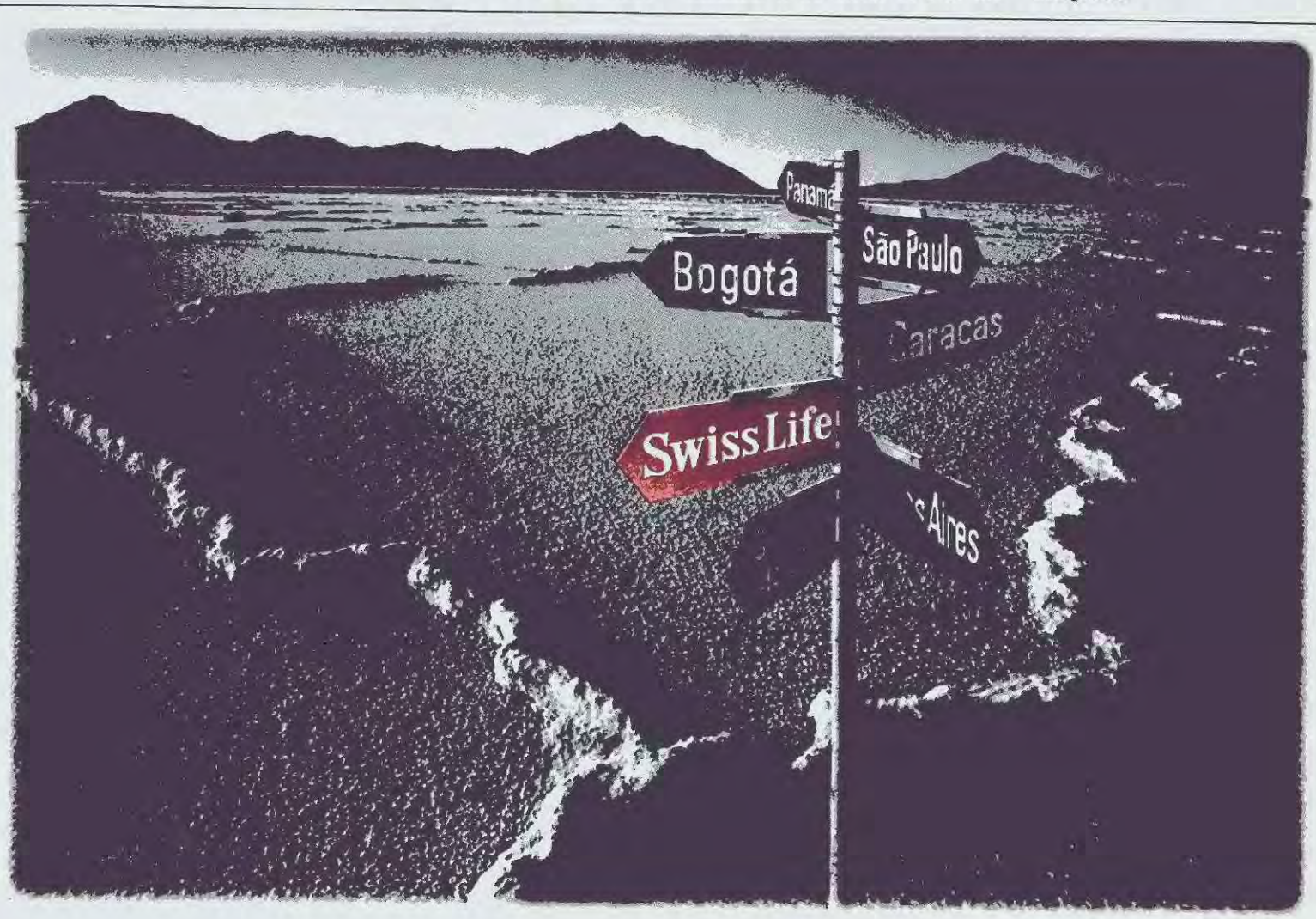
Mr. Clinton said the current Congress has "mounted the most aggressive anti-environmental campaign in our history." The president seemed to be underscoring the fact that he considers the environment will be a potent issue in another campaign—the one that precedes November's election.

That and similar aggressive remarks by the president "tended to put a chill" on bipartisan Superfund negotiations, said Rep. Oxley, who chairs the House Commerce Committee's Subcommittee on Commerce, Trade and Hazardous Materials. Rep. Oxley said that he has been working with committee Democrats to craft a bipartisan bill (*BI*, March 11). Such a bill may be debated by the Commerce Committee this week.

Although details have yet to be worked out, 'there's absolutely no scenario' for total repeal of retroactive liability under Superfund, warns Rep. Michael Oxley.

Although all of the details have yet to be worked out, Rep. Oxley warned that "there's absolutely no scenario" for total repeal of retroactive liability. Instead, his bill would eliminate it for about 90% of the potential responsible parties—those who generated or hauled substances to Superfund sites. Owners and operators of multiparty Superfund sites would remain subject to retroactive liability, though in cases where a site had multiple owners and operators a neutral allocator would apportion liability among the parties.

"We absolutely need Superfund reform this year," he said. "Not changing the law this year is not acceptable." BI



WHEN THE TOUGH GET GOING.

Looking for clear directions for your international employee benefit plans? Swiss Life is the way to go for coordinated global programs and real financial savings. As the world's leading international network of life insurers, we're never far from where you need us. And every Swiss Life Network Partner is a local leader, with the expertise, flexibility and service capabilities to meet your most challenging insurance and benefit requirements. It's a sign of the times that more and more top multinationals follow the Swiss Life route. Call us in Zurich on +411/284 3797, or contact your local Network Partner. It can be tough out there. But with Swiss Life, you're never on your own.

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THE RIGHT DECISION

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Defense

Continued from page 1

Network.

H&H Sports filed a breach of contract suit against Mr. Buss that included 14 claims, including one for defamation. One of Mr. Buss' insurers, Transamerica Insurance Co., now known as TIG Insurance Co., conceded that there was a potential for coverage of the defamation claim. The insurer agreed to provide a defense to the entire action, subject to a reservation of its right to dispute coverage for the defamation claim on a number of grounds.

Mr. Buss eventually settled the suit for $8.5 million. However, Transamerica refused to contribute to the settlement, claiming there was no substantial evidence Mr. Buss had slandered or libeled H&H Sports, thereby triggering coverage.

Mr. Buss then filed suit against Transamerica as well as other insurers involved for breach of contract and bad faith. Transamerica then countersued for reimbursement of the approximately $1 million in defense costs it said it generated in connection with defending the uncovered claims.

After a trial court ruled in Transamerica's favor, Mr. Buss appealed, arguing that Transamerica had an "indivisible duty to defend the entire action" and could not avoid paying for all the defense costs in the absence of "undeniable evidence" that specific fees or expenses could be allocated to non-covered claims.

Transamerica claimed that when an insurer defends an entire action in good faith, including non-covered claims—and reserves its right to recover defense costs for the non-covered claims—it should be entitled to reimbursement of defense costs for these claims.

In its decision, the appellate court focused on Transamerica's willingness to pay defense costs. It noted that previous cases have established that when an insurer refuses to defend a case, then it must provide "undeniable evidence" that a specific portion of the defense costs can be allocated to a non-covered claim.

However, this situation is different because the insurer did not refuse to defend the case, the appellate court said. Therefore, there is "no need or justification" to apply this stricter standard, the court found. In fact, treating insurers that are willing to pay defense costs the same as those that are not would "encourage the very insurer misconduct which a long line of cases has repeatedly condemned," said the decision.

Instead, for those insurers that do provide a defense, "the burden of proof required should be no greater than preponderance of the evidence."

Attorneys say the decision is applicable only in the relatively few cases in which plaintiffs arrange for their own defense and that have both covered and uncovered claims. But, they note, cases that meet those qualifications tend to be large cases with significant defense costs. In fact, it would not be worthwhile for the insurer to seek reimbursement of defense costs unless they were substantial to begin with.

"I have several other cases pending that will be impacted by this and considering the amount of defense costs involved in these cases. . .we could be talking about a lot of money over the years," said James G. Boedecker, an attorney with Haines & Lea in San Francisco, which represented Transamerica.

Relaxing the standard that insurers must meet could potentially raise legal costs for policyholders and, as a result, perhaps pressure them to settle more quickly, some attorneys say.

"In terms of the decision itself, we certainly think that basically this is going down the wrong road," said David M. Roberts, a policyholder attorney with Paul, Hastings, Janofsky & Walker in Santa Monica, Calif., who represented Mr. Buss.

If the case is ultimately upheld, "I think it's going to make it extremely difficult. . .for policyholders in a situation in which a lawsuit has covered and uncovered claims," said Mr. Roberts.

"It almost guarantees there's going to be another fight down the road as to how much the insurance company gets back," he said. "(And that) I think holds out the unfavorable specter of the insurance companies having, in essence, additional leverage points to force the policyholders to either accept settlement or other aspects of the insurance contract they might not otherwise have to agree to."

Previously, the thinking was if a suit had covered and uncovered claims, the insurer had to provide a complete defense, he said. If this case becomes the "law of the land," it could result in situations where the insurer agrees to pay only a percentage of defense costs from the start.

"It does change the balance of power a little bit," said Robert N. Schiff, an insurer attorney with Fisher & Hurst in San Francisco. This decision could mean that policyholders will "feel compelled to settle the case earlier to avoid the risk of a much larger bill for defense costs," he said.

At the same time, however, if insurers have a greater chance of recovering some of their defense costs later, they may be more reluctant to participate in a settlement, he added.

There had been a lot of doubt among attorneys about whether the undeniable evidence standard applies when an insurer accepts the duty to defend and this decision clarifies that, said Brand Cooper, an insurer attorney with Cooper, Kardaras & Scharf in Pasadena, Calif.

"But it was also a good decision because it served to remedy the grossly unjust situation where an insurer who was defending a case was often times prevailed upon—and often under a threat of a bad faith lawsuit—to finance an entire business dispute when only a sliver of it was covered."

It is still going to be hard, however, to allocate defense costs between covered and non-covered claims in most cases, said David Steuber, a policyholder attorney with Troop Meisinger Steuber & Pasich in Los Angeles.

Buss may be "one of those situations where bad sets of facts lead to bad law," Mr. Steuber said.

Some attorneys say that, on appeal, the case may be depublished by the California Supreme Court anyway. Depublishing simply means the ruling cannot be used as precedent.

Because the underlying facts of this case are unique, the court is more likely to depublish it than to accept it for review, said Mr. Steuber. Even if it is accepted, he added, "I question its significance for precedential purposes because of the uniqueness of its facts."

However, Julia Molander, an insurer attorney with Bronson, Bronson & McKinnon in San Francisco, said that because the appellate opinion was written by the highly-respected Justice H. Walter Croskey, it is unlikely the Supreme Court would either depublish it or accept it for review. If it did accept it for review, it is unlikely it would overturn it, she said. "They tend to follow his opinions in this area."

Ms. Molander also said the case may prove influential outside California. "Where California goes, the rest of the nation goes," and Judge Croskey is respected outside the state, as well, she said. "I think it could well have impact outside of California."

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Jerry H. Buss et al., vs. The Superior Court of Los Angeles County; No.B093806, 2nd Appellate District, Division Three.

Defense cost dispute

Insurers may avoid paying, but not easily

By JUDY GREENWALD

LOS ANGELES—Policyholders should be responsible for the costs incurred in defending claims that involve uninsured damage, a California appellate court ruled March 1.

But insurers must present "undeniable evidence" to prove a specific part of the defense costs were attributable to uninsured years, the court ruled in a complex case involving Liberty Mutual Insurance Co.

St. Louis-based IMCERA Group Inc., now known as the Mallinckrodt Group Inc., had owned property in Santa Clara, Calif., where it operated a chemical and manufacturing and processing facility from 1934 to 1979, when it sold the property. During many but not all of those years, it had insurance to cover its operations.

In a 1988 lawsuit, the new owner charged IMCERA with polluting the soil throughout the company's period of ownership.

After its insurers, of which Liberty Mutual is the only one still active in the case, refused to provide a defense, IMCERA paid about $3.3 million defending the action and settled its portion of the case for about $4.8 million. It then sued its insurers for defense costs and indemnity.

IMCERA and Boston-based Liberty Mutual both appealed the trial court's various rulings in the case.

In its decision, the appellate court said a manufacturer that "goes bare" for a period of time should be responsible for "that portion of defense costs actually incurred in defending claims of uninsured damage."

But, the court added, this requires a determination of "whether specific cost items are incurred as a result of damage that occurred during uninsured periods. Moreover, the insurer has the burden of proving that particular costs were attributable to such damages" and this evidence should be undeniable.

The decision notes that while that standard has been applied in previous cases to the issue of covered and non-covered causes of action, rather than to the issue of uninsured periods of time, "this is a distinction without a difference." Regardless of whether the lack of insurance concerns a particular cause of action, a category of damages or, as here, a period of time, the rule of allocation should be the same," the court said.

"I think the results of this decision are to substantially cut back on an insured's right to have a carrier pick up its defense costs, which has been reasserted and reaffirmed by the California Supreme Court (in other cases)," said Amy L. Applebaum, an attorney with Sidley & Austin in Los Angeles, who represented IMCERA in the case. She said her client is now deciding whether to appeal.

"I think it just undercuts the whole history of the duty to defend in California. They create this test that has to be undertaken, and although the burden is put on the insurance companies, it gives the insurance company just one other peg to use to squirm out of its obligation.

"What it does is give (insurers) just another issue that wasn't there before, and. . .it's a very expensive test to have to try because it means putting on an awful lot of evidence" that could affect the time and complexity of any trial. "In the end, it's going to cost you a lot of money to prevail," Ms. Applebaum said.

Tyrone R. Childress, a policyholder attorney with Troop Meisinger Steuber & Pasich in Los Angeles, viewed the decision more favorably. He said it "provides significant arguments for policyholders to raise against their insurers regarding coverage for long periods of time."

"As long as there's some overlap now, policyholders (in environmental cases) are better able to argue insurers can pick up the full defense," he said. Furthermore, the undeniable evidence standard is "a pretty high threshold to meet."

Insurer attorney Robert N. Schiff, with Fisher & Hurst in San Francisco, said the decision may not have much practical significance because "it's very hard to relate defense costs to specific time periods."

"Cases are not defended in terms of when damage took place, ordinarily," he added.

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IMCERA Group Inc. vs. Liberty Mutual Insurance Co., California Court of Appeals, 2nd Appellate District, Division 1; No. B079031.

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INTERNATIONAL

Injury awards inconsistent

Varied awards across Europe may violate E.U. rules: Attorney

By SARAH GODDARD

WINDSOR, England—Widely varying personal injury awards throughout Europe represent a breach of the Treaty of Rome, the legal foundation for the European Union, an attorney contends.

The size of court awards for similar injuries or death can vary by up to 200%, depending on where the injury is sustained and where the award is made within Europe (see chart).

In recent years, England and Wales have taken steps to ensure that personal injury awards are more uniform (see story, next page).

This situation in Europe is "a breach of the spirit and intention" of Article 7 of the Treaty of Rome, "which prohibits discrimination within the union against any citizen on the basis of nationality," contends David McIntosh, a senior partner at London law firm Davies Arnold Cooper.

Speaking earlier this month at a meeting of the Assn. of Personal Injury Lawyers, Mr. McIntosh expressed concern at the failure of the European Commission to make awards more consistent. Although the commission has focused on uniformity in product liability and safety directives, "there are, astonishingly, no commission initiatives in hand to ensure that personal injury and death awards in like cases (are similar)," he said.

The commission "ignores, and even denies, control or federal responsibility for the inadequacies and inconsistencies in personal injury damages," Mr. McIntosh said.

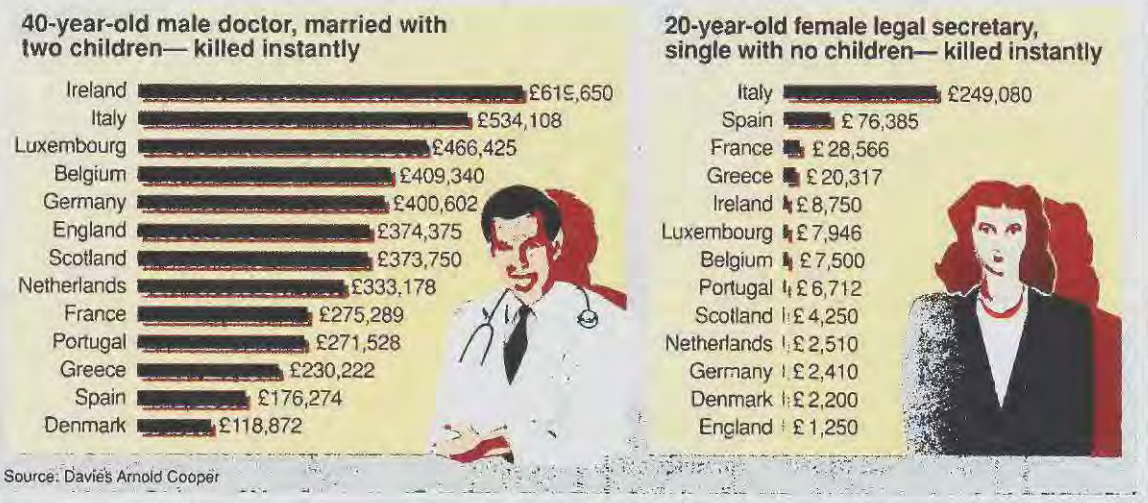
He illustrated what he termed the "inconsistencies" with three examples:

• A 20-year-old female legal secretary, with no dependents, dies instantly due to the actions of a hypothetical defendant. Average total awards would range from

See **Awards** *on next page*

Putting injury awards on the map

The size of average personal injury awards varies widely across Europe



GRAPHIC BY KYLE LOCKWOOD

Liability cover patches faulty tire

Defect awareness no obstacle to cover

By EDWIN UNSWORTH

LONDON—The insurers of BTR P.L.C., parent of U.K. tire manufacturer Dunlop Holdings Ltd., will pay a £597,000 ($904,455) claim to a family of four injured in a car crash caused by a faulty tire.

Zurich Insurance Co. agreed to pay the claim resulting from the 1988 accident, though Dunlop admitted knowing as early as 1981 of a latent manufacturing defect in the make of tire involved, according to court documents.

More than 300 similar accident claims involving the SP4 tire have already been settled out of court, though additional claims are anticipated.

The latest award was made by Judge Kenneth Wilson-Mellor of the High Court in Oxford to a family who was injured when their car was struck by another vehicle that went out of control when its SP4 tire blew out. The judge found Dunlop 80% to blame for the accident, relieving it of full responsibility because the car with the SP4 was being driven at high speed and the tire was seven years old, heavily worn and had been poorly repaired after a puncture.

The four people injured in the car with the SP4 tire also successfully sued Dunlop, and their damages are to be decided at a later hearing.

Despite the company's awareness of potential problems with the tires, Duncan Connally, a Zurich marketing executive, said the insurer considered this "a straightforward case involving a standard liability claim." He said it was against Zurich's policy to discuss particular claims in greater detail.

Chris Temple, managing director of Richard Oliver International, a company that provides risk management service to BTR, agreed, calling this "a straightforward product liability claim."

BTR became responsible for the faulty tire claims when it acquired Dunlop Holdings in 1985, even though this was after the sale of Dunlop's tire unit to SP Tyres U.K. Ltd. in 1984.

In the most recent case, Judge Wilson-Mellor accused Dunlop of covering up 300 incidents involving faulty SP4 tires. He said claims assessor David Paine had replied to a Department of Transport inquiry into two other fatal crashes that there were only nine cases of tread stripping in 1989.

The judge said the claims assessor had acted on the instructions of his management, which had "required him, in effect, to cover up information included in his schedule of claims."

Royal ideas on the Web

Site caters to businesses

LONDON—Royal Insurance Holdings P.L.C. last week launched one of the first business-to-business insurance centers on the World Wide Web to sell commercial insurance and security services.

Royal Insurance calls its online service a "Business Park," which is designed to be available to other insurance service providers as a means of meeting all the insurance requirements of their business customers.

The Internet service also provides a showcase for Royal's range of risk management and consulting services.

A spokeswoman for the insurance company said the service is available worldwide and designed to meet the needs of companies anywhere.

Royal Insurance already has leased pages on its Internet site to two companies providing insurance services: Bain Hogg Classic Car and Homewatch.

Bain Hogg Classic Car provides insurance for owners of classic automobiles, and Homewatch provides security products for private and commercial properties.

The spokeswoman said Royal is "talking to a range of other people" interested in joining the Internet service. In particular, it is looking at partners to develop a complete insurance service package for small commercial customers.

"By widening the range of services offered, we plan to provide a one-stop shop for both companies and individuals buying insurance services," said John Hymers, Royal's marketing liaison manager.

Internet users who wish to access the Royal Business Park on the World Wide Web can do so at http://www.royal-group.co.uk/.

—By Edwin Unsworth

Only so much room at the top

Consolidation likely among leading brokers, executives say

By EDWIN UNSWORTH

LONDON—John Reeve, executive chairman of insurance broker Willis Corroon Group P.L.C., added his voice last month to those forecasting consolidation among the top six global brokers.

Only a week earlier, Sax Riley, chairman of Sedgwick Group P.L.C., said of the same group of six that "the cake can only really accommodate three or four" of the major brokerage groups.

Mr. Reeve, who was speaking as Willis Corroon unveiled a 38% increase in 1995 pretax profits to £79 million ($124.8 million at average exchange rates) from £57.4 million ($87.8 million) in 1994, said that the broker's approach to this situation will be to watch developments closely, with "nothing ruled out and nothing ruled in."

Any decisions on mergers or acquisitions would be driven by economies of scale, market presence and shareholder value, he stressed.

Changes to the brokerage sector will be driven in part by expectations of continued soft market conditions. The outlook for brokers' profitability is affected by increasing competition from both traditional and new sources and a trend toward greater risk retention by larger clients, he added.

Such "generally difficult trading conditions" contributed to a drop in Willis Corroon's gross revenues to £665.1 million ($1.05 billion) last year from £670 million ($1.03 billion) in 1994. However, a £38.5 million ($60.83 million) cut in expenses in 1995 helped boost profits.

Willis Corroon currently derives 30% of its overall revenues from fees and 70% from commissions, Mr. Reeve said, but "we would expect the proportion of fees to increase over time." This should happen as the group focuses on more "value-added" products through brokering and risk management consulting.

Sedgwick's chairman similarly said this month he expects fees, which now account for around 35% of that broker's income against 65% from commissions, to rise to 50%. Sedgwick reported a slight drop in 1995 profits last month (*BI*, Feb. 26). BI

Lifting U.K. pension administration burden

By SARAH GODDARD

LONDON—Legislation passed last month by the House of Lords could reduce administrative difficulties for pension managers by requiring that pension rights be treated like other assets and split equally between a divorcing couple.

Pension managers had lobbied heavily for the amendment to the Family Law Bill, a change backed by the Labour Party but opposed by the government. The House of Commons could still modify the amendment, though Labour officials say they probably will not because of the size of the victory—the vote was 178-150—in the House of Lords.

Coordinating the lobbying, the London-based National Assn. of Pension Funds argued that the fairest option was splitting the pensions. Details have yet to be worked out, but this option involves determining a value for the pension benefits and then dividing that value in whatever way the divorcing couple agrees to at the time of divorce.

By contrast, under the current system, the payments are deferred. When the wage earner retires and begins collecting benefits, a portion of the amount is sent to the former spouse.

Businesses complain of numerous problems with that system, including the difficulties of keeping track of former spouses.

The clean break approach would be "good news for pension funds since they wouldn't have to think about apportioned payments to different parties," David Morgan, head of group pensions for Nestle U.K. and Nestle Ireland said at an NAPF meeting late last year.

The approach would also add a degree of stability, he said. Settlements, once made, cannot be reopened, but maintenance agreements could be.

See **Pensions** *on next page*

Underwriting fuels SCOR gain

By EDWIN UNSWORTH

LONDON—Pretax profits at SCOR S.A., France's largest reinsurer, soared last year to 591 million francs from a restated 23 million francs (to $120.5 million from $4.3 million) in 1994.

The 1994 result was restated to comply with new European accounting principles that were established in 1995 to create more standardization in the reporting of property and casualty results.

The improved earnings, announced last week, were helped by a marked turnaround in underwriting results to a profit of 505 million francs ($103 million) from a loss of 333 million francs ($62.4 million) in 1994.

Gross premiums written in 1995 were marginally higher, at 11.85 billion francs, compared with 11.65 billion francs ($2.41 billion vs. $2.18 billion) the year before.

SCOR Chairman and Chief Executive Jacques Blondeau said at a London press conference that given last year's fairly stable premium growth, "the only real improvement has been on the pure technical side."

He said that with the exception of the United States, "technical results were good in both treaties and facultatives, and in property as well as personal lines, helped along as in 1994 by another year of subdued loss experience."

Mr. Blondeau said the underwriting improvement was spread across all lines of business in Europe and most lines in Asia. Outside the United States, "there was continuing strong demand for reinsurance wherever we operate, while rates and contractual terms remained satisfactory," he said.

The key exception was the United States, where market conditions remained disappointing, and "intense competition and excess capacity were persistent features of many classes of business," he said. However, he added that a policy of selective underwriting led to largely positive results for SCOR U.S. Corp.

Another factor in the improvement was that SCOR's 1994 U.S. underwriting result was affected by almost $50 million of claims from the Northridge earthquake, while the reinsurer was relatively unscathed by U.S. catastrophe claims last year.

SCOR U.S., a fully owned subsidiary since last year, made an operating profit of $30.44 million last year, up sharply from a 1994 loss of $16.33 million. Gross earned premiums improved 10% to $331.4 million from $308.8 million.

SCOR's U.S. strategy has been to write large contracts and serve fewer customers, taking larger stakes in existing contracts and taking bigger positions in "properly rated" new business, according to SCOR's 1995 annual report.

In terms of group results, the strongest improvement was in non-life operations, where SCOR made a 1995 operating profit of 486 million francs ($99.1 million), compared with a 1994 loss of 21 million francs ($3.9 million). The operating profit from life operations more than doubled to 105 million francs from 44 million francs (to $21.4 million from $8.2 million).

Commenting on current prospects, Mr. Blondeau said that while a "fair proportion" of 1996 renewals took place at less advantageous rates than in 1995, SCOR expects "satisfactory" income growth this year. He said this is partly because the strongest premium decreases are in natural catastrophe risks, which account for less than 10% of SCOR's non-life business, and because the group has managed to attract new customers and increase its share of underwriting on a number of large contracts.

SCOR also plans to further develop its business in Asia and Latin America. This year, it expects to open a joint life and non-life branch office in Rio de Janeiro, Brazil.

Mr. Blondeau also said SCOR expects to do three planning reviews this year in European casualty risks, major industrial risks and sales coordination.

These reviews "will provide a framework for the definition of precise action plans in these areas," according to SCOR's annual report. BI

Pensions

Continued from previous page

Pension managers had also argued that deferred maintenance arrangements can be unfair to the non-wage earner. Payments in these arrangements only begin once the earner retires, which may not be connected to the life of the former spouse, who may not want to start drawing payments yet or who may have needed them years earlier, they said. And if the earner dies, the pension rights under a deferred maintenance arrangement stop.

A committee set up by the Pensions Management Institute and Law Society had come up with the idea of "pension transfer splitting," its proposals endorsed by organizations such as the pensions board of the Institute & Faculty of Actuaries and the Confederation of British Industry.

Divorcing couples could apply for a court order that the trustees or managers of a pension plan make a payment into another pension plan.

"The pension would start when the former spouse needed it, continue to his or her death and be his or her own property," said the NAPF.

In cases where the couple does not agree to a clean break, the deferred maintenance option still would be applied.

Nestle's Mr. Morgan pointed out at the NAPF meeting, that most pension payments in the U.K. go to men. Not only do women live longer than men, but they tend to marry spouses older than themselves.

Thus the deferred maintenance solution would "perpetrate the poverty trap of divorced women in old age," he said.

An NAPF spokeswoman said that the amendment was the fairest solution for all parties—including occupational pension funds, which no longer would be burdened with additional administration costs associated with the deferred maintenance solution. She added that the NAPF is willing to work with the government to make the amendment workable.

Several government ministers expressed their concern that the legislation would lead to lower tax revenues and increased administration for the Department of Social Security.

Meanwhile, accounting firm Price Waterhouse has warned that the Pensions Act draft regulations also contain a proposal that would "severely restrict the ability of companies to take pension contribution holidays."

Employers currently are allowed to stop making payments for up to two years if the plan is sufficiently funded, but the proposed legislation will require an annual reduction in contributions over a five-year term.

Awards

Continued from previous page

£1,250 ($1,900) on average in England to a high of £249,080 ($380,000) on average in Italy, according to a Davies Arnold Cooper study.

In England, Denmark, Germany and the Netherlands, only funeral expenses would be awarded. In other countries, though, bereavement damages ranging from £3,000 in Scotland to £45,208 in Italy ($4,600 to $69,000) also are applied, he said.

A single scale of compensation for pain and suffering must be adopted across Europe, says David McIntosh.

What's more, Italy tends to award a myriad of damages, including "loss of earnings, moral damages, general damages and even biological damages," explained Mr. McIntosh.

• A 40-year-old male doctor, with two dependents, dies instantly. Average awards would range from £118,872 ($181,000) in Denmark to £619,650 ($944,000) in Ireland, which Mr. McIntosh said tops other European countries for the largest pain-and-suffering awards for every type of injury.

• A 40-year-old male doctor, with two dependents, becomes a quadriplegic from a serious injury. Average awards vary from £4,762 ($7,300) in Greece to £89,315 ($136,000) in Belgium and a high of £225,000 ($343,000) in Ireland.

Mr. McIntosh said he has called on the European Commission to standardize compensation levels across all European domestic courts since 1991, but without success.

Insurance companies, attorneys and citizens need to pressure the commission to bring about greater parity in court awards, Mr. McIntosh said.

First, these combined forces must call for an E.U. inquiry into discrimination due to inconsistent award levels by country, Mr. McIntosh said.

Next, a single scale of compensation for pain and suffering must be adopted across Europe, as well as a similar scheme for compensating the estates of victims, he said.

Mr. McIntosh also proposed that European countries develop and adopt award guidelines to help their national courts more uniformly assess damages. After awards in each country are more uniform, such guidelines could be applied across the European Union. BI

England and Wales seek uniformity in awards

WINDSOR, England—While personal injury awards in most of Europe still vary widely, England and Wales have taken steps in recent years to assure more uniform awards.

Guidelines adopted in 1992 have led to a fairer system, according to David McIntosh, a senior partner at London law firm Davies Arnold Cooper. The Judicial Studies Board set ranges for awards for various injuries, leaving judges full discretion only when injuries were unusual or difficult to categorize.

Several signs indicate that the legal system in England and Wales is moving toward encouraging settlements of personal injury cases before trial:

• Proposals made by Lord Chief Justice Taylor to prevent lawyers from "overgilding" claims.

• Proposals by Lord Woolf to reform legal procedure in England and Wales radically.

• The Civil Evidence Act 1995 let actuarial tables called the "Ogden Tables" be admitted as evidence without the testimony of an actuary. The tables provide actuarial evidence for calculating such factors as loss of earnings and expenses in determining personal injury awards. The tables promotes higher, more uniform awards, said Mr. McIntosh.

In several cases now waiting to be heard in the Court of Appeal of England and Wales, defendants argue for discounts to be applied to Ogden-calculated awards. "An appeal thereafter to the House of Lords (is) almost certain," Mr. McIntosh added.

In addition, the Law Commission of England and Wales is considering a more long-term solution to uneven awards.

The commission is encouraging debate on assessing personal injury damages, including a proposal to introduce a schedule fixing upper and lower limits for non-pecuniary losses and a list of factors a judge can take into account when determining a final personal injury award.

—By Sarah Goddard

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INTERNATIONAL

Minories disputing £4 million claim

LONDON—Lloyd's Minories Underwriting Agencies Ltd. has filed for court protection from bankruptcy after failing to resolve a dispute over a £4 million ($6.1 million) errors and omissions claim with the Gooda Walker and Feltrim names action groups.

French insurers writing part of the agency's E&O cover are disputing the claim, and Minories has begun legal action to recoup the £4 million. But the two action groups suing the agency are continuing to press for immediate payment of damages.

Minories' Managing Director Colin Percival said to pay it would "be in breach of our fiduciary duty as directors if we gave preference to one class of creditors, such as an action group."

Mr. Percival said he hoped the protective administration would be a temporary measure, adding that the day-to-day operations of the agency, which represents more than 660 names, providing capacity to Lloyd's of £433 million ($659.8 million), will not be affected by the action.

—By Sarah Goddard

Nelson Hurst deal

Nelson Hurst P.L.C. has reached a conditional agreement to acquire up to 100% of the issued share capital of wholesale insurance and reinsurance broker EWD (Holdings) Ltd.

London-based Nelson Hurst will pay up to £3.5 million ($5.3 million), in the form of £1.3 million ($1.9 million) in cash and the balance in loan notes, payable not less than two years after the deal is completed.

—By Sarah Goddard

London

B.A.T results

London—B.A.T Industries P.L.C., the tobacco products and financial services group, is reviewing the operations of its U.K. insurance subsidiaries.

Martin Broughton, chief executive, said details of the review would be available later this year. However, he indicated that operations would be streamlined, and that some of its 13,000 service staff would be trimmed to improve the "cohesion" of the three U.K. insurance units. The three are: Eagle Star P.L.C.; Allied Dunbar Assurance P.L.C.; and Threadneedle Asset Management. Threadneedle's creation in 1994 from B.A.T's two U.K. asset management operations was a first step in this direction, he said.

No details of the proposal were revealed, though a B.A.T spokesman later said the review would not affect B.A.T's profitable U.S. insurance subsidiary, Farmers Group Inc.

Mr. Broughton dismissed rumors that B.A.T might want to divide its tobacco and financial services operations into two separate companies. He said B.A.T believed more value could be achieved for shareholders in keeping the two businesses together.

The announced review comes after B.A.T posted record profits in 1995.

B.A.T had a 1995 pretax profit of £2.38 billion ($3.69 billion), up 25% from £1.89 billion ($2.96 billion) in 1994. Gross revenues increased 10.6% to £23.38 million ($36.3 million), from £21.14 million ($33.1 million) in 1994.

Eagle Star, its leading U.K. general insurance unit, achieved a pretax profit of £220 million ($344.3 million), up from £173 million ($268.7 million) in 1994. Strong investment performance compensated for an increase in underwriting losses to £108 million ($167.7 million) from a £35 million ($54.8 million) loss in 1994. Increasing competition caused a 9% decline in gross premiums written to £2.18 billion ($3.39 billion), from £2.39 billion ($3.74 billion) in 1994.

Los Angeles-based Farmers Group showed an 11% rise in profits to £572 million ($888.3 million).

—By Edwin Unsworth

JIB Group's profits down

LONDON—JIB Group P.L.C. has posted a consolidated pretax loss of £49.6 million ($78.4 million) in its preliminary results for the year ended Dec. 31, 1995, due in part to discontinued North American operations.

JIB's gross revenues fell 6.3% in 1995 to £212.2 million from £226.5 million (to $335.3 million from $346.5 million) the year before.

The broker's continuing operations, which include those in the United Kingdom and Asia Pacific region, showed a pretax profit of £21.3 million ($33.7 million) for 1995, 12.7% lower than the £24.4 million ($37.3 million) reported for 1994. But factors including a £73.1 million ($115.5 million) write-off charge for reinstated good will and losses from discontinued operations in the United States led to the overall loss picture, as JIB focused on its "core growth business," said JIB Chairman Rodney Leach.

Mr. Leach explained that the goodwill write-off was a combination of selling the U.S. retail office network, the restructure of the U.K. brokerage operations, the anticipated costs of a Lloyd's settlement and a review of subsidiary companies' good will. These costs were met against a background of strong competition, low interest rates, slower economic expansion and a weak U.S. dollar, which put pressure on margins.

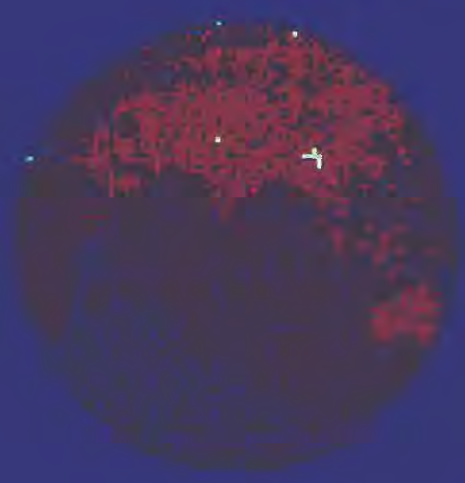
The U.S. network represented approximately half of JIB's North American business, though it made no contribution to profits in 1994. It is now focused on U.S. specialty business like fine arts.

Mr. Leach said a number of "significant" specialty accounts had been won toward the end of last year and he saw the business as having "good prospects for the coming year."

The U.K. cost base was reduced by last year's merger of the wholesale and retail operations. Competition has increased in many areas, including marine, energy and U.K. commercial property business, though smaller niche areas such as affinity group business, fine arts and construction business "have all increased their market share and profitability during the year," Mr. Leach said.

Last year's profits from the Asia Pacific operations—£8.6 million, compared with £9.5 million in 1994 ($13.6 million vs. $14.5 million)—were affected by the cost of upgrading systems and developing emerging market business, Mr. Leach said.

—By Sarah Goddard



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CalPERS to review appeals process

LOS ANGELES—The California Public Employees Retirement System will review its appeals process following a recent pre-trial settlement with a California mother of 10-year-old twins denied the home nursing care their physician said was necessary in order to keep them alive.

That settlement is among several reasons for the review, said a spokeswoman for the organization, which buys health care for about 1 million people.

New cancer treatments, the rapid introduction of new technology and varying medical opinions about their effectiveness have all made modification of the appeals process necessary, she said.

Those factors have made it more common for health plans to have different standards for coverage.

"We want to get an appeals process that is swift and concise and objective and does what it needs to do, so our members don't have to worry about benefits; they can worry about becoming healthy," she said.

Terms of the March 5 settlement with Linda Sarver of Covina, Calif., were not disclosed.

The Los Angeles Times reported that attorneys for Ms. Sarver previously stated they would go to court if CalPERS and its claims administrator, Blue Shield of California, did not agree to pay the nearly $200,000 annual nursing services bill.

The twins suffer from sleep apnea, a rare and potentially fatal ailment that causes abnormal heart and breathing rates.

They are otherwise healthy but need monitors and alarms to alert nurses to wake them when they are in danger.

A claims review company and several doctors who reviewed the case for Blue Shield had found the treatment had become unnecessary. Ms. Sarver's attorneys claimed the doctors were not qualified to make the assessment.

For the Record

Company will appeal retiree pension award

SANTA ANA, Calif.—Pacific Bell Directory will appeal a $2.1 million award earlier this month by an Orange County Superior Court jury that found that company executives lied to five sales agents about pension benefits so the agents would retire early.

"We are disappointed and we disagree with the judgment and we do plan to appeal," said a spokeswoman for the Pacific Telesis Group unit. "We disagree that we deliberately coerced them." The company insists that wrong information was given accidentally to the agents.

San Francisco-based Pacific Telesis faces at least four other similar lawsuits filed in Los Angeles by former Yellow Pages sales agents who also retired during the early 1990s when the economy slumped.

Their earnings depended largely on commissions and they claim company officials told them their pensions would be based on earnings during the last three years of employment.

But the company's pension formula actually is based on the agents' highest earnings over three consecutive years. A clause explaining that had been omitted from company literature for several years.

The men claimed they would have continued to work had they known their pension amounts would not have been eroded by declining sales tied to a slumping economy.

Workers comp rates falling in Arkansas

LITTLE ROCK, Ark.—Arkansas workers compensation rates are falling at the same time benefits for injured workers are improving.

Insurance Commissioner Lee Douglass announced earlier this month overall voluntary market loss-cost rates will decrease by 8%, and rates in the assigned risk plan will decrease 3.7%, on April 1. This marks the second consecutive year of rate decreases and is the first year the state has required workers comp rate filings to be on the basis of loss costs—the portion of workers comp rates allocated for projected losses and loss adjustment expenses for each classification. Rates fell an average of 12.4% effective March 1, 1995.

The recent rate decreases are in addition to average weekly wage increases, which rose to 85% from 70% Jan. 1, and increases in temporary total and permanent partial disability maximum payments.

Mr. Douglass attributes the improved workers comp market to reforms enacted in 1993. Reforms included the creation of a workers comp fraud unit, changes in the operation of the Arkansas Assigned Risk Plan and the creation of a health and safety division.

Information in brief

Merrill Lynch & Co. Inc. says it will fight a suit filed last month in state court in Honolulu by Hawaii insurance regulators alleging that investments the firm handled for **Investors Equity Life Insurance Co.**, which failed in 1994, were riskier than state investment guidelines allowed. . . .In its largest fine against a health insurer, the New York State Insurance Department fined **Empire Blue Cross & Blue Shield** $1.1 million for violations that include: paying some claims and rejecting others for the same treatment, charging unapproved rates and failing to keep accurate claims files. . . .Two syndicates underwriting on the **Illinois Insurance Exchange** each have new managers. RCA Syndicate #1 Ltd. is now operated by L&W Holdings Inc. of Okemos, Mich., under the direction of Steve Lademan, its president. Also, Prime Syndicate Inc. is now operated by The Evolution Group of Salt Lake City, under the direction of Rick Lindsey, its president. . . .ITT Hartford Group Inc. re-entered the **Maine workers compensation market** on March 1 after withdrawing four years ago. The insurance company cited improved market conditions brought about by Maine's 1993 workers comp reforms. BI

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Sub-total	**30,164**
Associations	311
Government, Unions and Educational Institutions	881
Commercial Consumers Sub-total	**31,356**
Insurance Agents and Brokers	8,013
Insurance Companies	7,685
Accountants, Actuaries, Attorneys & Consultants	3,586
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,858
Others Allied to the Field	1,091
Total Qualified	**53,589**
Non-qualified	7
TOTAL CIRCULATION	**53,596**

★ *Source Business/Occupational breakdown of qualified circulation, Novermber 27,1995 Issue, as submitted to BPA for December 1995 BPA Publisher's Statement*

Studies clash on value of emergency room copayments

By ROBERT KAZEL

Three years ago, 20 large corporations in California became convinced that employee use of hospital emergency rooms was driving up costs and asked their HMO, Kaiser Permanente, to assess a copayment of $25 to $35 on emergency room visits.

This month, in an article in the New England Journal of Medicine, Oakland, Calif.-based Kaiser reported that the copayment decreased the use of emergency rooms about 15%, with no evidence that employees' health had been jeopardized.

Is this proof that copayments are a tonic for overcrowded emergency rooms? Perhaps, but a second study—published in the same journal—argues that emergency rooms cost hospitals much less to operate than is commonly assumed. That study's author contends disincentives to use emergency rooms may be unnecessary—and possibly dangerous.

In the first report, Kaiser's researchers studied about 30,000 employees and dependents in Northern California who were subject to emergency room copayments starting in January 1993. As a control, Kaiser also studied about 98,000 other health maintenance organization members who did not have to pay copayments.

The study found that the copayment had no effect on emergency room usage by patients with the most urgent medical problems, categorized as "always an emergency," such as heart attacks, respiratory failure and appendicitis. But among patients with less serious conditions, those required to pay copayments used emergency rooms less, and those with the least serious problems used them significantly less.

Visits for problems that were considered "often an emergency" or "sometimes not an emergency" declined about 14% and 20%, respectively. These categories included vertigo, migraine, head trauma, assault, motor vehicle accident, asthma and abdominal pain.

Visits for less serious conditions, such as low back pain, headaches and dizziness, declined 25%.

Providing a financial disincentive to using the emergency room did not in general cause more plan members to use doctors' offices, nor did it increase hospitalization or death rates, researchers said.

"We didn't see any evidence of harmful outcomes," said Bruce Fireman, a Kaiser statistician and an author of the study.

But the author of the second study on emergency rooms, Dr. Robert M. Williams of the University of Michigan, argues that reductions in emergency room use are not automatically a cause for celebration. According to Dr. Williams, Kaiser can never be sure its members weren't dissuaded from going to the hospital with serious problems.

"It's a concern to me that some of the people they kept out are the ones who were appropriate for emergency services," he said.

Dr. Williams, for 25 years an emergency room doctor and past president of the American College of Emergency Physicians, said that his study of emergency room treatment in six community hospitals in Michigan shows emergency room care is economical and that attempts to limit it in non-urgent cases may not save as much money as managed care organizations think.

Dr. Williams found the hospitals had an average cost of $62 for non-urgent visits. The average cost for semi-urgent care was $159, and the average cost for urgent care was $351. "The charge for non-required visits are not as high as we thought they were and are, in fact, quite competitive to doctor office visits," he said.

When viewed as marginal cost—the true, additional cost to the hospital of seeing a patient minus routine, fixed costs of keeping the emergency room open—the cost of seeing non-urgent patients was only $24, the study said.

He acknowledged, though, that insurance companies' displeasure over emergency room use is understandable. In the case of the six Michigan hospitals studied, the charge billed for emergency room care was twice the hospitals' cost. But the doctor said this is mainly due to the high number of poor, uninsured people who fail to pay their emergency room bills, and that he favors tax support of emergency rooms—much like police and fire departments—as a way to lower charges, widen access and avoid copayments.

A health care consultant, however, disputes Dr. Williams' use of marginal analyses to figure the cost of emergency rooms, and comes out squarely on the side of co-payments. Dave Rahill, principal of A. Foster Higgins & Co. Inc. in New York, said the doctor's outlook is skewed.

"He looks at it from the provider's perspective as a way to justify what he thinks is a necessary infrastructure," Mr. Rahill said. "The market doesn't care about a marginal cost. What they care about is the bill that they get."

HMO and point-of-service emergency room co-payments are effective and are becoming widespread, he said, and such charges now seem to average about $50.

•

A free copy of the Kaiser Permanente study may be obtained from Dr. Joe V. Selby, Division of Research, Permanente Medical Group, Kaiser Permanente Medicare Care Program, 3505 Broadway, Oakland, Calif. 94611. For a free copy of Dr. Williams' report, write to him at the Department of Health Management and Policy, University of Michigan School of Public Health, 1420 Washington Heights, Ann Arbor, Mich. 48109.

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Boeing offers POS enrollees bonuses

SEATTLE—Since union employees opposed greater cost sharing initiatives, The Boeing Co. is offering bonuses as an incentive to join new point-of-service plans.

Historically, Boeing has paid the full cost of a self-insured indemnity plan with a preferred provider organization option. The company also contracted with some health maintenance organizations and paid the full cost of those plans, as long as the amount charge by the HMOs did not exceed the amount charged by the PPO network.

Boeing's new four-year contract offers workers cash incentives for moving into POS arrangements the company calls "optional health plans" or "coordinated care plans." The plans are offered by HMOs, physician hospital organizations and some hybrids.

Workers who switch to the managed care plans this year will receive a $600 bonuses. In 1997, the bonus will be $400, falling to $200 in 1998. The bonuses are cumulative, so workers signing up this year will receive $1,200 if they stay in the plan through 1998.

Boeing chose plans accessible to workers in the Puget Sound area, Portland, Ore., and Wichita, Kan., as well as ones that already contain many of the clinics, hospitals and providers that employees now use.

"We wanted to find plans with the most overlap so that our employees did not have to shift in huge numbers to new providers," said Jacque Ives, one of Boeing's employee benefit managers. "We wanted plans that could coordinate care."

Some of the regional plans include: Salem, Ore.-based HMO Oregon for workers in the Portland area; Wichita, Kan.-based Preferred Plus of Kansas; and a network named Alliant Plus, being formed by Seattle-based Group Health Cooperative of Puget Sound and Seattle-based Virginia Mason Health Plan.

Open enrollment is in May.

The contract also stipulates that employee contributions will be required in 1998 for Boeing's discounted fee-for-service plan if cost increases exceed the national medical inflation rate.

—By Roberto Ceniceros

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Unions

Continued from page 1

pushing much more to make sure that our members get the quality care they deserve," said Stephen Sleigh, the director of strategic resources in Washington for the International Assn. of Machinists and Aerospace Workers.

The union said it first asked for plan accreditation, though Boeing said the issue arose while management and labor worked together in negotiations.

The Boeing contract also requires the formation of a Joint Committee on Health Care Costs and Quality, consisting of five members from Boeing management and five labor representatives. The committee will monitor health plan quality by comparing it with other employers' health care cost and quality data, along with employee input and data from accreditation organizations as benchmarks, according to the union.

Boeing workers could eventually receive a report card on the plans available to them, according to Mr. Sleigh.

'Boeing is the most sophisticated, far reaching, joint health care committee we have negotiated,' says Stephen Sleigh of the machinists' union.

"Boeing is the most sophisticated, far reaching, joint health care committee we have negotiated," Mr. Sleigh said. "Within the labor movement there may be some other examples. The United Auto Workers have negotiated the kind of things we did, but it is pretty unusual. It is the only contract I know of that goes to the lengths that we have gone to define cost-containment measures and define quality."

Boeing and the union said they already had a similar joint committee but it was inactive. The union said it now is determined to make the committee have an effective role.

Boeing has a strong interest in sharing health plan information with its employees and is also committed to the committee's success, said Ms. Ives.

"Given the changes in the medical benefits that we have negotiated with the union there is now a more immediate role and necessary role for this committee," she added.

A small number of employers have found success in using joint management-union committees to educate employees about managed care, increased worker contributions and plan changes, said Lee Reichenbach, a principal and benefits consultant in the Newport Beach, Calif., office of Hewitt Associates L.L.C.

In her experience with two utility companies that worked with their labor unions to educate employees about plan changes and costs, the unions' participation eventually evolved into helping the employers select vendors, partially based on quality concerns, she said.

While one of those efforts is about three years old, it still remains a rare practice, Ms. Reichenbach said. But she added that a rise in the number of companies informally consulting unions about health issues is evidence that a trend may be emerging.

Unions increasingly are seeking a more formal role in health plan issues.

Several labor unions, such as the United Auto Workers, the Communications Workers of America and the machinists union, have been working closely with the NCQA. Representatives from some unions sit on NCQA panels, such as the Committee on Performance Measurements.

Union involvement has had a difference.

In New York and Ohio, for example, health plans purchased for state employees must seek accreditation review. That requirement resulted from public-employee union influence, an NCQA spokeswoman said.

With a lack of unified consumer groups eyeing managed care, the unions are filling that role, the NCQA spokeswoman said. And they are pressing for involvement at companies other than Boeing.

Just days before the machinists accepted Boeing's contract last December, they also signed one with Pratt & Whitney, a subsidiary of Hartford, Conn.-based United Technologies Corp. The contract covering 6,100 workers also creates a joint management-union committee to review health plan quality and requires that the company's health plans seek accreditation review, said the union's Mr. Sleigh.

Neither the Boeing nor the Pratt & Whitney agreements stipulate what will happen if the health plans fail to obtain accreditation.

"We left that deliberately vague so we had some room to encourage the HMOs to correct their problems," Mr. Sleigh said. "It may also be the case that it is not so easy for our people to move from one HMO to the other, so there are no specified penalties in either one of those contracts. The two sides, labor and management would sit down and decide what should happen to that HMO."

Under the agreement, Pratt & Whitney employees will have to contribute to their health plan premiums, unlike the Boeing workers, whose strike was sparked by that issue, Mr. Sleigh said.

Meanwhile, Boeing's Ms. Ives said that the joint labor-management committee has already met once. The panel is supposed to meet twice a year, but could convene more often in the early stages, she said.

Among other things, the committee could help the company "address and respond to some of the HMO horror stories that are out there and making sure they don't happen to our employees," she said.

"Not all of the plans right now are able to provide HEDIS data but they will be in the future," Ms. Ives said, referring to the NCQA's Health Plan Employer Data and Information Set, used to measure quality. "That is something we are requiring of them."

The committee eventually could look at outcomes measurements and best medical practices, Ms. Ives said. But she says those measurements are still in their infancy.

"Ideally, yes, we will start looking into that. But I think we need to take baby steps before we take huge leaps," she said. BI

Comp

Continued from page 2

tant general counsel with Liberty Mutual Insurance Co. in Boston, which is a member of the council. The ALEC task force delayed action on the proposals while a study group reviews the recommendations.

In addition to Mr. Scrushy, the task force set up to counsel Rep. Gingrich had only six members—three of them executives at HealthSouth (see related story). Of the four outside advisers to the task force, two are top executives with U.S. Strategies Inc. U.S. Strategies is a Washington lobbying firm representing HealthSouth, said Greg Smith, who is director of the ALEC task force reviewing the proposals. HealthSouth would not comment.

Like HealthSouth, the other two companies on the Gingrich task force also are members of ALEC, said Mr. Smith. Still, the task force's membership had been kept secret until it reported to ALEC.

"It didn't represent the full world of workers comp, let alone the full world of business," said Tom O'Day, associate vp with the Alliance of American Insurers in Washington. "That's not a criticism, it's a reality."

Others criticized the task force as lacking expertise in workers compensation. They point out that the panel lacked input from insurers, third-party administrators, workers and academics.

"This is a one-man show," said Edward Welch, a workers comp expert, professor and newsletter editor in East Lansing, Mich.

"I think it was a cooked committee. There was (not even) a pretext at balance," said Jim Ellenberger, assistant director for the AFL-CIO's department of occupational safety and health in Washington.

"The study group members don't appear to have any detailed workers comp expertise and may not appreciate the complicated issue and the delicate balance that well-performing workers compensation systems have evolved to," said Robert Steggert, vp-casualty claims for Marriott International Inc. in Bethesda, Md.

Yet, "the tie-in with Gingrich gave them a platform," said Mr. O'Day.

And it was that connection—a powerful member of Congress studying the state-based workers compensation system—that worried many in the workers comp community, despite prominent assurances that there was no federal angle (*BI*, Nov. 20, 1995).

The Gingrich task force's 19-page proposal recommends a package of six policy objectives designed to "empower the private market to create alternative worker coverage plans."

"The package emphasizes economic and social incentives while avoiding inflexible mandates," it said.

It recommends that state laws should be changed so employers would be allowed to:

- Buy 24-hour coverage for employees, though workers comp benefits would be administered separately from group health.
- Establish medical savings accounts, which are pre-funded, tax-favored accounts into which funds are deposited to pay medical expenses.
- Direct employees' workers compensation medical care, though employees would be allowed to select an initial provider from a prescreened panel of physicians.
- Opt-out of a state's workers comp program, if employers provide alternative "workers coverage" plans that they themselves design.
- Maintain exclusive remedy protection for employers that opt-out, except in cases of gross negligence or intentional injury.
- Make the losing party in a suit for claims related to alternative worker coverage options pay the cost of litigating the suit for both parties.

Those proposals prompted some sharp criticism from three business, academic and labor experts in workers comp.

"There is a good foundation for the objectives of the group, but it breaks down when you start analyzing in detail the practical implications of what the group is recommending," said Marriott's Mr. Steggert.

Advocating major shifts in public policy, like allowing employers nationwide to opt out of state workers comp systems—like companies now do in Texas—"is not something that should be taken lightly," he said.

The task force's 24-hour coverage proposal was also a focus of criticism.

Though it sounds desirable, 24-hour coverage "is largely untested for workers comp," said Mr. Steggert.

Implementation of the concept is complicated by the fact that it is still necessary to determine whether an accident or injury is work-related, because that is the trigger for wage-loss benefits, he said.

"It is too simplistic, and a little naive, to put both workers comp and personal health care under the same 24-hour umbrella," said Mr. Steggert.

Mr. Ellenberger also dismisses 24-hour coverage for workers comp as "a marketing scheme" that would provide a vehicle for health care servicing and providing companies to sell a product to employers, he said.

Similarly, the medical savings account proposal came under fire.

The MSA proposal appears it would require employees to pay deductibles for their workers comp medical coverage.

"If an employee pays a deductible, it opens a Pandora's box on exclusive remedy," Mr. Steggert said. For example, employees could challenge employers' right to exclusive remedy if employees no longer get fully paid medical care. "They are unwittingly providing some fertile legal ground to undermine the exclusive remedy defense," he said.

The AFL-CIO's Mr. Ellenberger called MSAs "lunatic" in the workers comp arena and argued that they may result in workers shying away from reporting legitimate claims.

And the loser-pays proposal was faulted as poor policy.

The concept of loser pays "is revolutionary and goes against standard public policy in the existing no-fault workers compensation system," Mr. Steggert said.

Also, it would have a chilling effect on legitimate worker lawsuits, said Mr. Ellenberger.

One other recommendation—allowing employers to opt out of state systems—was criticized as shortsighted.

Most employers would not take the idea seriously "because they feel more responsibility to their employees," said Mr. Welch. "They don't want to be off the hook. If people are hurt at work, they want to do something."

"This plan ignores the good part of the comp law," that encourages competitive markets for insurance, he said. It also would eliminate valuable knowledge available from insurers' loss control experts.

Mr. Steggert does agrees with the task force on some points.

States should stay away from mandates and allow the free market to work, but within the framework of statutory law, he said.

Also, some state systems have already adopted some of the proactive, free-market cost control techniques the Gingrich task force espouses, but they have done so as a coordinated effort that considered employees' and insurers' concerns, too, he said.

Mr. Steggert also said, "I agree wholeheartedly with employer-directed care in workers comp, but I don't think society is ready for personal health care to be directed by employers."

If the Gingrich task force proposals were adopted, "this is the end of workers comp as we know it," Mr. Welch said. "That would sure save a lot of money, but that is totally irresponsible." BI

Product

Continued from page 2

earlier this year. Congress overrode the veto, the first such defeat President Clinton suffered.

As reported out of the conference committee, H.R. 956 would limit punitive damages in product liability cases to the greater of $250,000 or twice compensatory damages. If the punitive damages are assessed against businesses with fewer than 25 employees, the limit would be the lesser of the two options.

In one of the few breaks with the original Senate bill, however, the conferees' bill would allow judges to sustain jury awards above the punitive cap if the defendant engaged in "egregious" conduct. The judge could not, however, increase the award over what the jury awards under this "additur" provision. The original Senate bill, but not the House bill, would have given judges the right to increase punitive damage awards.

The measure would set a 15-year statute of repose for workplace goods, meaning that plaintiffs couldn't sue for damages allegedly caused by workplace goods that had been in service for at least 15 years. The bill would limit joint and several liability to economic damages, with only several liability applying to non-economic damages like pain and suffering.

The bill also would provide product sellers with immunity from product liability actions under most circumstances, allow reduction of awards when products have been misused or altered and provide companies that supply raw materials or components for medical devices with immunity under some circumstances.

"While it's not quite the bill RIMS would have hoped for, as we would have preferred the broader. . .House bill, this is certainly a big step forward, and after so many years would be quite an accomplishment to get even this bill passed," said Paul Brown, director of government affairs for the Risk & Insurance Management Society Inc. in New York.

The bill also contains a controversial workers compensation provision opposed by self-insurers and some insurers (*BI*, Nov. 27, 1995). In certain cases, where the product manufacturer proves that the employer was at fault by substantially contributing to the cause of the accident by its actions, the employer or insurer would lose its subrogation lien to get back workers comp payments from the accident.

"We are disappointed with provisions of the bill that would shift costs from the liability system into the workers compensation program. It would do this by limiting employers' right to recover the cost of workers compensation benefits payable when injured workers are hurt because of a faulty product," said Melissa Wolford, assistant vp-federal affairs for the American Insurance Assn. in Washington.

"It also provides a double recovery under both workers compensation and liability payment systems, and it will foment unnecessary litigation over employer fault, which runs contrary to no-fault workers compensation principles," she said.

Nonetheless, AIA hailed the bill as a whole, and pro-reform forces are generally confident about the measure's chances of winning Congressional approval.

"I think it has an excellent chance of getting through the Senate and the House," said Tom O'Day, associate vp-federal affairs for the Alliance of American Insurers in Washington, though he sees it as a "close call" in the Senate. "If it goes through, it will get to the president after Easter. After that, who knows? The president is going to have a very difficult decision," Mr. O'Day said.

"The word I'm hearing is they should have the votes, and they should be able to keep the votes" in the Senate, said the AIA's Ms. Wolford.

Victor E. Schwartz, counsel to the Arlington, Va.-based Product Liability Coordinating Committee, said that while proponents weren't certain they had the 60 votes needed to invoke cloture in the Senate, they were working to get them "15 hours a day."

"We are not certain of the president," he added.

Consumer groups, however, think there is a chance that the Senate will block the bill. "We're hopeful that it's not going to get out of the Senate," said Rich Vuernick, legal policy director for Washington-based Citizen Action. "There's nothing moderate about this bill. We've been screaming since this bill was passed that this was a bad bill, and everybody thought we were talking about the House bill and we were talking about the Senate bill. The punitive damage cap is still a cap, the additur provision does nothing to eliminate the effects of having a cap. Certainly eliminating joint and several liability for non-economic loss is outright discriminatory." BI

Bending the speaker's ear

Members of the task force advising House Speaker Newt Gingrich on workers compensation are:

- Richard Scrushy, chairman and CEO of HealthSouth Corp. of Birmingham, Ala.
- Debra Cerre-Ruedisili, senior vp and chief operating officer for Farmington Hills, Mich.-based preferred provider organization Medview Services Inc.
- Gina K. Clark, group vp of managed care and national contracting at HealthSouth.
- Thomas G. Emerick, director of benefit designs for Wal-Mart Stores Inc. in Bentonville, Ark.
- Dr. Scott H. Jaeger, national medical director for HealthSouth.
- Robert H. Marks, president of Medview Services.
- James Waggoner, vp of public and community affairs at HealthSouth and a state senator in Alabama.

Four others were identified as advisers to the task force:

- Dr. Bruce A. Dalton, president and chief executive officer of consulting firm OccuHEALTH Inc. in Hurdle Mills, N.C. He is a former medical director for a telecommunications company.
- Mark Glassman, vp of Washington lobbying firm U.S. Strategies Inc.
- John V. Kenny, president of U.S. Strategies.
- Bill Pezzutti, risk manager for Winn-Dixie Stores Inc. in Jacksonville, Fla.

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Liggett

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years into a fund to compensate the five initial states in the settlement—Florida, Louisiana, Massachusetts, Mississippi and West Virginia—for past and current expenses incurred in caring for state residents with smoking-related illnesses.

• Cover future tobacco-related state health care costs by paying into the fund for the five settling states 2.5% of Liggett's pretax profits annually over the next 25 years.

• Establish a fund for other states that have not yet sued the tobacco industry but may do so in the future. Liggett would pay 5% of pretax profits annually for the next 25 years. States would receive payments commensurate to their share of the Medicaid population.

The settlement agreement contains provisions that would be triggered if Liggett links with another tobacco company. Upon the triggering transaction, the pretax profit of the merged entity would be subject to the 2.5% payment for the five initial states' future tobacco-related health care costs and those states in total would be guaranteed no less than $30 million adjusted for inflation. Similarly, it would be 5% of the merged entity's pretax profits annually for the next 25 years that would go into the fund for states that have not yet filed lawsuits against the tobacco companies. The annual contribution to that fund would be at least $50 million.

• Liggett will also withdraw its objection to U.S. Food and Drug Administration jurisdiction over tobacco in proposing regulations about marketing cigarettes to children and has agreed to voluntarily comply immediately with most of the proposed rules, particularly prohibiting the use of cartoon characters in advertising.

• Liggett also has agreed to cooperate with the state attorneys general in their prosecution of tobacco companies. Asked if this means that Liggett has incriminating information about other tobacco companies to turn over to the states, Mr. Moore said, "We anticipate all tobacco companies have information about fraudulent activity (in the tobacco industry)." Mr. Moore also indicated that more witnesses against tobacco companies may be coming forward in light of this settlement.

A Liggett spokesman said he was unaware of any liability insurance available to fund the settlement.

Several insurance and reinsurance brokers agree that the structure of the settlement—in which percentages of pretax earnings will be paid out over several years—suggests no participation by Liggett's insurance companies.

In fact, tobacco firms generally have been unable to buy liability coverage for tobacco-related exposures since the 1960s, brokers say. Any insurers that wrote such coverage probably just wrote primary policies as an accommodation to a client, one broker said.

The only insurance possibly available to tobacco firms, brokers say, would be occurrence-based liability policies from the 1960s and earlier. If such policies had no annual aggregate limits, they could be exposed to potentially large liabilities.

The settlement is a way for Liggett and its parent company, Brooke Group Ltd., to remove the threat of product liability suits, according to Bennett S. LeBow, chairman and CEO of Brooke. "The tobacco industry has lived for too long with the possibility of financial catastrophe from product liability lawsuits that could destroy the industry," he said.

Julie Beiser, a plaintiff's attorney with Gauthier & Murphy, a New Orleans firm that is one of 60 involved in the class-action suit praised the settlement, particularly for the attention it pays to underage smoking. "I think the best thing to come out of it is that, in effect, they admitted they targeted children."

Mississippi Attorney General Mike Moore, who led the negotiations along with Florida Attorney General Bob Butterworth, described the deal as the "most important health care settlement in history." The attorneys general say the financial portion of the settlement is secondary to the provisions on compliance with FDA rules and the agreement to cooperate with them in the future.

"This is the beginning of what we hope will be an effort to get tobacco companies in this country to play by the same rules that every other business must play by," said Massachusetts Attorney General Scott Harshbarger.

West Virginia Attorney General Darrell McGraw, a former chief justice of the state's highest court, said, "This settlement clears the procedural underbrush" in the lawsuits against tobacco companies. In terms of the effect of this settlement on tobacco litigation, Mr. McGraw said, "Courts will be loathe to be perceived as not having the ability to speak to the issue as the attorneys general have the ability to speak to the issue."

Mr. McGraw earlier said he expects that once emotions have cooled, other tobacco companies may consider similar settlement deals.

However, Minnesota last week rejected the settlement deal.

In rejecting the settlement, Minnesota Attorney General Hubert H. Humphrey III said the offer was too low. Tobacco companies are responsible for $470 million per year that Minnesotans spend on smoking-related diseases, Mr. Humphrey said in a statement.

A lawyer representing Minnesota and the state's Blue Cross & Blue Shield organization in their suit against the tobacco companies attacked the Liggett settlement as merely a ploy by Mr. LeBow to aid his effort to take over New York-based RJR Nabisco Inc.

"That's the purpose of it. It's not an economic settlement, it's a marketing settlement," said Michael Ciresi, a partner with Robins, Kaplan, Miller & Ciresi in Minneapolis.

A settlement like Liggett's could be workable in theory, but would have to involve larger payments and fewer escape clauses for the tobacco firms than the Liggett offer features, he said. "There are so many outs (for Liggett), it's sort of 'heads I win, tails you lose.' "

Liggett has left itself some key escape clauses in the proposed settlement, should its competitors prevail in litigation.

Under the proposal, Liggett can terminate the settlements if other tobacco company defendants win the litigation on merit. The Castano settlement also could be voided if the class certification is reversed on appeal or if not enough class members participate in the settlement.

Under the proposal, the terms also would apply to the merged company, with the Castano class receiving 5% of pretax income of the new company, up to $50 million.

Mr. LeBow and investor Carl Icahn have proposed a slate of directors to replace the existing RJR Nabisco board at the company's annual meeting in April and, if elected, the new board plans to immediately spin off the business. The Castano plaintiffs have agreed not to fight the spinoff effort if those directors are elected.

Plaintiffs lawyers and attorneys general say they hope the action will lead other tobacco companies to follow Liggett's lead.

However, the cigarette maker's competitors say that isn't likely.

R.J. Reynolds Tobacco Co., an RJR Nabisco unit, said it remained confident it will win in court and called the Liggett settlement offer an "irresponsible and reckless ploy to influence RJR Nabisco shareholders in the proxy contest." Philip Morris U.S.A. and Brown & Williamson Tobacco Corp. also pledged to keep fighting.

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Roseanne White contributed to this report.

Strike

Continued from page 2

walked or not."

Lawrence L. Drake, managing director with Marsh & McLennan Cos. Inc. in New York, said the death of strike coverage began with the baseball strike of 1981. "No underwriter would ever touch professional sports after that. There was a loss there and, in effect, it became a self-fulfilling prophecy" for the team owners.

Strike insurance would be inappropriate and inadequate for GM, said one large corporate risk manager.

Strikes are not the type of occurrence that companies insure against, he said. "With a strike, you're in control of your own destiny. If you choose to fight the strike, like GM is doing, it's a business risk where there's both the risk of loss and the risk of opportunity. Strikes are really part of labor costs."

He said he believed some form of strike insurance was available as recently as the late 1980s through Lloyd's of London syndicates and some domestic insurers.

For a Fortune 50 company, the coverage was never viable, though. "We were talking about $25 million to $30 million in limits. GM would blow through that in less than one day," he said.

What does exist today in limited supply from Lloyd's underwriters is a form of strike insurance that protects a company from losses resulting from a strike at a third-party supplier.

But even this coverage has limited applicability, said J&H's Mr. Casey.

"To the best of my knowledge, several London syndicates have been entertaining the idea of insuring (against) strikes of third-party employees. But the most I ever saw was $10 million in limits. We tried to solicit interest from J&H clients, but no one took it seriously. The limits were insufficient," he said.

This third-party coverage can be accessed through London-based underwriting agency Strike Risks Management Ltd., which represents several London underwriters. Strike Risks has been active in this area since 1988, and the coverage applies only to businesses affected by strikes at organizations over which they have no control.

Lesley Allen, director of Strike Risks, said the policies reimburse companies for lost profits, increased costs, penalties incurred and other losses from strikes at suppliers.

Policies are tailor-made, but one requirement is that a potential policyholder not face imminent exposure to strikes. For example, Ms. Allen said numerous French companies recently have been inquiring about the coverage because of the widespread public-sector strikes late last year (*BI*, Jan. 15). But because the chances of strikes are high in France, Strike Risks isn't issuing policies.

Ms. Allen said no other insurers write this business in the London market or anywhere else. BI

Updates

HIV settlement in Japan

TOKYO—Five pharmaceutical companies and the Japanese government have settled with 400 Japanese hemophiliacs who contracted HIV from contaminated blood clotting products.

Under the settlement, the hemophiliacs will receive 45 million yen ($426,285) each and monthly payments of 150,000 yen ($1,420) for the rest of their lives.

The government will pay 44% of the payments and the pharmaceutical companies will pay 56%.

The companies are: Baxter Ltd., the Japanese subsidiary of Baxter International Inc. of Deerfield, Ill.; Bayer Yakuhin Ltd., the Japanese subsidiary of German drug company Bayer A.G.; and three domestic Japanese companies, Green Cross Corp., Nippon Zoki Pharmaceutical Corp., and Chemo Sero Therapeutic Research Institute.

Baxter, which will be responsible for 12.5% of the payments, has total reserves of $378 million, including $274 million in insurance coverage, to cover worldwide compensation payments for its blood clotting products, a spokeswoman said. She would not identify its insurers.

The blood-clotting products were used in Japan in the early 1980s. The victims charge that the Japanese government did not heed warning signs that the products might be infected. In 1983, the U.S. government approved heat treatment of blood clotting products to kill HIV, but the Japanese government did not authorize the procedure until 1985.

Setback for databank law

WASHINGTON—The 1993 Medicare law that requires employers to report health coverage and enrollment data to the government would be repealed by a bill the House of Representatives passed last week.

The law was designed to help regulators spot claims that employers, rather than Medicare, were supposed to pay, such as medical care claims of older workers who stay on the job after 65.

Employers have long sought repeal of the law, arguing it is too difficult to obtain some of the required information and that most of the data would either be useless or ignored by regulators anyway.

While the databank law was supposed to go into effect on Feb. 25, 1995, the Health Care Financing Administration previously delayed enforcement of the law until later this year.

The Senate has not acted yet on similar legislation.

OSHA targets violence at work

WASHINGTON—The Occupational Safety and Health Administration's first guidelines on reducing violence in the workplace focus on health care and social service industries.

According to OSHA, workers in those industries face a much higher rate of workplace violence than workers in other industries. The government reported 47 cases of workplace violence for every 10,000 workers in residential care facilities, compared with three cases per 10,000 workers in private industry.

The guidelines, which will cover approximately 8 million workers, include general policy recommendations and specific steps employers can take to reduce the impact of workplace violence. Those steps include things such as installing metal detectors, using bulletproof glass to protect employees and training employees how to identify hazardous situations. Failure to implement the guidelines is not in itself a violation of the Occupational Safety and Health Act's general duty clause, but employers that face a recognized violence hazard and do nothing about it can be cited under the clause.

Reinsurer results up in 1995

WASHINGTON—Net premiums written by U.S. property/casualty reinsurers rose 13% to $18.7 billion last year, from $16.55 billion in 1994, a survey by the Reinsurance Assn. of America shows.

The industry combined ratio, though, deteriorated to 109.9% from 106.2%. Net income for the 56 reinsurers surveyed also deteriorated, dropping 26.6% to $1.24 billion. The reinsurers reported a $2 billion underwriting loss in 1995.

State ponders CIGNA move

LANSING—The Michigan Insurance Bureau last week was assessing its options for possible administrative and judicial action after CIGNA Corp. rejected the bureau's proposal to further safeguard Michigan policyholders that CIGNA has moved to its new runoff operation for long-tail liabilities, a regulator said.

Talks between CIGNA and the bureau still continue, he said.

The bureau asked CIGNA to give policyholders a choice in moving out of or staying in the active operation, provide more reinsurance protection and respond if the runoff operation fails and the state guaranty fund does not respond (*BI*, March 11).

Briefly noted

A new **Pension Benefit Guaranty Corp.** home page on the World Wide Web (http://www.pbgc.gov/) gives users access to press releases, regulations, full-text publications and other materials. . . .Base rates for workers compensation insurance in **North Carolina** will drop an average 15.3% under new loss-cost rates that take effect April 1. . . .**Alexander & Alexander Services Inc.** purchased the assets of AIBA Holding Pty. Ltd., a Sydney, Australia-based broker specializing in the middle market and construction and education industries. The deal, terms of which were not disclosed, involves 46 offices that generated $23 million in 1995 revenues. . . .Dallas-based **Summit Global Partners Inc.** bought transportation specialist Premiere Risk Management Ltd., a Downers Grove, Ill.-based risk management consultant and brokerage with $12 million in 1995 gross premiums. Terms were not disclosed.

U.S. need not indemnify for Agent Orange

By MARK A. HOFMANN

WASHINGTON—The federal government does not have to indemnify chemical companies that made Agent Orange for third-party tort claims, the U.S. Supreme Court has ruled.

In the case, *Hercules et al. vs. the United States*, Hercules Inc., a Wilmington, Del.-based chemical company, and Wm. T. Thompson Co. whose now-defunct Thompson Chemical Corp. unit argued that they were entitled to indemnification because the government had directed them to make the defoliant Agent Orange between 1964 and 1968.

Vietnam veterans subsequently sued the manufacturers, holding that dioxin in Agent Orange caused serious medical problems. Before the class-action product liability suit went to trial in 1984, both Hercules and Thompson agreed to contribute to a $180 million settlement pool. Their combined contribution amounted to nearly $22 million, which didn't include about $9 million in legal fees. The two manufacturers then sought reimbursement from the government (*BI*, July 17, 1995).

But Chief Justice William Rehnquist, writing for the court's 6-2 majority, said that simply because the government specifies how something is to be made doesn't mean it is responsible for suits against the manufacturer.

"When the government provides specifications directing how a contract is to be performed, the government warrants that the contractor will be able to perform the contract satisfactorily if it follows the specifications. . . .It is quite logical to infer from the circumstance of one party providing specifications for performance that that party warrants the capability of performance. But this circumstance alone does not support a further inference that would extend the warranty beyond performance to third-party claims against the contractor," Justice Rehnquist wrote.

"In this case, for example, it would be strange to conclude that the United States, understanding the herbicide's military use, actually contemplated a warranty that would extend to sums a manufacturer paid to a third party to settle claims such as are involved in the present action. It seems more likely that the government would avoid such an obligation, because reimbursement through contract would provide a contractor with what is denied it through tort law," he said.

In a dissent in which he was joined by Justice Sandra Day O'Connor, Justice Stephen Breyer said the companies presented factual circumstances "compelled production, superior knowledge, detailed specifications and significant defect—which, if true, suggest that a government, dealing in good faith with its contractors, would have agreed to the 'implied promise,' particularly in light of legal authorities, known at the time, that offered somewhat similar guarantees to contractors in somewhat similar circumstances."

Justice Breyer said the court's decision would make it more difficult "for courts to interpret government contracts with an eye towards achieving the fair allocation of risks that the parties likely intended."

Justice John Paul Stevens did not participate in either the hearing or decision.

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Hercules Inc. et al. vs. United States, U.S. Supreme Court; No. 94-818, March 4, 1996.

Pre-existing

Continued from page 1

The scenario that now seems likely to develop in the House is this:

- The Ways and Means Committee will pass a health care reform bill that will include tax-favored medical savings accounts, something the Clinton administration opposes.
- The Judiciary Committee will pass a medical malpractice reform measure. The administration in the past also has opposed federal medical malpractice reform legislation.
- Those measures, along with the bill expected to be approved this week by the Commerce Committee, and the measure passed earlier this month by the Economic and Educational Opportunities Committee, then would be the basis of a bill the House Republican leadership will fashion and send to the House floor.

Republicans like Rep. Hastert already have said that caps on malpractice damages, MSAs and the MEWA provisions in the Economic and Educational Opportunities Committee bill will be part of the package sent to the floor.

That, in turn, could set the stage for a bruising conference committee battle if the Senate, as expected, passes a much narrower bill, S. 1028, proposed by Sen. Nancy Kassebaum, R-Kan., and Sen. Edward Kennedy, D-Mass., and passed last year by the Senate's Labor and Human Resources Committee. All that bill would do is limit pre-existing condition exclusions.

But, even in the Senate, where most Republicans and Democrats have backed the Kassebaum-Kennedy bill, problems are popping up.

Sen. James Jeffords, R-Vt., says he will continue to press for an amendment on the Senate floor that would require health plans, including plans offered by self-funded employers, to set any lifetime benefit caps at no lower than $10 million. Midsize and large employers now typically impose caps of $1 million to $2 million.

Business groups say they will drop their support for the Kassebaum-Kennedy bill if Sen. Jeffords is successful in attaching his amendment to the bill.

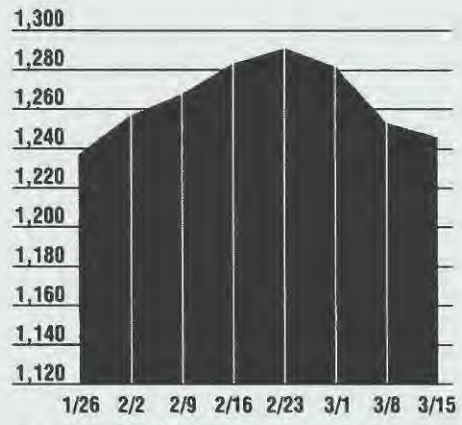
The Washington-based ERISA Industry Committee, which represents big employers on benefit issues, is urging senators to oppose the Jeffords amendment, warning that "multi-billion dollar mandated benefit amendments" could scuttle consensus health care reform.

James Klein, president of the Assn. of Private Pension & Welfare Plans in Washington, warned that the trade group would "oppose the bill in its entirety if it became a vehicle for controversial amendments."

Other amendments that business groups oppose also could emerge in the coming weeks. One would expand COBRA coverage for the unemployed. Currently, employers must extend COBRA coverage for 18 months to employees who lose their jobs. Some lobbyists fear legislators may propose expanding that coverage to 36 months. That would equal the length of time COBRA must be extended to dependents when an employee dies or when coverage is lost because of divorce or marital separation.

The shape of any health care reforms should be known soon. The full Senate is expected to vote on the Kassebaum-Kennedy bill next month. House Republicans would like to get a bill passed by the end of March or first week of April. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of March 15

Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1996		**California Annual**	
40/60	5.1/6	40/60	2/4.5
50/70	4/6	80/100	1.6/2
80/100	2.5/4	100/120	—/2
Southeast Sept. 1996		**Texas June 1996**	
40/60	4/4.6	10/20	1/1.8

Total volume: 138 Total open interest: 2,238

For information on PCS cat options, call 312-435-3674.
Source: Chicago Board of Trade

British Issues

March 14 Companies	Price pence	P/E	Div. pence	Yield %	1 week high—low
Commi Union	574	11.0	35.3	6.1	575—561
Genl Accident	632	9.5	38.8	6.1	632—616
Gdn Royal Exch	233	8.6	11.3	4.8	234—228
Independent	461	8.6	14.1	3.1	463—461
Royal	349	6.6	20.0	5.7	354—340
Sun Alliance	367	7.6	21.6	5.9	367—358
Brokers					
Bradstock	67	11.2	7.1	10.6	67—66
Fenchurch	119	8.0	10.6	8.9	121—119
CE Heath	165	10.3*	12.5*	7.6	165—162
JIB Group	105	N/A	9.4	8.9	105—102
Lloyd Thmpson	169	10.4	11.3	6.7	171—169
Lowndes Lmbrt	149	8.1*	11.0*	7.4	149—149
Nelson Hurst	168	11.2*	9.5*	5.7	168—166
Sedgwick Grp	134	10.5	8.1	6.0	136—132
Steel Brl Jones	46	6.0	5.6	12.2	46—45
Willis Corroon	159	14.3	8.3	5.2	160—155

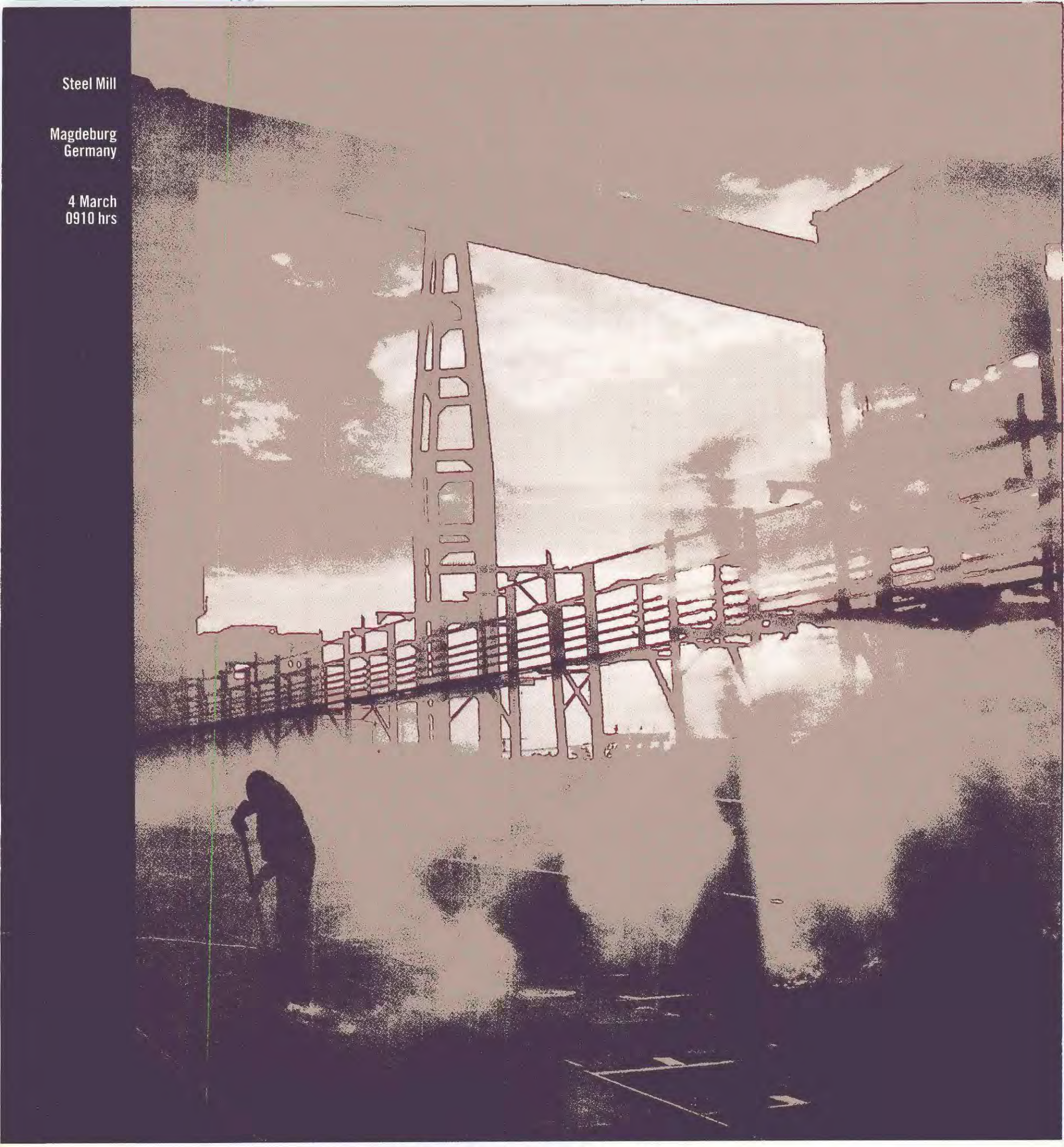
Source: Philip Olsen, London * Actual. Others estimated.

BI Industry Stock Report MARCH 11, 1996, THROUGH MARCH 15, 1996

		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
BROKERS												
Acordia Inc.	NYS	30	7.14	0.84	33.13	23.50	47	0.8	2.67	18	14.00	2.14
Alexander & Alexander	NYS	19.625	6.80	3.29	26.44	17.88	862	0.1	0.51	14	19.17	1.02
E.W. Blanch Holdings Inc.	NYS	24.875	-1.49	6.42	25.50	16.50	71	0.4	1.61	19	4.93	5.05
Gallagher Arthur J. & Co.	NYS	37.75	0.00	1.34	39.50	32.50	33	1.16	3.07	15	6.48	5.83
Hilb, Rogal & Hamilton	NYS	13.5	0.00	0.93	14.38	10.50	89	0.6	4.44	16	1.21	11.16
Kaye Group Inc.	NDQ	7	-3.45	-12.50	10.75	6.75	1	0.1	1.43	9	NA	NA
Marsh & McLennan	NYS	93.25	-1.58	5.07	101.63	76.13	1044	3.2	3.43	17	19.95	4.67
Poe & Brown	NDQ	24	-1.03	-3.52	25.50	21.00	81	0.48	2.00	14	5.15	4.66
BROKERS	AVERAGE		0.8	0.2					2.7	17		
INSURERS/REINSURERS												
ACE Ltd.	NYS	44.125	-3.81	11.01	50.38	23.00	618	0.00	0.00	0	22.45	1.97
Acceptance Insurance Cos.	NYS	14.625	0.86	-1.68	17.50	13.13	134	0.3	2.05	52	10.76	1.36
AEGON N.V.	NYS	43.5	2.05	-1.14	46.75	27.50	169	1.08	2.48	16	17.28	2.52
Aetna Life & Casualty	NYS	75.25	-0.50	8.66	78.75	54.00	2033	2.76	3.67	34	48.85	1.54
AFLAC Inc.	NYS	45.875	-2.65	5.46	49.50	36.50	723	0.52	1.13	13	17.58	2.61
Allied Group Inc.	NDQ	40	-6.43	11.11	44.25	26.50	136	0.88	2.20	8	21.81	1.83
Allmerica Prop. & Casualty	NYS	26.125	-1.88	-3.24	27.25	18.38	137	0.16	0.61	11	19.87	1.31
Allstate Corp.	NYS	41.375	-1.49	0.61	46.00	26.88	7281	0.85	2.05	10	18.75	2.21
American Financial Group	NYS	29.75	-5.93	-2.86	34.50	23.00	1068	1	3.36	8	24.94	1.19
American General	NYS	35.625	-0.70	2.15	39.13	31.00	2029	1.3	3.65	13	17.03	2.09
American Heritage Life Ins.	NYS	21.25	-6.08	-7.10	23.88	16.25	21	0.72	3.39	11	12.51	1.70
American Indemnity/Fin'l	NDQ	9.625	-3.75	-3.75	13.25	9.00	8	0.3	3.12	-4	15.92	0.60
American International	NYS	92.125	-3.15	-0.41	103.38	67.38	6366	0.34	0.37	17	34.66	2.66
American Re Corp.	NYS	39.125	7.19	-4.28	45.00	33.00	1082	0.32	0.82	-21	16.77	2.33
Aon Corp.	NYS	52	0.48	4.26	55.38	35.00	1101	1.36	2.62	15	18.30	2.84
Argonaut Group	NDQ	32.25	-2.27	-0.77	35.00	28.88	62	1.32	4.09	14	29.91	1.08
AVEMCO Corp.	NYS	14.875	0.00	-7.03	18.25	14.63	79	0.48	3.23	17	6.28	2.37
Baldwin & Lyons Inc.	NDQ	15.5	-4.62	-4.62	18.00	14.25	19	0.32	2.06	8	13.90	1.12
Berkley W.R. Corp.	NDQ	48.25	2.66	-10.23	55.50	34.50	352	0.52	1.08	17	34.46	1.40
Berkshire Hathaway Inc.	NYS	36750	-0.68	14.49	38000.00	21500.00	1	0.00	0.00	77	10089.11	3.64
Capital RE Corporation	NYS	33.25	-4.32	8.13	35.25	22.63	70	0.24	0.72	11	27.82	1.20
Capsure Holdings Corp.	NYS	16.25	0.00	-7.80	18.13	12.38	116	0.00	0.00	15	14.61	1.11
Chubb Corp.	NYS	94.75	-1.69	-2.07	104.38	57.00	1745	2.16	2.28	12	48.92	1.94
CIGNA Corp.	NYS	117.75	1.73	14.04	125.50	68.25	1467	3.2	2.72	41	80.46	1.46
CNA Financial Corp.	NYS	112.5	-2.17	-0.88	123.25	73.25	97	0.00	0.00	9	71.13	1.58
EMC Insurance Group Inc.	NDQ	13.125	6.06	-4.55	15.25	9.75	22	0.56	4.27	8	11.13	1.18
EXEL Ltd.	NYS	69	-1.08	13.35	72.25	42.50	307	0.4	0.58	0	31.47	2.19
Fremont General Corp.	NYS	23.625	0.00	-3.57	26.25	12.63	746	0.6	2.54	9	19.04	1.24
Frontier Insurance Group	NYS	30.5	-2.79	-4.69	33.75	21.38	83	0.48	1.57	13	14.65	2.08
Gainsco Inc.	ASE	10.875	4.82	-4.40	12.38	8.31	134	0.05	0.46	13	3.98	2.73
General RE Corp.	NYS	142.375	-4.12	-8.15	158.25	125.38	1885	2.04	1.43	14	59.35	2.40
Guaranty National Corp.	NYS	14	2.75	-8.94	19.00	13.38	153	0.5	3.57	21	11.60	1.21
Harleysville Group	NDQ	26.875	-2.27	-16.99	33.00	23.75	41	0.76	2.83	9	20.72	1.30
Hartford Steam Boiler	NYS	50.125	1.78	0.25	52.50	41.63	142	2.28	4.55	16	14.68	3.41
HCC Insurance Holdings	NYS	52.75	-1.86	42.57	55.50	21.75	244	0.00	0.00	25	15.86	3.33
ITT Hartford Group	NYS	47.125	-6.22	-2.58	53.75	47.13	2899	1.6	3.40	10	45.46	1.04
Lincoln National	NYS	50.625	-3.80	-5.81	57.00	39.75	2529	1.84	3.63	11	28.90	1.75
Markel Corp.	NDQ	88	-0.85	16.56	91.00	44.50	48	0.00	0.00	14	25.71	3.42
Meadowbrook Insur. Group	NYS	30.625	2.51	-8.58	33.88	24.00	118	0.08	0.26	22	NA	NA
Mid Ocean Ltd.	NDQ	39.1875	0.48	5.56	43.00	26.50	480	0.25	0.64	0	22.18	1.77
Mutual Risk Mgmt. Ltd.	NYS	44	1.15	-3.83	46.50	26.63	190	0.4	0.91	20	9.72	4.53
NAC Re Corp.	NYS	33.5	2.29	-6.94	39.00	28.25	307	0.2	0.60	10	18.23	1.84
National Re Corp.	NYS	31.25	-0.40	-17.76	38.13	28.38	270	0.2	0.64	11	17.05	1.83
Navigators Group	NDQ	18.75	-4.76	6.38	20.25	12.75	10	0.00	0.00	18	10.21	1.84
Nobel Insurance Ltd.	NDQ	11.75	-5.05	3.30	12.75	8.75	52	0.2	1.70	5	6.84	1.72
Ohio Casualty Corp.	NDQ	36.75	0.00	-5.16	40.00	29.00	230	1.6	4.35	13	23.64	1.55
Old Republic Int'l	NYS	32	-3.03	-9.86	36.50	23.88	731	0.52	1.63	9	25.79	1.24
Orion Capital Corp.	NYS	46.375	-0.27	6.92	47.75	34.25	106	1	2.16	10	26.00	1.78
Partner Re Ltd.	NDQ	30.125	0.42	9.55	31.75	19.75	958	0.00	0.00	0	20.37	1.48
Penn-America Group Inc.	NDQ	12.375	3.13	-13.16	15.50	7.00	90	0.16	1.29	9	6.40	1.93
Philadelphia Cons. Holding	NDQ	20	-1.23	23.08	21.88	12.00	3	0	0.00	14	11.58	1.73
PXRE Corp.	NDQ	25.375	1.50	-4.25	29.75	21.00	112	0.72	2.84	5	21.27	1.19
Prudential Reinsurance	NYS	22	-6.38	-5.88	25.13	18.50	1530	0.12	0.55	-	NA	NA
Reliance Group Holdings	NYS	8.125	4.84	-5.80	9.25	5.13	1953	0.32	3.94	10	3.42	2.38
Reliastar Financial Corp.	NYS	45.125	-0.82	1.69	51.63	33.00	497	1	2.22	11	24.53	1.84
RenaissanceRe Holdings Ltd.	NDQ	27.5625	2.56	-9.26	33.13	20.72	188	0.00	0.00	0	NA	NA
Risk Capital Holdings	NDQ	19.875	-0.63	-14.97	23.38	19.75	48	0.00	0.00	331	NA	NA
RLI Corp.	NYS	25	-0.50	0.00	25.88	18.50	38	0.52	2.08	25	20.51	1.22
St. Paul Companies	NYS	54	-0.23	-2.92	60.50	46.13	1434	1.76	3.26	10	32.46	1.66
SAFECO Corp.	NDQ	35	0.72	1.45	39.75	27.00	1851	1.06	3.03	11	44.95	0.78
Seibels Bruce Group	NDQ	3	0.00	100.00	4.25	0.44	253	0	0.00	43	0.04	75.00
Selective Ins. Group	NDQ	35.25	-1.05	-0.70	38.75	27.25	198	1.12	3.18	10	23.23	1.52
Sphere Drake Holdings	NYS	10.75	-3.37	-23.21	19.13	10.75	107	0.00	0.00	0	13.86	0.78
TIG Holdings	NYS	31.125	2.89	9.21	33.13	19.50	679	0.2	0.64	16	16.62	1.87
Titan Holdings, Inc.	NYS	13	-2.80	-9.57	15.75	9.63	296	0.3	2.31	9	9.04	1.44
Tokio Marine & Fire	NDQ	59.5	0.85	-9.85	69.25	50.88	17	0.4	0.67	21	57.72	1.03
Torchmark Corp.	NYS	44	-3.30	-2.76	49.88	36.75	883	1.16	2.64	22	17.37	2.53
Transatlantic Holdings	NYS	67.625	-4.08	-7.84	75.25	59.50	155	0.48	0.71	12	33.30	2.03
Transnational Re Corp.	NDQ	21.875	-1.13	-10.71	27.25	19.13	43	0.2	0.91	6	18.84	1.16
Travelers Corp.	NYS	62.25	-1.58	-0.60	70.50	37.75	6796	0.9	1.45	12	24.77	2.51
Trenwick Group Inc.	NDQ	50.5625	-2.29	-10.11	57.50	41.75	43	1.24	2.45	11	29.23	1.73
United Fire & Casualty	NDQ	31.5	3.28	12.50	37.25	18.25	8	0.9	2.86	12	28.96	1.09
Unitrin	NDQ	48	0.00	0.00	51.75	44.50	173	2.2	4.58	13	37.51	1.28
UNUM Corp.	NYS	58.625	0.21	6.59	61.88	39.88	1439	1.06	1.81	15	26.45	2.22
US Facilities Corp.	NDQ	17.6875	-0.35	-17.25	23.38	13.00	273	0.24	1.36	7	14.20	1.25
USF&G Corp.	NYS	15.5	7.83	-8.15	19.50	13.50	2667	0.2	1.29	10	10.86	1.43
USLIFE Corp.	NYS	29.25	-1.68	-2.09	33.25	23.88	522	0.93	3.18	10	38.45	0.76
Washington National	NYS	26.625	1.91	-3.62	30.50	17.75	1789	1.08	4.06	10	25.13	1.06
Zenith National Ins.	NYS	23.75	-0.52	11.11	24.88	19.38	42	1	4.21	66	16.35	1.45
Zurich Reinsurance Centr.	NYS	30.625	-1.21	0.82	32.50	27.88	215	0.00	0.00	36	21.64	1.42
INSURERS/REINSURERS	AVERAGE		-0.7	0.2					2.0	18.9		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	32.5	-0.38	14.04	34.25	19.50	1323	0.00	0.00	-	28.15	1.15
Humana Inc.	NYS	24	-1.03	-12.33	28.88	17.00	3084	0.00	0.00	21	6.56	3.66
Oxford Health Plans	NDQ	87.5	0.86	18.44	89.75	38.50	3241	0.00	0.00	61	6.56	13.34
Pacificare Health Sys.	NDQ	96	3.78	10.34	98.75	44.50	429	0.00	0.00	25	15.02	6.39
Safeguard Health Enter.	NDQ	14.75	11.32	26.88	14.75	8.63	150	0.00	0.00	29	6.15	2.40
Sierra Health Services	NYS	33.625	-0.74	5.91	36.00	22.13	161	0.00	0.00	28	9.22	3.65
United Healthcare Corp.	NYS	61.875	-1.00	-5.35	69.00	34.13	4443	0.03	0.05	39	16.17	3.83
U.S. Healthcare	NDQ	46.75	-0.27	0.54	50.75	26.50	10597	1.1	2.35	19	5.66	8.26
Wellpoint Health Networks	NYS	33.625	0.75	4.67	37.00	27.38	889	0.00	0.00	19	14.26	2.36
HMOs	AVERAGE		1.5	7.0					0.3	27		
ALL COMPANIES	AVERAGE		0.5	2.5					2.1	23		

Top advancing issues: Safeguard Health Enter., USF&G Corp., American Re Corp. Leading decliners: Allied Group Inc., Prudential Reinsurance, ITT Hartford Group. Most active issue: U.S. Healthcare. The BI Index fell 0.6%; the Dow Jones 30 Industrials rose 2.1%; the S&P 500 increased 1.3% and the NYSE Composite gained 1.1%. Book values are updated annually by Nordby International Inc.

System design: Nordby International Inc.



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