

Business Insurance

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

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Bill would require parity for mental health benefits

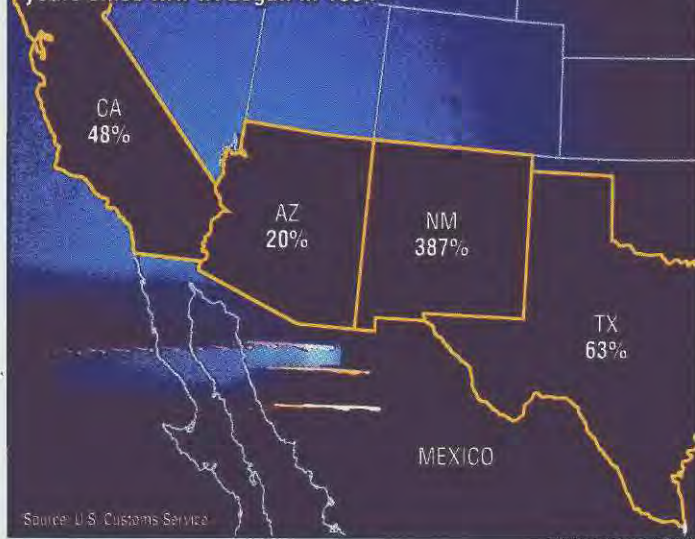
WASHINGTON—Employers would have to provide the same coverage for mental disorders as they do for other medical conditions under bipartisan legislation introduced in the Senate last week.

If enacted, the measure, S. 543, introduced by Sens. Pete Domenici, R-N.M., and Paul Wellstone, D-Minn., would require most employers to improve their coverage of mental disorders. Typically, employers now impose higher cost-sharing.

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Border crossings rise

Increases in northbound crossings from Mexico for the six years since NAFTA began in 1994



GRAPHIC BY ADAM DOI

NAFTA drives safety debate

By MEG FLETCHER

WASHINGTON—A recent arbitration panel order that requires the removal of trade barriers between the United States and Mexico is spurring new debate over whether the benefits of greater trade could be offset by a deterioration in highway safety.

The debate arises because of sizable differences between trucking safety standards and regulation in the United States and Mexico. The panel's order, which found the United States

in violation of the North American Free Trade Act, means that the United States cannot unilaterally restrict Mexican transportation companies to operating within a limited zone along the border. Instead, Mexican companies must be allowed to apply for broader access to operating within the United States. No timetable was set for lifting the restriction.

Critics of such wider access contend that state and federal authorities in the United States

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Pension reform bill sees broad support

By JERRY GEISEL

WASHINGTON—Overwhelming congressional and public support for a comprehensive pension reform bill introduced last week in the House of Representatives will lead to its passage this year, say the chief sponsors of the measure.

Referring to its 260 House sponsors and endorsement by about 100 business and union organizations, Rep. Rob Portman, R-Ohio, characterized the bill he and Rep. Ben Cardin, D-Md., introduced as "unstoppable."



Rep. Cardin

"This bill will, in fact, become law in this Congress," Rep. Cardin said.

The Portman-Cardin bill, H.R. 10, is virtually identical to the measure the congressmen introduced during the last congressional session.

The measure, among other things, would significantly boost benefits that can be provided by pension plans and cut much of the red tape associated with plan administration.

Passage of a pension reform measure last year seemed almost certain after the House passed the Portman-Cardin bill by a 401-25 margin and the

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Rep. Portman

HMO eyes on horizon

Despite profitable 2000, challenges loom

By JUDY GREENWALD

As employers continue to contend with rising rates, health maintenance organizations are expected to report another strong year in 2001.

But despite rate hikes of at least 10%, HMOs still face potential problems, including continuing concerns about pharmaceutical costs, layoffs in many industries that could affect the membership growth of HMOs, resistance by employers to higher rates and threats of massive litigation.

Furthermore, managed care companies may have to adjust their plans to accommodate employers' growing interest in the



managed care companies, many analysts expect the HMO stocks to continue to outperform the overall market, despite the recent tumult on Wall Street.

"I think it's going to be a pretty good year," said David Olson, vp-investor relations for Woodland

so-called defined contribution approach to providing health care benefits.

But on the bright side for

Hills, Calif.-based Health Net Inc. The premium environment is very strong, and, in most companies, "there's a lot of real discipline" in underwriting, Mr. Olson said.

"If you liked 2000, you're going to love 2001," said Todd Richter, managing director at Banc of America Securities L.L.C. in New York. Rate hikes are "well ahead of cost trends, and, therefore, it is logical to assume the operating results of the industry are going to be terrific," Mr. Richter said.

"We expect further building on what they did in 2000," said Douglas L. Meyer, an analyst with Duff & Phelps Credit Rating Co. in Chicago. The 10% to 12% rate

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Global reach, local service

Willis CEO sets course

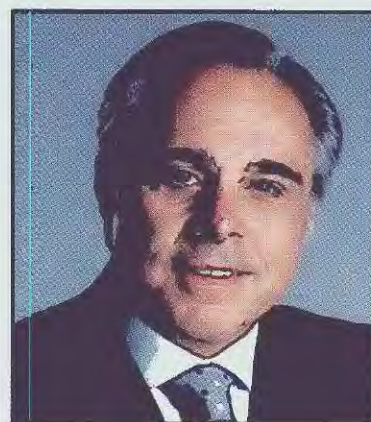
By GAVIN SOUTER

NEW YORK—The new chairman and chief executive officer of Willis Group Ltd. is the first to admit that he doesn't know much about insurance brokering.

"I don't know what I don't know, so I've asked a lot of questions," said Joseph J. Plumeri.

But that ignorance can be turned to an advantage, he said. "When you are in virgin territory without any baggage, sometimes that is better because you don't have a sense of what you can't do."

A little over four months into



Mr. Plumeri

the job, Mr. Plumeri said in a recent interview at his New York office that he has developed a vision for what he wants to do at Willis.

That vision is of a global brokerage that retains the personal touch, where employees feel appreciated and work on anything they can that will help their clients, whether it be traditional insurance brokering or advice on mutual fund selections.

As Willis expands its services, the brokerage will also expand its revenues through acquisitions, recruitment of brokers and organic growth. And it will do all this

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Mental health parity bill in Senate

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ing requirements, such as making an employee pay a greater percentage of a bill for a service related to mental health care than those for other physical disorders. In addition, many employers limit the number of outpatient visits to mental health therapists and covered inpatient days without setting comparable limits for other physical problems.

"There simply should not be a difference in the coverage provided...for mental health benefits and medical benefits, merely because an individual suffers from a mental illness," Sen. Domenici said on the Senate floor.

The introduction of the legislation, which has seven Republican and five Democratic co-sponsors, comes as Congress has to decide whether to extend, expand or let die a 1996 law that mandates limited parity for mental health care benefits. Under that law, due to expire on Sept. 30, employers cannot provide lower annual or lifetime dollar limits for mental disorders than for other physical disorders.

The measure would not apply to employers with fewer than 25 employees.

'Lloyd's' clause stripped from bill

WASHINGTON—A provision in a federal bankruptcy bill that would have aided U.S. members of Lloyd's of London seeking to avoid paying outstanding liabilities was stripped from the bill prior to its passage by the Senate last week.

Section 1310 of the Bankruptcy Abuse Prevention and Consumer Protection Act sought to bar the enforcement of foreign judgments where fraud is alleged to have occurred between the years 1974 and 1993. The House of Representatives earlier this month approved the bill with the provision intact.

While Lloyd's was not named, the provision was widely accepted to be targeted at the market.

Many U.S. members of Lloyd's who suffered large losses say they were fraudulently recruited to join Lloyd's in the 1970s and 1980s to dilute the effect of asbestos-related losses on existing Lloyd's members.

The members have, so far, been unsuccessful in seeking a judgment against Lloyd's in U.S. courts. In several cases, the courts have ruled that any disputes with Lloyd's should be heard in London.

Speaking against Section 1310, Sen. Russell D. Feingold, D-Wis., who proposed the amendment to delete the provision, labeled it "the epitome of a special-interest fix."

The provision would damage U.S. trade relations with other countries, he said.

Lloyd's has been actively lobbying against the provision. After the House bill was passed, it recruited former Senate Majority Leader Robert Dole to lobby members of the Senate on its behalf. Secretary of State Colin Powell last week also voiced the administration's opposition to the measure.

Ford closes plant after outbreak

CLEVELAND—Ford Motor Co. last week closed a Cleveland plant following an outbreak of Legionnaires' disease among workers there.

Samples taken from throughout Ford's Cleveland Casting Plant were being tested last week in hopes of determining the source of the outbreak and determining when the plant could reopen.

"We've taken samples, and we're in the process already of disinfecting the plant," said a spokeswoman for Dearborn, Mich.-based Ford. "We decided to do that even before taking the samples."

"We shut down the plant," the spokeswoman said. "Even though there was no scientific evidence, we felt that was in the best interests of the safety and well-being of our employees."

Approximately 2,500 people work at the casting plant. Four cases of Legionnaires' disease have been confirmed among workers at the plant, including one employee who died March 9. The Ford spokeswoman said on Friday that in determining when the company might reopen the closed facility, "we want to make sure the disinfecting process is successfully completed and it is a safe place for our employees."

Legionnaire's disease, which causes fever, chills and coughing, can be deadly to the elderly and to those with deficient immune systems, according to the Atlanta-based federal Centers for Disease Control and Prevention. The disease, named for a 1976 outbreak at an American Legion convention in which 34 people died, is caused by inhaling water vapors from contaminated water sources, such as air conditioning cooling towers, hot water heaters or showers.

Treatment standards win support

MINNEAPOLIS—Four health plans in Minnesota have announced they will follow standardized medical procedures set forth by a nonprofit group.

The four plans will join a fifth group plan that already announced it will adopt the standards issued by the Institute for Clinical Systems Improvement. The ICSI, a nonprofit organization, creates standard treatment plans developed by medical specialists for various diseases for health care providers to follow. Together, the five health plans cover a majority of patients in the state.

"We are delighted to have the major health plans all endorse our process of developing and systematically using evidence-based care
See Updates on page 26

Frontier shuts main unit, plans new MGA focus

By DOUGLAS McLEOD

ROCK HILL, N.Y.—Troubled Frontier Insurance Group Inc. announced that its Frontier Insurance Co. unit will stop writing new and renewal business in the wake of a sharp decline in policyholder surplus, as reported on a regulatory filing.



In its year-end statutory financial statement filed with the New York Insurance Department, Rock Hill, N.Y.-based Frontier reported surplus of about \$16 million as of last Dec. 31, down from \$65 million as of Sept. 30, according to Frontier President Mark Mishler. The drop stemmed partly from a New York regulation limiting the valuation that insurers can claim on investments in insurance company subsidiaries. As a result, Mr. Mishler said, Frontier was able to report less than half of the \$44 million value it places on Frontier Pacific Insurance Co. and another Frontier unit.

"We believe that our surplus is greater than what we filed" in New York, Mr. Mishler said. Nevertheless, "the concern of the (New York) department is

that we had inadequate surplus."

"Our decision to withdraw from the marketplace was a difficult one, but we believe it to be in the best interests of all our constituents," he said in a statement.

Frontier, which has struggled with deteriorating results for more than a year, will continue to run of claims on its prior business. The insurer is also in talks with New York regulators about its financial condition, and "we expect to come back as an underwriter at some point in the future," Mr. Mishler said.

Meanwhile, the holding company plans to use a managing general agency unit to continue writing specialty lines and medical and dental malpractice business for other insurers, and it is in discussions with "several" insurers about potential MGA relationships, according to Mr. Mishler.

The withdrawal is the latest in a series of setbacks for Frontier, which sold off several of its operations last year after it reported widening losses for year-end 1999 and after its auditor expressed doubts about its ability to survive. The New York Stock Exchange delisted the group's shares in January for failure to meet financial requirements, and earlier this month, three top Frontier executives resigned.

Tobacco lawyer inquiry sought

Business group seeks info on states' hiring of outside counsel

By MARK A. HOFMANN

WASHINGTON—The U.S. Chamber of Commerce is asking Congress to hold hearings on the process by which states contracted with the outside counsel that represented them in their 1998 settlement with tobacco companies.

The Chamber is also filing free-

dom-of-information requests with 21 states, seeking information about how such contracts were awarded, said Chamber President Thomas Donohue at a news conference last week.

Mr. Donohue said the Chamber decided to take the action because some of the retained attorneys had said they will use the proceeds arising from their arrange-

ment with the states to lay the groundwork for other massive government-backed suits against particular industries. "We believe we have only seen the beginning," Mr. Donohue said. "Anybody who has a lot of money is susceptible, including HMOs, entertainment companies, media and paint manufacturers," he said. Mr. Donohue
See Counsel on page 26

Group urges focus on solvency, consumer protection

State domiciles get advice

INDIAN WELLS, Calif.—At its annual meeting this week, the Captive Insurance Cos. Assn. issued a statement welcoming the several new U.S. captive domiciles formed recently but emphasizing that new domiciles should take care "to maintain the best features of alternative risk finance," rather than focusing solely on economic development.

Noting the recent creation of captive domiciles in Nevada, Rhode Island, South Carolina and the District of Columbia and talk of enacting captive laws in Arkansas and Montana, the CICA statement said, "Since captives are good business, it is healthy to expand the offerings to those groups considering a captive."

But, the statement said, "insurance departments should be concerned with creating a reasonable regulatory environment focusing on solvency and protecting the consumer."

Proper staffing, regulations and appropriate support from the insurance, accounting and legal communities are necessary in the new domiciles, the CICA statement said. "These choices should include not only requirements for proper reserving and claims handling but realistic licensing requirements and recognition of agency captives, benign fronts and segregated protected cells," the statement continued. "All domiciles should have a defined purpose and benefit not only their own citizens but the larger industry

as well." Asked about the statement, Michael R. Mead, president of M.R. Mead & Co. L.L.C. in Chicago and CICA's 2001/02 chairman said, "Basically, CICA supports captives, and we support the entry of any and all new domiciles. Along with that, we enthusiastically support domiciles that are well regulated and have all the requisite support services and are contributing to the advancement of the industry."

"Our concern has been that perhaps some of the new domiciles are done for a lot of other reasons, and we would not like to see the industry and the commercial insurance buyer lose out," Mr. Mead said.

—By Rodd Zolkos

INSIDE

• All captive domiciles are not created equal. Risk managers must recognize that and choose carefully among onshore locations, this week's editorial says. **PAGE 8**

• Insured losses from the floods that have inundated homes and businesses across the United Kingdom since last fall likely will reach \$10.84 billion due to higher-than-expected commercial losses. **PAGE 21**

• HIH Insurance Ltd. of Australia goes into provisional liquidation. **PAGE 21**

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SPOTLIGHT REPORT

BENEFITS: NEW TECHNOLOGY & ONLINE SOLUTIONS

DIRECTORY OF EMPLOYEE BENEFIT INFORMATION SYSTEMS

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SPOTLIGHT EDITOR:
JOANNE WOJCIK

Health plans say Web sites can cut costs, offer better service

By JUDY GREENWALD

Managed care plans are introducing increasingly sophisticated interactive Web sites in an effort to lower administrative costs and enhance service for plan members, employers and providers.

So far, though, relatively few plan participants are taking full advantages of the burgeoning Web sites. That means the time when managed care firms will be able even to consider reducing the resources they allocate to telephone call centers is still a long way off.

The Web sites also are only beginning to help corporate benefit managers reduce their administrative workload.

But with overall Internet use increasing rapidly, managed care firms say they believe these sites will play an increasingly important role in the delivery of health care benefits.

These online sites are a consequence of people's attitude that if they can buy a book at 4 a.m. on the Internet, then "why shouldn't I get health information and track claims?" according to Ken Ferber, staff vp, corporate communications at Thousand Oaks, Calif.-based WellPoint Health Networks Inc.

The services now offered by managed care Web sites to plan participants vary but can include provider directories, prescription refills and access to plans' formularies and the



Many managed care plans offer interactive Web sites that give individuals access to health care information at their convenience.

ability to make appointments. They can also track their claims and change coverage options. In addition, many offer health-related information, both on their own sites and through links to other locations on the Internet.

Employers visiting these Web sites can get price quotes during renewal periods, as well as remittance and eligibility data and other information.

And providers can use the Web sites to expedite referrals and authorizations.

Managed care firms are moving rapidly "to try and create, at a minimum, the interactive capability for people to track their own claims and understand the structure of benefits they're entitled to," said Jeff Gold-

smith, president of Charlottesville, Va.-based Health Futures Inc., a health care strategy organization.

Companies are moving at different speeds, "but I think it's safe to say virtually everybody is moving in that direction," said Kenneth A. Tannenbaum, a principal with Towers Perrin in Atlanta.

About 18 months ago, managed care plans determined they were behind other industries and "were not serving all their constituencies as best they could and not taking advantage of the Internet," said Chris Downey, a Los Angeles-based partner in the health services practice of Accenture, formerly Andersen Consulting.

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Technology aids growth of consumer-driven health plans

By JOANNE WOJCIK

The Internet is making it easier for employers to shift toward a consumer-driven approach for funding their employees' health benefits.

User-friendly online technology provides employees with decision-support tools so they can make informed health care purchasing decisions. The technology also aims to reduce the cost of administering employee benefits, allowing employers to use the savings to offset rising health care costs or to offer additional benefits.

In some cases, the Internet is even allowing entrepreneurial companies to develop new types of health plans, such as those that allow employees to build their own provider networks or to design customized benefit programs.

Consumer-driven health plans—sometimes called "defined contribution health plans"—generally use education and technology to help employees dictate how their employer-sponsored benefit dollars are spent. In such plans, which often are likened to 401(k) plans, an employer provides limited funding and a menu of benefit options from which an employee can choose. In addition, employees generally can supplement employer-provided funding in order to buy additional benefits or higher levels of coverage.

While only a few of these plans have signed up employer clients, more employers are expected to explore consumer-driven options, according to a recent survey by Hewitt Associates L.L.C. (BI, Feb 12). Last spring, Hewitt launched Sageo, an Internet-based delivery system for consumer-driven health plans.

In order to truly appreciate the value of their employer-provided health benefits, employees must become more involved in the purchasing process, said Ken Sperling, benefits practice leader at Hewitt in Norwalk, Conn. "Too many people think office visits cost \$15 and prescriptions cost \$5—they're too isolated from the purchase."

And that's where technology enters the picture.

"The Internet is the enabler," Mr. Sperling said. "It allows you to provide decision-support tools...to change purchasing behavior. And the only way we're going to attack the health system's problems is to change behavior."

The growing popularity of health information Web sites shows that people are already interested in using online technology in examining health care, observed Rich Sinni, director of the Northeast health and welfare practice for Unifi Network, a unit of PricewaterhouseCoopers in New York.

"They're already searching the Internet for information," he said. "They just don't have guidance. These new plans provide guidance. It also rationalizes the cost component, so the consumer knows how much (individual) services actually cost."

Vendors of the plans agree that education is key.

"If you're going to put people at more risk, you've got to give them education," insisted Ken Lindy, chief executive officer of Bethesda, Md.-based Destiny Health.

Destiny, a subsidiary of Discovery Holdings of Sandton, South Africa, has been offering employers first-dollar indemnity coverage combined with an aftertax medical spending account that employees can tap for elective medical procedures, such as laser eye surgery, Mr. Lindy explained.

Because employees enrolled in Destiny Health's plan assume a larger share of the health care purchasing burden, "our product requires much more intensive education," which is provided via the Internet, he said.

In addition to providing easier access to decision-support tools, Internet technology also provides the ability to deliver very personal information at an individual level, according to Hewitt's Mr. Sperling.

It "allows employees to model different choices and manage

See Internet on page 4

Internet makes life easier for COBRA handlers

By MICHAEL PRINCE

The Internet is helping some employers take the bite out of COBRA administration.

The latest technological move among benefit administrators and system vendors is the incorporation of Internet technology into their COBRA administration systems, providing online access for employers and individuals whose health care is provided through COBRA coverage. COBRA, which is short for Consolidated Omnibus Budget Reconciliation Act, is a 1985 federal law that allows an individual and his or her dependents to retain coverage under a former employer's group health care plan for a limited time.

Employers can use new Web-based communication tools to notify benefit administrators about new COBRA-eligible individuals, and COBRA participants can access the Web sites to determine whether their premium payments have been received.

"That is the way things are

moving," said Alan Williams, president of Travis Software Corp. in Houston. Travis develops software used to administer coverage under COBRA.

The Internet can take a complex task—determining when various notices must be sent to COBRA-eligible individuals—and make it easy, said Dr. Michael Henderson, senior health care consultant with Tillinghast-Towers Perrin in Chicago.

And the Internet is an ideal way for an employer to inform an administrator when an individual becomes eligible for COBRA coverage, Dr. Henderson said. "This is exactly what the Web is designed to do," he said.

Automation suits COBRA administration because COBRA's rules are extremely complex, Mr. Williams said. Generally speaking, an employee can maintain COBRA coverage for up to 18 months after leaving his or her employer, while dependents can be covered up to 36 months. And those time frames change

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SPOTLIGHT REPORT

Internet

Continued from previous page
their health care in a way that's just not possible with paper. There's just too much information," he said.

For example, Minneapolis-based Vivius Inc. is using the Internet in conjunction with other technology to enable employees to create their own preferred provider networks, choosing among all of the providers in their geographic area.

Vivius also computes participants' premiums based on the fees charged by each doctor or hospital participating in these customized PPOs.

"Now, the health plan builds the network. Why can't you decide what doctors and hospitals to

include?" Vivius Chairman L. Howard Wizig asked rhetorically.

Employees then would pay more for the higher-priced providers and less for the lower-cost

'Why can't you decide which doctors and hospitals to include?' asks L. Howard Wizig of Vivius.

providers, he said. Employees also would be able to lower their premiums by selecting higher copayments or deductibles, Mr. Wizig said.

"Every doctor and hospital wants to direct contract. What

we've done is to try to build something that gets the consumers as close to the provider as possible but still works in today's employer-sponsored health care market," he said.

Another company, Choicelinx, allows employees to create up to 56,000 different benefit plan combinations.

Under the Choicelinx plan, launched by Manchester, N.H.-based Choicelinx Corp. in late 1999, benefit parameters are set at the group level by the employer. At enrollment, employees select their deductibles and copayments, the level of pharmacy and other benefits they want, and decide whether they are willing to make additional contributions—out of their own pockets—to increase their coverage levels.

Employees who do not use up

their employer contributions can add the remaining funds to their 401(k) accounts; use them to buy ancillary benefits that their employer doesn't fund, such as long-term care insurance; or take the money as taxable income, explained Donna Lencki, Choicelinx's president and chief executive officer.

"We're talking about every individual having a customized plan," she said.

Through technological advances, Choicelinx not only offers employees more choices but it also cuts administrative costs for employers.

"As people go through the (enrollment) process, their summary plan document is being built at the same time," Ms. Lencki explained. "This saves employers at

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Group promotes individual choice

A new industry group called the Consumer Driven Health Care Assn. has been formed to develop awareness of new approaches to health benefit programs.

The founding members of the Minneapolis-based association all have differing approaches and business models, but each uses education and technology to enable employees to make individual choices about how their employer-sponsored benefit dollars are spent.

The founding members of the group are Definity Health of Minneapolis; Destiny Health of Bethesda, Md.; HealthAllies of Glendale, Calif.; HealthMarket of Norwalk, Conn.; Lumenos of Alexandria, Va.; MyHealthbank of Portland, Ore.; Sageo of Lincolnshire, Ill.; and Vivius Inc. of Minneapolis.

"Consumer-driven health care companies provide a platform for employers to give their employees more control," said L. Howard Wizig, chairman of the new association and chairman of Vivius. "As a result, employees will make more-responsible health care decisions, because they feel more 'ownership' of their benefits, perceive their benefits to be of higher intrinsic value and have an increased level of satisfaction with their benefit plans."

The term "consumer driven" is being used to describe both the association and the new generation of health plans the members offer because it has a more positive connotation than the term that was initially used. That other term—"defined contribution"—triggered negative feedback from employees when Xerox Corp. used it to describe the possibility of giving its employees vouchers to purchase health insurance on their own.

Furthermore, "pure defined contribution models require changes to tax law and underwriting standards that may never come," said Tom Beauregard, chief strategist of member company Sageo, a unit of Hewitt Associates L.L.C. "So employers are turning to consumer-driven models as a way to offer employees more options and control over their health care benefits immediately."

In fact, the first priority of the new Consumer Driven Health Care Assn. will be to create public information and educational programs that promote awareness and understanding of the emerging industry among U.S. employers, benefits consultants, brokers, health care organizations and others interested in health care benefit programs.

For more information about the association, contact Amy Pak at Padilla Speer Beardsley Public Relations in Minneapolis at 612-872-3739 or via e-mail at apak@psbpr.com.

—By Joanne Wojcik

Several health plans are
talking to him about
defined contribution.

Unfortunately for them,
his current plan is already
delivering it.



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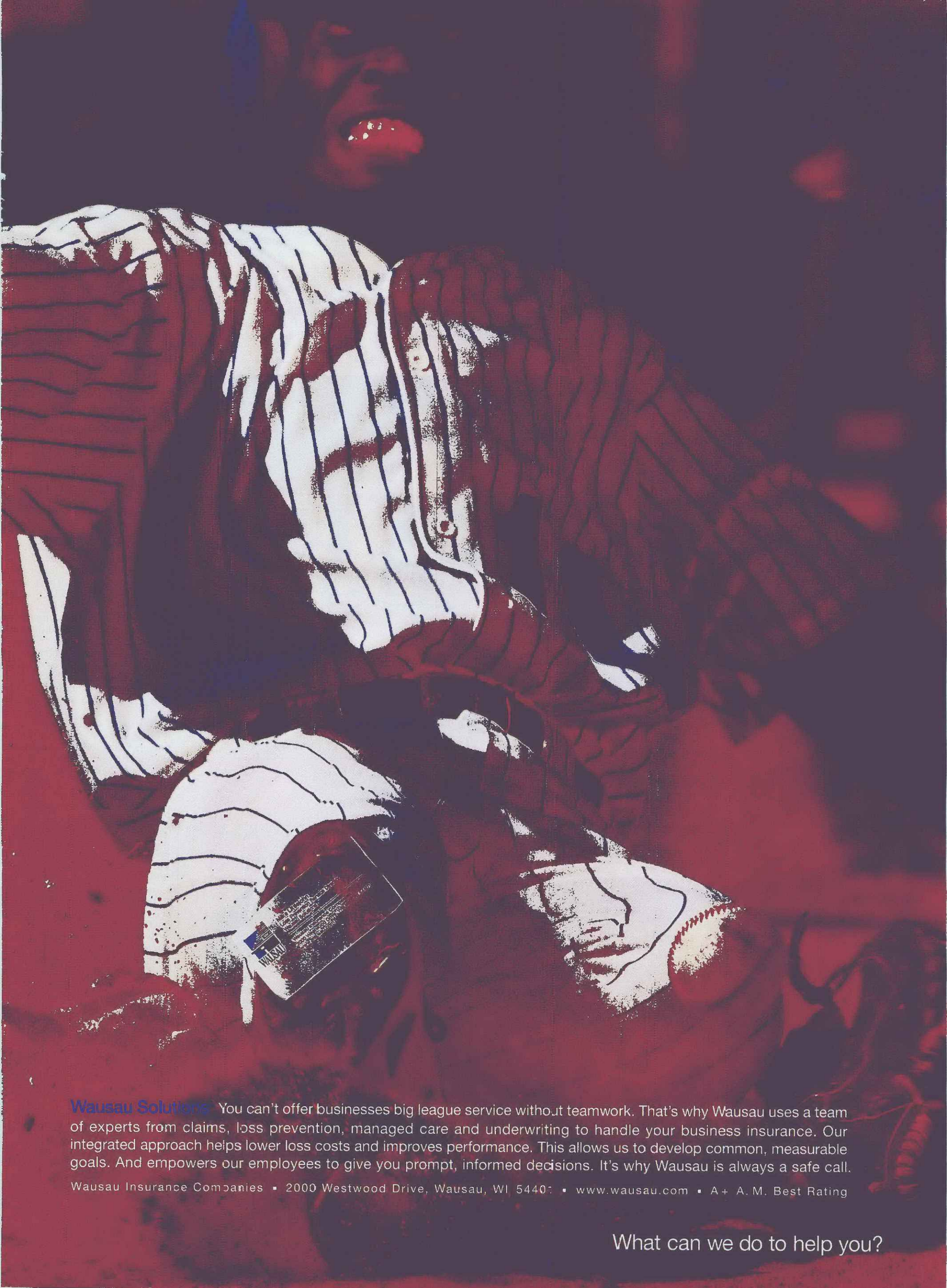
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What can we do to help you?

Internet

Continued from page 4

least six weeks' time," which translates into lower administration costs.

Minneapolis-based Definity Health provides an online calculation device for an employee to use when deciding on a health plan or deductible or copayment level, according to Dr. Tom Valdivia, chief medical officer.

"It adds up out-of-pocket and uninsured medical costs based on prior years," he said. Definity also is building a "personal health summary" section that employees can use to predict future medical costs, he said.

Definity combines high-deductible indemnity insurance with a medical spending account

into which employers deposit funds that employees use to pay deductibles, copayments and other out-of-pocket medical expenses. Any money remaining in the account at year-end is rolled over to be used in subsequent years.

"Because of technology and the Internet, you can allow more flexibility, information and education," said Jenny Emery, global e-business leader for Tillinghast-Towers Perrin in Hartford, Conn.

In addition to permitting more plan permutations, the Internet is enabling smaller firms to enter the employer-based health care market, which, in the end, should lower costs by stimulating competition, said Tom Adkin, managing director of health care strategy at Minneapolis-based eBenX Inc.

"The Internet will enable small health plans to compete with the

big guys," he said. The additional choice and competition "ultimately will lead to lower costs. It's managed competition," similar to that proposed by health economists in the early 1990s who served on then-first lady Hillary Clinton's health reform task force.

eBenX replaces today's typical three-tiered premium payment structure—single, couples and families—with 32 different risk-adjusted premium levels. Employees select coverage from a variety of health plans operating in their geographic area via a "benefits exchange" accessed through the Internet. The employer determines the defined contribution per employee per year, while the employee pays the difference between the employer's contribution and the risk-adjusted premium.

Another new player, Glendale,

Calif.-based HealthAllies, is using the Internet to deliver a health plan that allows employees to set up medical spending accounts to pay for ancillary benefits, such as vision care or alternative medicine, while also providing discounts at the point of care on services from more than 350,000 network providers.

"The workforce is so diverse today. It's too expensive to give every employee what benefits they want. This allows them to customize their ancillary, or noncore, benefits," said Andy Slavitt, president and chief executive officer of HealthAllies. "All of it is accessible online via the Internet, corporate intranet or extranet."

Mr. Slavitt said a toll-free number is also available for employees that lack access to computer technology. **BI**

COBRA

Continued from page 3

under certain circumstances, he noted.

To comply with COBRA, an employer or its COBRA administrator must send a letter to an employee when he or she leaves a job, notifying that individual that he or she is eligible for coverage. In addition, a notification letter must be sent to all new employees, telling them about their rights under COBRA as well as those of their dependents. Failure to comply with these requirements could leave an employer open to lawsuits from former employees and fines from the Department of Labor.

A complicating factor is laws in 38 states that require employers to offer former employees access to their health plans.

Further complicating the matter, Mr. Williams said, is that 38 states have their own laws requiring an employer to offer a former employee access to its health plan.

One advantage to using the Web for administering this continuation coverage is that even small employers can easily use Internet technology, said Colleen Clearwater, senior vp at COBRA Compliance Systems Inc. of Coldwater, Mich., a COBRA administrator. Ms. Clearwater said that while many large employers use electronic data transfer systems, such tools can be expensive and difficult for smaller employers to set up and use. But almost all employers have Web access, she noted.

Starting April 1, COBRA Compliance Systems will allow employers to submit information via a Web site about employees that become COBRA-eligible, Ms. Clearwater said. Currently, employers submit such information using data links, by sending attachments to e-mails or by fax. While these means of transmitting information will continue to be used, she said, communication via the Web will be easier.

Furthermore, Ms. Clearwater said, employees will have access to the administrator's Web site to see whether premium payments have been received.

"Notices go out faster, and employees to get easier access to information from third parties," she said, noting that the new setup will be available 24 hours a day.

But Dr. Henderson of Tillinghast-Towers Perrin pointed out that not all Internet systems are created equal.

Many systems gather information via the Web, but that data must then be re-entered into another system. With such a setup "you have not really gained that much," he said.

Instead, Dr. Henderson said, an administrator's setup should allow the data from an employer to flow straight from the Web site into that administrator's other systems.

Still, Web-based tools may not be helpful to every employer, said Will Applegate, a principal with Unifi Network in Fort Lee, N.J., a unit of PricewaterhouseCoopers PwC, which is the outsourcer for all benefits programs of 25 em- **See COBRA on page 1**

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OPINIONS

Carefully choose domicile

THERE WAS A TIME when it was virtually impossible to set up a captive insurance company within the United States. State laws were so restrictive and regulators viewed the entities with such distrust that any business wanting to set up an insurance subsidiary had to turn to offshore domiciles such as Bermuda.

Today, quite the opposite is true, with 16 U.S. jurisdictions allowing captives and more considering such laws. Faced with such an array of choices, risk managers must recognize that not all domiciles are created equal and must choose carefully among onshore locations.

The domestic climate for U.S. captives began to change in 1981, when Vermont, working closely with the Risk & Insurance Management Society Inc., enacted the Special Insurer Act of 1981, authorizing the formation of captives. Vermont was far from the first U.S. jurisdiction to allow captives—Colorado had enacted its captive statute nearly a decade earlier—but Vermont was the first to adopt a regulatory framework designed to meet risk managers' needs, including setting reasonable capitalization and surplus requirements.

It took a while, but risk managers eventually saw the opportunities that Vermont presented to the owners of captives. Today, more than 300 captives are domiciled there, constituting a boon to employers and a considerable economic benefit to the state.

Vermont's success in attracting captives did not go unnoticed by other states. Indeed, almost annually since the late 1990s, state after state has passed captive legislation modeled after Vermont's statute.

On one level, that is an encouraging development. In theory, there is no reason why every state shouldn't have an attractive captive law to make such risk financing options convenient and accessible to businesses within its borders. Employers shouldn't have to go halfway across the country or, for that matter, offshore, to find a captive domicile that meets their needs.

But with so many choices today, we question whether all of the available domiciles are of the same quality and have the same commitment to encouraging the security and growth of captives. While most states once posted "do not enter" signs for captives—due to lobbying by commercial insurers and agents and, possibly, mere ignorance—they now may be a little too eager to attract captives. Many, no doubt, are seeking to gain some of the economic benefits enjoyed by the likes of Vermont but will not be willing to make the same investment in regulatory oversight, promotion of captives and encouragement of professional services as Vermont has.

We are particularly concerned that some states may not give captive applications the scrutiny they need or devote the necessary resources to ensure that captives, their parents and managers follow state rules and regulations. All



it would take is one big insolvency or failure to pay claims by a captive in a less-committed domicile for all captive owners in all domiciles to get a black eye.

Vermont's success has as much to do with an attractive captive statute as its tough but fair regulation. That, we think, is a comfort to risk managers, who believe their captive programs are well served by independent and fair-minded regulation.

If new states prove to be inadequate captive regulators, the result surely will be captive failures. And if a captive and its parent ultimately are unable to pay claims, that, in turn, could lead to a public backlash against the programs.

We hope such a scenario does not develop. It would be tragic if there was a return to the old days, when risk managers' only alternative risk financing options were located offshore. Ideally, risk managers should be free to choose from among the many excellent onshore domiciles as well as an equally first-rate array of offshore options.

Captive owners alone cannot stop inadequate captive regulation. But they can, through their trade groups, urge that domiciles meet certain standards. That, in fact, may be happening already. At its annual meeting last week, the Captive Insurance Cos. Assn. said domiciles should strive to "maintain the best features of alternative risk finance" and not focus solely on economic development.

Captive owners and established domiciles have a vested interest in seeing that new domiciles do not come up short in those areas and simply become havens for captives that would not pass muster elsewhere.

LETTERS

Insurance for energy crisis available

To the editor: I am writing in regard to Roberto Cenicer's Jan. 15 article, "Energy Crisis Prompts Review: Utilities Facing New Risks," about the energy crisis.

Clearly, the situation in California is heightening interest across the country in

insurance products that offer protection from price spikes while ensuring power availability, and your readers may benefit from a closer look at the product offerings serving this market.

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ket prices.

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Ed Zaccaria
Senior Vice President
ACE Power Products
Philadelphia

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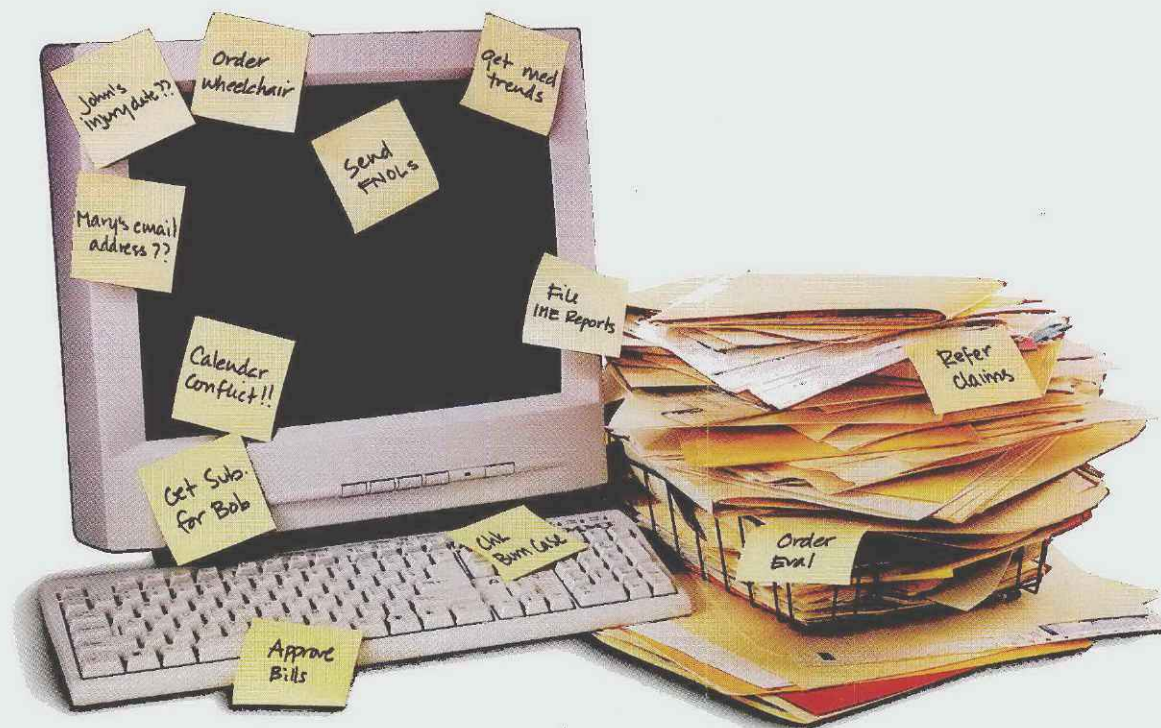


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Web sites

Continued from page 3

Since then, most, if not all the managed care plans have made a major effort in this area, said Mr. Downey.

Randall Abbott, client strategy leader for Watson Wyatt Worldwide in Philadelphia, said the "first generation" of these managed care Web sites has been generally "not much more than a lot of text information and some attractive graphics," with links provided to selected sites that augment what the insurer may be doing.

But health plan sites are now beginning to expand their links as well as introduce more interactive capabilities, allowing providers, members and benefit managers to access information or perform certain administrative transactions over the Web, said Mr. Abbott.

"These types of things are just starting to emerge," even among the major health plans, and most feel it will be another year before they fully have transactional capabilities, said Mr. Abbott.

"For most of the providers, it's an evolving process," said David Antony, director of human resources administration for West Chester, Pa.-based QVC Inc., a television home shopping company.

He said he encourages all of his company's vendors to make their Web sites as interactive and informational as possible. QVC itself is in the process of installing its own Web-based benefits enrollment sys-

tem, which will have hyperlinks to its providers' Web sites, said Mr. Antony.

There are two basic reasons for managed care plans' moves in this area, said Towers Perrin's Mr. Tannenbaum: "It's easier for their customers to have access to something like that" and "it will save the health plans money, and to the extent that the health plans can be more customer friendly and save money it's good for their business."

It is significantly less expensive to do business on the Web, agreed Mr. Abbott. "All the major health plans would love to get more member and provider transactions on the Web."

"I think that a lot of the managed care companies recognize that the Web provides a tremendous opportunity to streamline a lot of the administrative functions that historically their customer service opera-

tions have provided," said Michael Bucci, a Baltimore-based principal with William M. Mercer Inc.

Although cost is obviously a consideration, "I think what people are primarily concerned with is ending

'I can guarantee you it's not about money. It's about getting back the trust of the customer,' says Ken Ferber.

the revolution that's out there against health plans by doing something that actually creates identifiable value for customers," said Mr. Goldsmith.

"I think these firms are struggling

desperately to improve service and to create value for their customers. I don't think this is one of those deals where someone is looking at a narrow cost-benefit analysis," he said.

The health insurance industry has "been kind of seen as a roadblock and an obstacle over the years," said WellPoint's Mr. Ferber. One of the online goals of WellPoint—which is in the process of creating a "medical concierge type of environment" that offers a wealth of health information—is to remove that roadblock as well as to provide assistance to help its members access the resources they need, said Mr. Ferber.

"I can guarantee you it's not about money. It's about getting back the trust of the customer" and telling them "we will do whatever we can do to help you and make your health experience better and easier," Mr. Ferber said.

Web sites are a way for health plans to establish a better, stronger link with their members, said Jim Winkler, Norwalk, Conn.-based senior consultant with Hewitt Associates L.L.C. If, for instance, an employee develops a disease such as diabetes or asthma, the plan can make information about the disease available on the Web site. At a time when health care is being viewed as more of a commodity, "they've created a value-added proposition."

Competition is also a factor.

If one managed care firm offers employees 24-hour service, and another keeps them on hold on the phone for 20 minutes, "it could change who they choose for health plans, so the general market forces, I think, are at work," said Mr. Downey of Accenture.

Customer demand is a factor as

See Web sites on next page

COBRA

Continued from page 6

ployers, in turn, outsources COBRA administration tasks, Mr. Applegate said. Specifically, he said, large employers generally prefer to have electronic data interchanges between their computers and those of their program administrators. That way, an employer doesn't have to re-enter COBRA information already in its own systems into a vendor's Web site.

"The Web is not the only answer," Mr. Applegate said.

Without the use of computer technology, COBRA administration calls for lots of paperwork, said John Cree, benefit consultant for Buck Consultants Inc. in Cleveland. "COBRA is very date-driven, and that's why computer systems are perfect for that," Mr. Cree said.

Even without using the Internet, an employer can administer its own program by using specially designed software, such as that provided by Travis Software. Such software packages take care of sending out the required notices and tracking the individuals who opt for COBRA coverage. "It is all very automatic now," Mr. Cree said.

In addition, a software vendor typically will update the software to comply with any changes in COBRA regulations.

Dr. Henderson noted that there are also online vendors that assist employers in the administration of their own COBRA programs. But he warns that many of these services don't provide everything they say they will. Simply looking at the Web sites won't reveal what services they deliver, he said, and often it's not until an employer buys a service that it becomes clear that what is being delivered isn't all that was promised. **BI**



Web sites

Continued from previous page
well, said Mr. Abbott. "Those who can't make the investments are going to find trouble ahead. They won't be able to keep up with the service requirements of the larger plan sponsor."

Mr. Abbott said, "Two years ago, when we went out to find a health plan for a client we rarely, if ever, had clients asking technical questions. Today, if it isn't one of the top three or four questions they have, it's a shock."

"We have gotten very clear questions and requests for administrative capabilities using the Internet" so that a client's employees can perform self-service functions, said Ellen Whaley, who heads Aetna U.S. Healthcare Inc.'s e-commerce area in Hartford, Conn.

San Jose, Calif.-based Lifeguard Inc., a managed care company that offers a variety of interactive options on its Web site, has been moving in this direction at least in part because of its location in the heart of Silicon Valley, said Mike Reandeau, senior vp and chief information officer.

"We feel kind of a peer pressure," he said. "We're surrounded by high tech, and it feels kind of funny to be low tech in a high-tech environment. That could be part of it."

In investing in their Web sites, managed care companies are largely preparing for the future because to date only a relatively small percentage of employees use them. According to a recent Watson Wyatt study, about 90% of employees' contact with their health plans is still by phone. The other 10% tends to be through a voice response system, while less than 1% is over the Web.

"It tells you we've got a long ways to go," said Mr. Abbott.

Kaiser Permanente Online's Web site has about 350,000 registered users out of a possible total of 8 million, said product manager Tim Kieschnick, who is based in Oakland, Calif. "It's fairly low," he said.

He added, however, "We're not actually aggressively marketing the site right now. We're waiting until we've got some additional pieces in place," including shoring up some of the site's technical infrastructure.

Meanwhile, the use of these Web sites is increasing.

CIGNA HealthCare, for instance, had 50 million hits—which measures the number of pages elements viewed by visitors—on its public site at year-end 2000, up from 37 million at year-end 1999, said Mary Scanlon, vp of e-commerce.

The use of Web sites "will vary by

each workplace based on the composition of the workforce" said QVC's Mr. Antony. "I don't hang my hat" on any one approach, but try to offer employees as many options to obtain help and information as possible, he said.

It takes time for people to get a good Internet connection with which they are comfortable, and to be in a place and time when they want to make contact over the Internet, "so I think it will grow," said Derek Kruijenga, director at Westport, Conn.-based Unifi Network, a unit of PricewaterhouseCoopers.

This means that for now, managed care plans are not even thinking about cutting back on their call centers.

Lifeguard may reduce the size of its customer service group over time, as the Web grows, but there are no plans to do it yet, said Mr. Reandeau.

Given that only half of adults in the

United States are on the Internet, "it's not like the call centers are going to go away," said Mr. Goldsmith. "Unfortunately, the case with most Internet applications is they're going to duplicate telephone and paper."

"The call center is essential to the service that we provide on the Web," said Kaiser's Mr. Kieschnick. There are instances where talking to someone on the phone and getting their immediate feedback is "just going to be better."

"Unfortunately, until they can start to get the preponderance of transactions over the Internet, they have to continue to do business the old way as well," said Accenture's Mr. Downey. Although the Internet has already siphoned off some calls, resulting in some cost-savings, these will not be really pronounced until the plans are able to eliminate fixed costs, and "that's going to be a while," said Mr. Downey. "I don't think call centers are going to go away for quite some time."

"In the near term, it's clearly an added cost," Aetna's Ms. Whaley said of the Internet. Right now, people are still somewhat wary of the Internet but as they eventually come to trust the Internet more, it will permit resources to be shifted away from the call centers, she said.

Hewitt's Mr. Winkler said a similar evolution occurred with the advent of voice response telephone systems, where initially people did their transactions using the system, then hit "zero" anyway to speak to a customer service representative to confirm everything was all right.

So far, managed care Web sites have not led to a significant reduction in benefit managers' workload, though that may happen in the future.

The Web sites "are just now beginning to have an impact on benefit managers," said Watson Wyatt's Mr. Abbott.

"I don't think we're at that point yet" where RightCHOICE Managed Care Inc.'s Web site reduces benefit managers' work load, said Mike Patton, vp of marketing for the St. Louis-based company. While some of the initiatives RightCHOICE is making in this area will simplify some things for the benefit manager, "that still is a promise rather than a reality," said Mr. Patton.

Lifeguard has made its provider directory available online and "I'm hoping it's going to cut down on a lot of paperwork that goes back and forth," said Ida LeBreton, human resources administrator for a Lifeguard client, San Jose-based ACM Aviation Inc., a private charter company with 200 employees spread over various locations.

Once employees become more comfortable using the Internet, they are less likely to call their human resources or benefit departments and will instead go directly to the Web, said Hewitt's Mr. Winkler.

Furthermore, the Web will enable benefit managers to locate information without having to take the time to dig through a paper report or call their customer service representative, said Mr. Winkler.

Right now, though, benefit managers are "really looking for the tools for their own employees first," and are willing to invest the time to get their employees engaged in self-service, said CIGNA's Ms. Scanlon.

Meanwhile, some employers may not even be ready for highly sophisticated Internet sites, said Mr. Abbott. While there is a lot of talk about how the Internet is changing business, beyond Fortune 1,000 companies "there is a whole cadre of corporate America that still doesn't have Internet connectivity at the desktop. There are countless organizations that are just now getting into the Internet and for them, this is a couple of years away."

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■ **Benefits on Call**
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Interactive requirements: interactive voice response system.

Multiple users.
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Customization optional.
First installation: 1985.
Total benefit installations: 200**.
Benefits managed/communicated: saving/investment

plans, flexible spending account, group health plans, Section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.

System features: recordkeeping*, plan enrollment, coordination of benefits, eligibility verification, premium deductions.

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

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

**Estimated.
■ **SelfServiceNow**
PC operating system: Other types: Web browser.
Interactive requirements: Internet/intranet.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.

Customization optional.
First installation: 1998.

Total benefit installations: 45.
Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.

System features: recordkeeping*, plan enrollment, coordination of benefits, eligibility verification, premium deductions.

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

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

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Multiple users.
Provides: Internet/intranet access, online processing capabilities.

Customization optional.
First installation: 1986.

Benefits managed/communicated: saving/investment plans, pension plans.

System features: recordkeeping, plan enrollment, check writing, retirement plan distributions, participant letters, eligibility verification, savings plan loan administration, government reporting.

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Interactive requirements: Internet/intranet, electronic mail.

Multiple users.
Provides: Internet/intranet access, online processing capabilities.

Customization optional.
First installation: 1987.

Total benefit installations: 45.

Benefits managed/communicated: short- and long-term disability, group health plans, COBRA, life insurance.

System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management, check writing, participant letters, claims administration, eligibility verification, COBRA billing, stop-loss reinsurance management, government reporting, health care utilization review*.

Communication features: benefit plan descriptions, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, personalized benefit information*.

Generates reports via: fax, mailed hard copy, Internet/intranet site.

■ **Geronimo**
PC operating system: Windows 95 and higher.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.
Provides: Internet/intranet access, online processing

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Continued from page 12

capabilities.
Customization optional.
First installation: 2000.
Total benefit installations: 1.
Benefits managed/communicated: short- and long-term disability, group health plans, COBRA, life insurance.
System features: recordkeeping, plan enrollment, accounting, participant letters, eligibility verification, COBRA billing, premium deductions, government reporting.
Communication features: benefit plan descriptions, benefit option selection/adjustment.
Generates reports via: fax, mailed hard copy, Internet/intranet site.
User support: onsite training, online support, telephone assistance.

Contact: Dwight Babcock, president; apexdata@aol.com.

Associated Systems Inc.

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

Benefit systems since: 1991.

Total clients 30
Corporate benefit clients 5
Total 2000 revenue \$2,000,000
"COMPLETE" Health Benefits Administration System
Purchase price: \$35,000 to \$100,000.

Explanation of terms used in the directory

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

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

Each listing begins with the **company address**; the year the company **began offering employee benefit systems products**; and the name of the **company's parent**, if applicable.

Information about the number of **total clients**, **corporate benefit clients** and **systems sold in 2000** is followed by **total 2000 revenue** and **EBIS revenue**. Information on software systems follows. Price indicates whether a system is purchased, leased or operated on a service bureau basis. The **purchase price**, **average lease price** or **service bureau price** of the system is noted, if given by the company. **PC operating system** requirements indicates the type of operating system needed to run the software. **Midrange/mainframe** indicates the operating

system needed for those computer types. **Interactive requirements** indicates the interactive communication features that are required. An indication as to whether the system is for a **single user** or for **multiple users** follows. Next, **customization** is noted if it is optional.

The **year of first installation** and the **total benefit installations** are also given. The next section details the benefits managed/communicated, followed by **system features** and **communication features**, with an asterisk to indicate those features that are optional. This is followed by information about the report features and the **user support** available. If the availability and methods of user support do not differ between software systems, this information is listed only in the last listing of the company. The names and titles of **officers** and a **contact** complete each listing.

The directory is published as an editorial service; there is no charge for companies to be included. However, the companies listed were required to complete a questionnaire provided by *Business Insurance*. Although every effort is made to publish complete and accurate information, *BI* is unable to verify all data received.

Leased: \$2,500.
PC operating system: Windows 98 and higher.
Interactive requirements: Internet/intranet, computer kiosks.

Multiple users.
Customization optional.
First installation: 1991.
Total benefit installations: 6.
Benefits managed/communicated: flexible spending account, short- and long-term disability, group health plans, Section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.

System features: plan enrollment, medical coding/unbundling*, coordination of benefits, accounting, check writing, participant letters, claims administration, eligibility verification, COBRA billing, stop-loss reinsurance management, premium deductions*, government reporting*.
Communication features: access to status of medical claims, flexible spending account information, medical savings account information.

Generates reports via: printer, computer diskette, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.

Officers: Francis Smith, chairman; Sharon Steele, president; Emily Smith, secretary.
Contact: 800-524-2327; info@associatedsys.com.

AtWork Technologies Inc.

6410 Atlantic Blvd., Suite 100,
 Norcross, Ga. 30071;
 678-268-1500; fax: 678-268-1501
 www.atwork.com

Benefit systems since: 1998.

AtWork Benefits Service bureau basis: \$6 PEPM.
PC operating system: Other types: Web browser.
Interactive requirements: Internet/intranet.

Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1998.
Total benefit installations: 50**.

Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, short- and long-term disability, group health plans, Section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.

System features: recordkeeping, plan enrollment, coordination of benefits, eligibility verification, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, flexible spending account information, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information, medi-

cal savings account information, retirement savings modeling, flexible benefit plan selection.

Generates reports via: e-mail, Internet/intranet site.
User support: onsite training, on-line support, telephone assistance.

Officers: Donald Taylor, president/CEO; Ronald Kirk, senior vp; Michael Haynes, vp-finance.
Contact: 866-428-9675; info@atwork.com.
 **Estimated.

Authoria Inc.

300 Fifth Ave.,
 Waltham, Mass. 02451;
 781-530-2000; fax: 781-530-2001
 www.authoria.com

Benefit systems since: 1997.

Total clients 100
Corporate benefit clients 100

Authoria HR
PC operating system: Windows 95 and higher.
Interactive requirements: Internet/intranet, electronic mail.

Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1997.

Total benefit installations: 100.
Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, short- and long-term disability, leaves of absence, Social Security, group health plans, Section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.

System features: plan enrollment*, coordination of benefits*, eligibility verification, retirement planning/forecasting*, health care utilization review*.

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

Generates reports via: Internet/intranet site.
Authoria AnswerWise
PC operating system: Windows 95 and higher.
Interactive requirements: Internet/intranet, electronic mail.

Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1997.

Total benefit installations: 100.
Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, short- and long-term disability, leaves of absence, Social Security, group health plans, Section 125 flexible benefit

plans, medical savings accounts, COBRA, life insurance, workers comp.

System features: plan enrollment*, coordination of benefits*, eligibility verification, retirement planning/forecasting*, health care utilization review*.

Communication features: benefit plan descriptions, direct plan enrollment*, benefit option selection/adjustment*, savings plan investment selection*, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information, savings plan investment transfer*, medical savings account information*, retirement savings modeling.

Generates reports via: Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.

Officers: Tod Looftbourrow, president/CEO; Bill Brown, CFO; Ganne Desomery, executive vp.

Benefit Plan Systems Corp.

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

Benefit systems since: 1987.

Client Service Provider Suite
Purchase price: \$20,000 to \$80,000.
PC operating system: Windows 95 and higher.
Multiple users.

Provides: Internet/intranet access.
First installation: 1987.

Total benefit installations: 5,000.
Benefits managed/communicated: short- and long-term disability, leaves of absence, group health plans, COBRA, life insurance.

System features: recordkeeping, plan enrollment, participant letters, eligibility verification, COBRA billing.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, personalized benefit information.

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

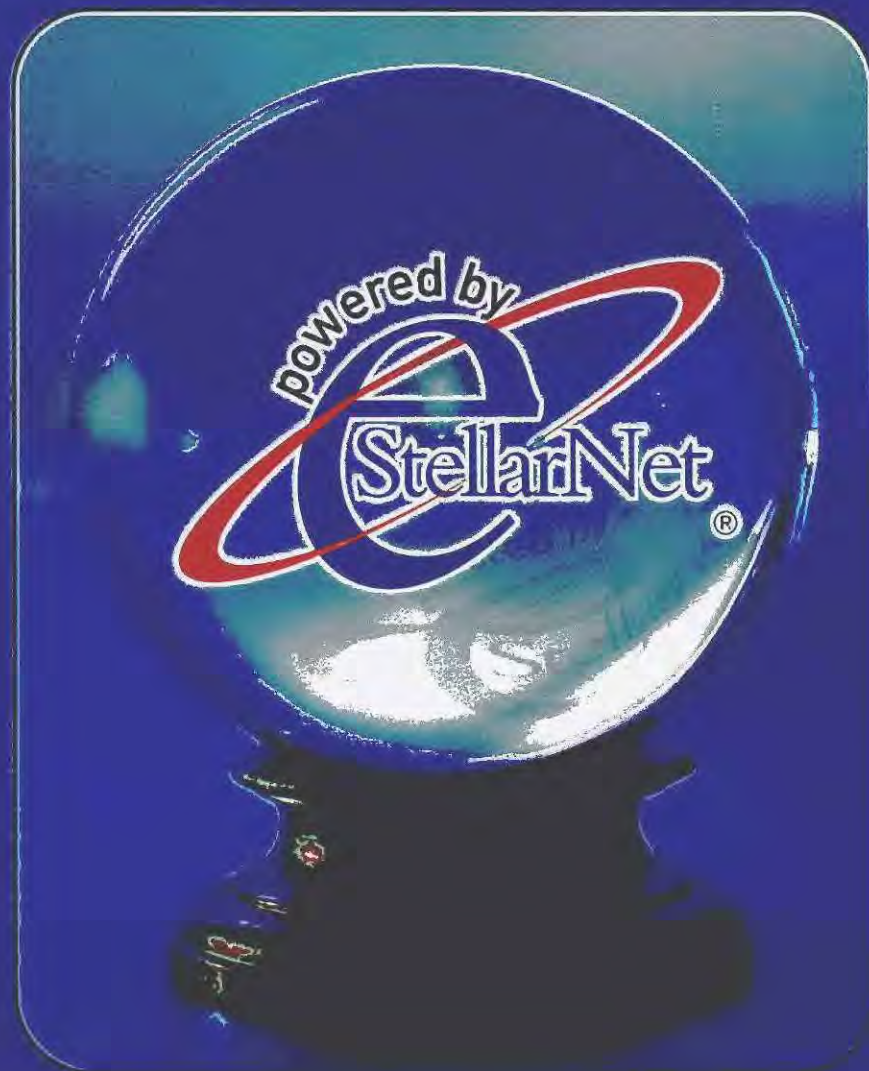
User support: onsite training, online support, telephone assistance.
Officers: Leonard B. Wierzb, president; Georgette Ulkutekin, Christopher Jarl, vps.
Contact: Leonard B. Wierzb.

Benefit Resource Management Inc.

530 Howell Road, Suite 107,
 Greenville, S.C. 29615-2000;
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Continued on page 16

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CONSOLIDATION



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at proposed
accounting
changes**

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**Market firming
not expected to
affect rate of
M&A activity**

page 14D

**Hill explores
ways to share
fraud info
across sectors**

page 14D

**E-commerce
shift demands
change in
hiring strategy**

page 14F

Proposed changes to M&A accounting awaited

By JUDY GREENWALD

A recommendation to eliminate the pooling method of accounting for U.S. mergers and acquisitions and instead require purchase accounting is not likely to have a significant impact on the insurance industry if approved.

Until now, insurers and brokers have been able to use either method, though the tendency has been to use the pooling approach in large transactions.

But the Financial Accounting Standards Board, which issued the recommendation, also is suggesting that the treatment of goodwill under purchase accounting be modified to bring it closer to the approach that is used in pooling. This change is likely to satisfy insurers and brokers that prefer the pooling method's treatment of goodwill when accounting for mergers. FASB's recommendation on the treatment of goodwill was issued on Feb. 14 with a 30-day comment period.

Some observers contend, however, that the introduction of goodwill provisions for purchase accounting could create new complications, be-

cause the FASB recommendation would allow more discretion on a company's part than is permitted under existing rules pertaining to goodwill.

Pooling-of-interest deals are tax-free, all-stock transactions in which the balance sheets of the two merging companies are simply added together.

Under purchase accounting, the acquired company is considered an investment. As a result, any premium paid over the market value of its assets is treated on the balance sheet as goodwill, which typically is amortized, or written off on the company's income statement over a period of 40 years.

One advantage of pooling over purchase accounting has been that because goodwill is not written off over time, it does not create a potential hit to the buyer's balance sheet.

In a move that makes purchase accounting more like pooling, however, the Norwalk, Conn.-based FASB is proposing that goodwill be written only off if the asset's value has been "impaired."

"They've really done a compromise here that ends up being something that's fairly easy to live with," said Tom Bradley, senior vp of fi-

nance for The St. Paul Cos. Inc. in St. Paul, Minn.

In some ways, by revising the goodwill provisions for purchase accounting, the FASB recommendation "is better than pooling, because pooling was very restrictive in terms of the types of capital transactions you could do in order to keep the pooling accounting, and those things aren't present with the purchase accounting rules," said Mr. Bradley.

"Fundamentally, it looks like they're providing a reasonable replacement for pooling of assets," said John Pottridge, of Alexandria, Va.-based Pottridge & Associates, which advises agents, brokers and banks on mergers and acquisitions.

"I see this as something very favorable to the industry. It's a great compromise," said Richard Grilli, associate director at Swiss Re New Markets in New York.

Goodwill amortization was the main issue in considering pooling vs. purchase accounting, "so I think FASB has come up with an approach that seems to have addressed a lot of the concerns," said Mr. Grilli.

FASB Chairman Edmund L. Jenkins said in a statement that the purchase method "reflects the underly-

ing economics of business combinations by requiring that the current values of the assets and liabilities exchanged be reported to investors.

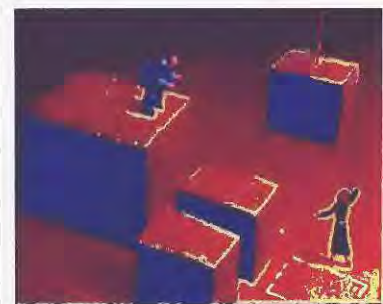
"Without the information that the purchase method provides, investors are left in the dark as to the real cost of one company buying another and, as a result, are unable to track future returns on the investment," he said.

When the proposed change in accounting was announced in 1999, it was expected to slow the pace of M&A activity in the industry. But, in general, expectations have changed.

"Deals get done because they make economic sense—they support a strategic objective and complement the growth strategy of the company," not because of a particular accounting method, said John Wicher, managing director of San Francisco-based Russell Miller Advisors Asia L.L.C., an insurance investment banking firm.

"Over the long term, it's going to have little effect on the overall desires of different business sectors to consolidate," said Kevin Donaghue, senior vp at Hartford, Conn.-based BMG Capitol Advisors Group, a consultant to brokers, agents and banks.

"I don't think there's going to be



any impact at the end of the day. The companies that need to be acquired will find acquirers," said Michael Smith, an analyst with Bear, Stearns & Co. in New York.

Sean Mooney, chief economist for reinsurance intermediary Guy Carpenter & Co. in New York, said that on paper the change would reduce the attractiveness of merger or acquisition activity. However, he added, "Our sense is that the effect is not strong enough to make a major difference in the motivations of companies to merge or not to merge."

But Michael A. Cohen, vp at Oldwick, N.J.-based A.M. Best Co., said he believes that the change would mean "acquisition targets will be a lot less desirable in a financial sense."

If the rule change is slated for approval in June, "you could see some extra M&A activity" in the months prior, he said.

Brokers' reactions to the recom-
See FASB on page 14E

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FASB

Continued from page 14B
mendation vary.

Bernard H. Mizel, chairman and chief executive officer of San Francisco-based USI Insurance Services Corp., which uses purchase accounting in its acquisitions, said he welcomes the proposal.

"It makes companies like ours much more attractive," because such companies will no longer necessarily have to write off the goodwill on their books, he said.

Edward J. Bowler Jr., USI's vp-finance, said the proposal "puts companies that were pooling historically

and companies that were historically purchasing on par with one another for the first time."

But J. Patrick Gallagher Jr., president and CEO of Itasca, Ill.-based Arthur J. Gallagher & Co., which has used the pooling method, is unhappy with the recommendation.

"I think we're a classic example of how pooling accounting, when used properly, is extremely effective, and I think you can look at our track record and see shareholders have not been misled, or deals overpriced."

Mr. Gallagher noted, though, that certain provisions of purchase accounting will give the brokerage more flexibility in arranging deals

than it enjoyed under pooling.

Some observers are concerned with how companies may interpret the proposed goodwill provisions.

'I think it would be in FASB's best interest to set out strict guidelines regarding the testing of impairment.'

— John Modin

The FASB recommendation would give companies some discretion in deciding whether an asset is

impaired and, therefore, whether its goodwill should be written off.

Previously, companies simply had to amortize their goodwill over a 40-year period, said Swiss Re's Mr. Grilli. "It was simple, it was clear, it was arbitrary. The impairment tests now probably will not be as crystal clear," he said. "Each company will adopt the way they test for impairment slightly differently."

BMG's Mr. Donaghue said it could be very difficult for a company to effectively judge whether goodwill will be impaired, "so there still exists a cloud of uncertainty as to how that could be properly managed."

John Modin, controller of Enter-

prise Reinsurance Holdings Corp. in New York, said: "Companies are going to have to be more careful when analyzing a potential acquisition. If a company overpays, an impairment charge will most likely result."

The recommendation "may discourage an acquisition that otherwise would be based on the underlying economics" because of concern about the impaired goodwill, Mr. Modin said.

"I think it would be in FASB's best interest to set out strict guidelines regarding the testing of impairment," said Beth Harper Briglia, knowledge manager for the financial services M&A practice at Arthur Andersen L.L.C. in New York. **[B]**

M&A not affected by insurance pricing

By SALLY ROBERTS

Firmer insurance pricing is unlikely to affect the degree of merger and acquisition activity among insurers and intermediaries in the near future, industry experts predict.

While the soft pricing environment limited the profitability of many in the insurance industry and contributed to a flurry of acquisitions throughout the 1990s, several other factors are likely to have a bigger impact on continued industry consolidation.

"I believe that consolidation (in the insurance industry) is an inexorable force that has been going on for 20 years," said Michael Allen, director of Strategic Decisions Group Inc., a Menlo Park, Calif.-based con-

sulting firm. Within that 20-year span, "we've been through a number of insurance cycles," he said. "Is there going to be any more impact with this cycle than in previous cycles? I doubt it."

Paige Proctor of Paige Proctor Consulting Inc., an agency consulting firm based in Carlock, Ill., agreed. "So far, the change in the marketplace has not had any impact on the rate of consolidation that has been going on, and I'm beginning to think that it probably won't have much impact as the market continues to firm up," he said.

Mr. Proctor pointed out that, because insurers continue to want sizable premium volume from agencies they have under contract, consolidation among agencies will continue regardless of the changing pricing environment.

"So much is driven by premium volume that there doesn't seem to be any other factor" significantly affecting consolidation activity, Mr. Proctor said.

Insurer consolidation "will continue regardless of premium rates," concurred Barbara D. Stewart, president of Stewart Economics Inc., an insurance consulting firm in Atlanta. Consolidation is driven by many factors; not the least is the shrinking of the insurance-buying market, she said.

"It doesn't matter if premiums are going up; there is less and less business out there," Ms. Stewart said. The only ways companies can grow are through mergers and acquisitions and exploring new markets and products, she said.

Others say the firming will have little impact on consolidation because it will be short-lived.

"I think it would be pretty unlikely that companies make a decision on the perception of a short-term change in the marketplace," said Rodger Lawson, president of the Alliance of American Insurers in Downers Grove, Ill.

Timothy J. Cunningham, a principal with INSIGHT Management Consultants in Chicago, said that those agencies that are less driven to sell their firms due to an "inflated sense of worth" have a "false sense of hope."

The market is firming, not hardening, and the trend will not last long, Mr. Cunningham said.

But at least one insurance expert says firming could trigger more mergers and acquisitions in the industry.

"The return on investment in the property/casualty insurance sector has not been significant enough to



make property/casualty insurance firms enticing targets...to those outside the insurance sector," said Terry Tyrpin, senior vp for the National Assn. of Independent Insurers in Des Plaines, Ill.

The firming pricing environment may help change that, though, Mr. Tyrpin said. And passage last year of the Gramm-Leach-Bliley Financial Services Modernization Act could provide a foundation for more merger and acquisition activity, as financial conglomerates look to property/casualty insurers as an opportunity, he said. **[B]**

Modernization opens fraud possibilities

By MARK A. HOFMANN

Insurers, banks and securities dealers hailed the 1999 Gramm-Leach-Bliley Act for lowering the barriers that had separated the three financial services industries since the 1930s.

Supporters of the measure said it promises to allow U.S. financial services entities to operate more efficiently in the domestic and global marketplaces, to better serve the needs of customers and to streamline the expensive and duplicative process of obtaining licenses to sell insurance on a multistate basis.

But while the financial services modernization made possible by the enactment of Gramm-Leach-Bliley certainly adds to the asset side of the three industries involved, it could make an entry on the debit side as well. That's because the elimination of barriers separating the industries could also help criminals cross from industry to industry without detection, allowing them to defraud victims in three ways rather than one.

This potential for cross-industry swindling has led the House of Representatives to begin looking at ways to improve how regulators in the three industries share information about fraud. Although no legislation

has been drafted yet, a joint March 6 hearing of two House Financial Services Committee subcommittees kicked off an effort to ensure that any such legislation indeed fills the bill.

Members of the Oversight and Investigations Subcommittee and the Financial Institutions and Consumer Credit Subcommittee heard that creating a system for sharing fraud data drawn from regulators overseeing each of the industries would be no easy task. As Financial Services Committee Chairman Mike Oxley, R-Ohio, noted in a statement issued before the hearing began, more than 200 different departments and agencies have some role in combating fraud, and each has its own record-keeping system. And while banking and securities generally answer to federal regulators, insurers and producers are subject to state oversight.

"We must ensure that regulators have all the tools they need," said Oversight and Investigations Subcommittee Chairwoman Sue Kelly, R-N.Y., as she opened the hearing. She noted that accused swindler Martin Frankel had managed to evade his past by crossing industry lines.

"After being permanently banned from the securities industry, he migrated to the insurance industry," she said. Mr. Frankel, who is accused

of bilking life insurance companies he controlled of about \$200 million, was recently extradited to the United States from Germany to stand trial.

Rep. Spencer Bachus, R-Ala.—Rep. Kelly's counterpart on the Financial Institutions and Consumer Credit Subcommittee—called Mr. Frankel a

'Any legislation ultimately developed must truly streamline and coordinate fraud efforts, ideally eliminating duplicative information requests.'

— Kenneth Schloman

"high-profile poster boy" for the need for cooperation in anti-fraud efforts. Rep. Oxley told the panel that even if a coordinated effort caught "only one Martin Frankel," it would have paid for itself many times over.

But as witnesses addressed the panel, the problems of creating a unified approach became evident.

One concern, cited by witnesses and lawmakers alike, is privacy. Regulators would have to ensure that their anti-fraud efforts did not violate state and local law. In addition, they will also have to make sure that inac-

curate and possibly damaging information is not disseminated.

Developing an approach to sharing information on fraud also raises the question of whether a new system must be built from the ground up, or whether existing systems should be linked. Iowa Insurance Commissioner Terri Vaughan, speaking as vp of the National Assn. of Insurance Commissioners, stressed her belief that the linking approach was preferable. Every party involved already has its databases, she noted.

The very role of the NAIC causes some concern to insurers. Robert Dibblee, senior vp-government affairs for the National Assn. of Independent Insurers, did not testify in person before the joint hearing, but sent a letter to the chairs and ranking members of each panel. In an interview after the hearing, Mr. Dibblee said NAII member companies want to know, "What role, if any, will the NAIC have in this process?"

"Our members get leery when we start talking about giving more authority to the NAIC," said Mr. Dibblee. The NAIC is a trade group consisting of regulators, rather than a regulator itself, he said. NAII would prefer individual state regulators retain the authority for conducting background checks by accessing the



files of the FBI, he said.

"This is a concept. We wanted to put on the record a series of questions we would ask those who are pushing this idea as they move it forward. We understand there's a need to share financial data among the different regulators, and we want to make sure it's done in the most cost-effective and privacy-respectful way—and easiest for those who need the data," Mr. Dibblee said.

Kenneth Schloman, Washington counsel for the Alliance of American Insurers, stressed the need for efficiency in whatever shape legislation might take.

"Any legislation ultimately developed must truly streamline and coordinate fraud efforts, ideally eliminating duplicative information requests by regulators. What it should not do is create a new bureaucratic regime," Mr. Schloman said before the hearing began.

The March 6 hearing is the first of its kind in either house of Congress. **[B]**

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Making litigation management less trying

By **RODD ZOLKOS**

An Internet-based litigation management system offered by a Chicago company aims to help insurance companies plan and direct litigation by providing a real-time tool for tracking the progress of cases and legal expenses.

"What we seek to address is an issue that is troublesome for the industry today, particularly the property/casualty industry, which

is litigation management," said Faiz Ahmed, chief executive officer of Chicago-based Visibillity.

According to Mr. Ahmed, Visibillity's collaborative litigation planning system provides a company and the counsel with which it is working a tool for determining how cases should move forward.

"We are not a third-party auditor but rather a service—a tool to allow both parties to communicate on a case," Mr. Ahmed said.

When an insurance company first enters into litigation on a

case, it can use the Internet-based system to assign the case to an attorney. The attorney then can view information on the case online and review the parameters the insurer has established.

The attorney also can create a case budget online, and claims professionals who are involved with the case can examine the budget and see how the claim is progressing.

When the attorney bills against the budget, the system automatically tabulates, on a

task-by-task basis, how much of the budget has been spent. The Visibillity system also allows for electronic invoice submissions by attorneys.

Because Visibillity's service is Internet-based, there is no software that a customer must install, and all system upgrades are available immediately. According to Mr. Ahmed, the company can identify client needs and re-deploy the system with new features every six to eight weeks.

The company has several insurance company clients in



place, and, although most of Visibillity's focus thus far has been on insurance companies, "we have met with some self-insurers," said Howard Goldstein, senior vp-marketing at Visibillity.

For more information, visit Visibillity's Web site at www.visibillity.com. **BI**

Proper culture an e-commerce hiring e-ssential

By **John Barrett**

Pundits and practitioners may debate the nature of the impact of the Internet revolution on the financial services industry, but all agree that impact has been significant.

Statistics bear this out. Today, 96% of mutual funds offer account access through the Web. More than half permit transaction activity. Morgan Stanley Dean Witter & Co. predicts that by 2003, online

trading could account for as much as 75% of all retail transactions.

In less than three years, the Web has evolved from being a neat toy for "techies" to serving as a critical tool to execute financial transactions and share information. The question financial services companies face today is not whether they'll offer e-commerce services but when and how.

But despite the apparent inevitability of the Internet revolution, insurance companies

IT PERSPECTIVE

have been slow to embrace it. Fewer than 7% of insurance Web sites offer quotes. Fewer than 1% offer interactive service or online sales.

Insurance companies justify their lack of e-commerce presence by citing the problems of channel conflict, the complexity of insurance products and the notion that insurance is "sold, not bought." Finally, too many insurance

executives consider an adequate e-commerce presence to consist of little more than an informational Web site that is serviced in-house.

But given the indisputable growth of the Internet, insurance companies must embrace e-commerce, and the first step is to recruit e-commerce executives.

Starting with recruiting may seem like putting the cart before the horse. In fact, attracting e-commerce executives in today's market requires an insurance

company to conduct a rigorous self-examination. Its executives must challenge the company's core business strategy, with the understanding that fundamental business processes may not only be retooled but also rejected.

What are the lessons for insurance companies that seek to recruit e-commerce talent?

First, financial e-commerce executives want to be part of a company that is audacious in its vision, revolutionary in its practices and ready to leapfrog

See **Hiring** on page 14H

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to order in lunch?



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dropped-off?



Like the newspaper left
at your front door?



Like to shop by
catalog or online?



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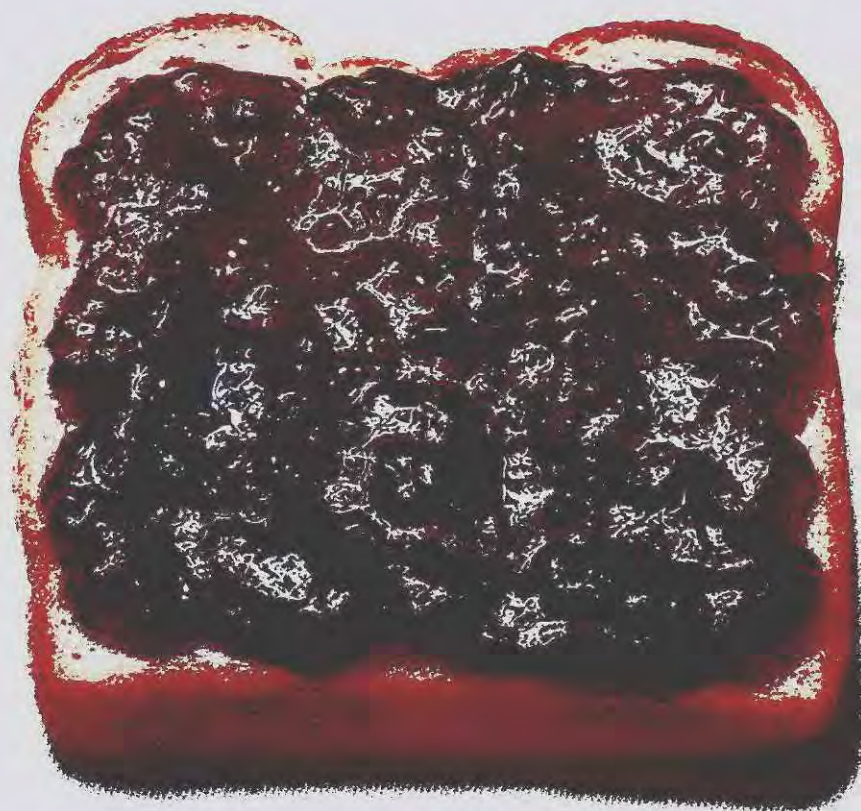
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Hiring

Continued from page 14F
its competition's technology. The insurance company with a culture that reflects these characteristics will attract the best e-commerce executives.

Still, insurance companies must be mindful that those e-commerce executives with solid experience in the brick-and-click realm will have lived through the initial Internet revolution and its subsequent shakeout. Consequently, they may well be wary of new e-commerce initiatives.

The second lesson is that the startup culture of the e-commerce unit and that of the parent insurance company must mesh.

If conflicts in strategy arise between the leaders of the existing business units and those of the nascent e-business unit, how can they be resolved? What new performance measurements has the insurance company created? Has the company created a reward system that encourages organizational change? What is the insurance company's plan for the e-commerce unit once it is up and running? Will the e-venture be integrated into the company, or will it be spun off on its own?

The third lesson is that the insurance company must convince e-commerce candidates that the organization has made allowances for the resources required by the new unit.

Successful e-commerce executives know that a startup operation requires significant investments of time and money. They also know that a brick-and-click venture that is part of a large organization requires the cooperation of department leaders. Internal support is critical to success, and e-commerce leaders must believe that the insurance company is ready to provide the necessary resources.

The fourth lesson is that an insurance company must choose a leader with the right skill set.

The ideal e-commerce executive combines several of the traits of successful leadership—vision, diplomacy and tenacity. These leadership attributes are as crucial in an e-commerce executive as a

thorough understanding of technology, the insurance industry and the company's culture.

Developing the best e-commerce presence to meet an insurance company's challenges requires vision—not just a vision of where Internet technology is evolving but a vision of what the best setup for the company will be.

That setup may even require cannibalizing the brick-and-mortar business. If that is the case, resistance from other executives within the company is likely to be fierce, and the e-commerce executive must be able to overcome considerable resistance and foster consensus.

The fifth and final lesson is that insurance companies must shift from a mindset that resists

change to one that enthusiastically embraces it.

Insurance companies have a well-earned reputation for being highly conservative in nature. A cultural shift toward an appreciation of change won't take place overnight, but such a shift must occur.

The Internet revolution has already spread to the insurance industry. Those insurance companies that maintain cultures that invite and reward change will be the ones that attract and retain talented e-commerce leaders. Those that don't will be left behind. **BI**

John Barrett is executive director at Russell Reynolds Associates, a New York-based international executive recruiting firm.

IT BRIEFS

Insurer Web sites honored

INDIANAPOLIS—Property/Casualty Insurance, the flagship publication of the National Assn. of Mutual Insurance Cos., has selected winners in its second-annual Best Insurance Site awards.

This year's winners included: Piqua, Ohio-based Buckeye Insurance Group (www.buckeye-ins.com), in the small property/casualty-company category; Fort Wayne, Ind.-based Brotherhood Mutual Insurance (www.brotherhoodmutual.com) in the midsize-company category; Country Cos. of Bloomington, Ill. (www.countrycompanies.com), in the large-company category; and Chicago-based CNA Re (www.cnare.com) in the category for companies or organizations serving the insurance industry.

The awards were based on sites' visual appeal, ease of navigation, browser-loading speed, frequency of updates and relevance of information to the property/casualty industry audience.

A panel of communications professionals from the property/casualty industry judged the sites.

Insurer failure rate up: S&P

NEW YORK—Fifty-six U.S. insurers failed in 2000, up from 40 in 1999, according to a study published recently by Standard & Poor's Corp.

Of the 56 companies that failed, five were life insurers, 31 were property/casualty insurers, 17 were health insurers and three were title insurers.

The study found that although the U.S. industry has long been recognized for its strength, resilience and ability to provide policyholder protection even in troubled times, the increased rate of failures could continue through 2001.

With one exception, all the

companies that failed in 2000 and were rated by S&P had ratings below the secure financial strength level, the study notes.

The report can be found on S&P's Web site, www.standardandpoors.com/ratings.

Chubb sponsors art event

MAASTRICHT, Netherlands—The Chubb Group of Insurance Cos. was the first-ever principal sponsor of the European Fine Art Fair, held March 10-18 in Maastricht, Netherlands.

Chubb also has signed on as the fair's principal sponsor for 2002 and 2003.

The fair is widely acknowledged as the world's most-prestigious art and antiques event.

This year's event included 197 of the world's leading art and antiques dealers, coming 13 countries to showcase the best of their collections.

More than 65,000 of the world's most-affluent individuals were expected to attend the fair, as were buyers from cultural institutions.

Agent LTC coverage

NASHVILLE—CNA Life, which provides life, long-term care and other insurance products and services, recently introduced its Agent Affinity Group program.

Through the program, licensed CNA producers and their agency employees can enjoy discounted premiums for their own long-term care coverage.

In addition to allowing members to purchase policies at discounted rates, the program lets extended family members receive the discounted rates.

Eligible family members include spouses, parents, grandparents, adult children and parents- and grandparents-in-law.

Qualified members receive a 20% discount on premiums on LTC policies.

For additional information regarding CNA long-term care insurance products, visit the Web site www.cnaltc.com.

Selective tech initiatives

BRANCHVILLE, N.J.—Selective Insurance Group Inc. has inaugurated two technology initiatives—a service center and a mobile claim system—for insurance agents and customers.

Selective's service center, located in Richmond, Va., helps the company's independent insurance agents serve their small-business customers.

Through the center, licensed individuals use technology to respond by e-mail, phone and/or fax to customer inquiries about such matters as insurance coverage or billing.

Initially, the Selective Service Center will handle small-business accounts from participating agents in Virginia. Additional states will be added during the year.

Branchville, N.J.-based Selective's mobile claim system is used by the company's claims agents to serve agents and customers while in the field.

The system is designed to reduce time spent on back-office paperwork, freeing claims specialists to spend more time with customers and agents, handling claims and assisting with claims mitigation.

The system is currently being put in place in the company's Southern region, with rollout to other regions scheduled for later this year.

The MCS software system is also available for sale to other companies through PDA Soft-

ware Services Inc., Selective's software development and processing subsidiary.

Online comp system

WOBURN, Mass.—OneShield Inc. is providing workers compensation insurers with a Web-based service that is designed to shorten the time needed to bind coverage to less than 10 minutes.

The system, called OneShield Dragon, provides a platform for

buyers to make submissions and for insurers to provide quotes and bind coverage in minutes, instead of the days needed using traditional approaches.

The next version of the Dragon product, available in June, will support 11 other commercial insurance lines, including property, general liability, professional liability, boiler and machinery and others.

For more information about Dragon, visit OneShield's Web site, at www.oneshield.com. **BI**

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Insurer Topics

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Widelines	14B

You'd be surprised what a pharmacy benefits manager can save... ...just by listening.

Pharmacists Julie Skalican and Dave Oniboni saved the life of a woman they never met.

Julie and Dave work for Express Pharmacy Services, the mail-service division of Eckerd Health Services (EHS), a pharmacy benefits manager. They answer patients' questions about their medications.

On an otherwise ordinary day, Julie received an alarming call. A patient—a depressed-sounding woman—wanted to know what would happen if she exceeded the dosage of her medicine. Concerned, Julie kept the patient on the line for 20 minutes, gathering information. Her worst fears were confirmed when suddenly the caller announced, "I think I'll take the whole bottle," and hung up.

Dave and Julie moved quickly to seek help in the caller's area. They found and alerted the local sheriff's department, which dispatched a unit to the patient's home in time.

A life was saved, because Julie and Dave cared enough to listen and take action.

At EHS, we listen. And then we act.



Actions Speak Louder Than Words

Continued from page 14

Benefit systems since: 1990.
Systems sold in 2000 7
Total 2000 revenue \$1,000,000
■ DDCSQL
PC operating system: Windows 95 and higher.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1992.
Total benefit installations: 19.
System features: claims administration*, eligibility verification*, disability management*.
Officers: Ted W. Mahler, president; G.W. Andrews, vp/chief information officer; D.L. Marion, executive vp.
Contact: Ted W. Mahler, 864-268-4955.

Benefit Systems & Services Inc.

760 Pasquonelli Drive, Suite 320,
 Westmont, Ill. 60564;
 630-789-2082; fax: 630-789-2093
 www.benefit-sys.com

Benefit systems since: 1986.
■ Data-Plus
Midrange/mainframe system: AS/400.
Multiple users.
Customization optional.
First installation: 1986.
Total benefit installations: 20.
Benefits managed/communicated: flexible spending account, group health plans, section 125 flexible benefit plans, COBRA.
System features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, check writing, participant letters, claims administration, eligibility verification, COBRA billing.
Communication features: benefit plan descriptions*,

direct plan enrollment*, access to status of medical claims*.

Generates reports via: fax, mailed hard copy.
User support: onsite training, online support, telephone assistance.
Contact: Carmen J. Morreale, executive vp; cmorreale@benefit-sys.com.

BeneSoft Inc.

41 Village Lane,
 Bethany, Conn. 06524;
 203-393-0320; fax: 203-393-0325

■ Flexible Software.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1987.
Total benefit installations: 200.
Benefits managed/communicated: flexible spending account, short- and long-term disability, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System features: recordkeeping, plan enrollment, plan discrimination testing*, participant letters, eligibility verification, premium deductions.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, flexible spending account information, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information, medical savings account information, flexible benefit plan selection.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance, emergency pagers.
Officers: Faisal A. Saleh, president; Steve Froebel, vp.
Contact: Faisal A. Saleh; f@benesoft.com.

Byrne Software Technologies Inc.

1819 Clarkson Road, Suite 200,
 Chesterfield, Mo. 63017;
 877-537-8401; fax: 636-537-5904
 www.byresoftware.com

Benefit systems since: 1986.
Parent: William Byrne & Associates Inc.
VisualHCS
PC operating system: Windows 2000; Other types: SQL Server 7.0 with current service pack.
Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1987.
Total benefit installations: 21.
Benefits managed/communicated: pension plans, flexible spending account, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA.
System features: plan enrollment, coordination of benefits, check writing, claims administration, eligibility verification, medical case management, COBRA billing, disability management, health care utilization review.
Communication features: benefit plan descriptions*, access to status of medical claims*, flexible spending account information*, personalized benefit information*.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Contact: Jim Taylor, director-sales and marketing, 877-537-8401, ext. 24, jtw@byresoftware.com; Traci Yarbrough, consultant-Taft Hartley Funds, 877-537-8401, ext. 26, ty@byresoftware.com.



Cantor & Co.

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

Benefit systems since: 1982.
Total clients 117
■ MQMS Plus
PC operating system: DOS; Windows 95 and higher.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1991.
Total benefit installations: 55.
Benefits managed/communicated: pension plans, short- and long-term disability, leaves of absence, Social Security, group health plans, life insurance, workers comp.
System features: medical coding/unbundling*, claims administration, medical case management, disability management, health care utilization review.
Communication features: access to status of medical claims, managed care network information.
Generates reports via: printer.
■ Riskmap Loss Development, Loss Forecasting and Risk Financing
Purchase price: \$3,500 to \$9,000.
PC operating system: DOS; Windows 95 and higher.
Other types: Novell Netware.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1983.
Total benefit installations: 55.
Benefits managed/communicated: pension plans, short- and long-term disability, leaves of absence, Social Security, group health plans, life insurance, workers comp.
Communication features: benefit modeling/projections.
Generates reports via: printer.
User support: user groups/meetings, onsite training, online support, telephone assistance, mentor program.
Officers: Alan B. Cantor, president; Judith J. Szarka, vp.
Contact: Alan B. Cantor.

Cascade Technologies Inc.

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

Benefit systems since: 1985.
Total clients 450
Corporate benefit clients 55
■ Connection Server
Purchase price: \$15,000 to \$50,000.
Leased: \$1,000 to \$5,000 per quarter.
Service bureau basis: \$5 to \$15 per employee per year.
PC operating system: Windows.
Interactive requirements: interactive voice response system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1990.
Total benefit installations: 150.
Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending account information*, personalized benefit information*, benefit modeling/projections*, benefit options information/advice*, managed care network information*, savings plan investment transfer*, medical savings account information*, retirement savings modeling*, flexible benefit plan selection*.

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

■ DC aDVantage
Purchase price: \$10,000 to \$50,000.
Leased: \$1,000 to \$2,500 per quarter.
Service bureau basis: \$3 to \$6 per employee per year.
PC operating system: Windows.
Interactive requirements: Internet/intranet, electronic mail, interactive voice response system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 2001.
Total benefit installations: 1.
Benefits managed/communicated: saving/investment plans, pension plans.
System features: recordkeeping, plan enrollment, accounting, check writing*, retirement plan distributions, plan discrimination testing*, savings plan loan administration, retirement planning/forecasting.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, savings plan investment selection, personalized benefit information, benefit modeling/projections, savings plan investment transfers, retirement savings modeling.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.

■ PASSPORT
Purchase price: \$30,000 to \$100,000.
Service bureau basis: \$5 to \$8 per employee per year.
PC operating system: Windows.
Interactive requirements: Internet/intranet, electronic mail, interactive voice response system.
Multiple users.
Provides: Internet/intranet access.
Customization optional.
First installation: 1998.
Total benefit installations: 14.
Benefits managed/communicated: saving/investment plans, pension plans.
System features: recordkeeping, plan enrollment, accounting, check writing*, retirement plan distributions, plan discrimination testing*, savings plan loan administration, retirement planning/forecasting.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, savings plan investment selection, personalized benefit information, benefit modeling/projections, savings plan investment transfers, retirement savings modeling.
Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.

■ Web Server
Purchase price: \$15,000 to \$50,000.
Leased: \$1,000 to \$5,000 per quarter.
Service bureau basis: \$5 to \$15 per employee per year.
PC operating system: Windows.
Interactive requirements: Internet/intranet.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 2000.
Total benefit installations: 3.
Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, short- and long-term disability, leaves of absence, Social Security, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible spending account information*, personalized benefit information*, benefit modeling/projections*, benefit options information/advice*, managed care network information*, savings plan investment transfer*, medical savings account information*, retirement savings modeling*, flexible benefit plan selection*.

Generates reports via: printer, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: Vigdis Austad, president; Frank Joicy, executive vp.
Contact: marketing, 732-906-2020, ext. 139; marketing@cascadetechnologies.com.

Ceridian

3311 E. Old Shakopee Road,
 Minneapolis, Minn. 55425-1640;
 800-729-7655; fax: 716-218-5622
 www.ceridian.com

Parent: Ceridian Corp.
Total clients 20,000
Total 2000 revenue \$8,670,000
■ Ceridian Source 500 HR/Payroll v.7.0
PC operating system: Windows 95.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1998.
Benefits managed/communicated: saving/investment plans, flexible spending account, short- and long-term disability, leaves of absence, group health plans, medical savings accounts, life insurance.
System features: recordkeeping*, plan enrollment*, coordination of benefits*, plan discrimination testing*, eligibility verification*, premium deductions*, savings plan loan administration*, government reporting*, health care utilization review*.
Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, access to status of medical claims*, savings plan investment selection*, flexible benefit plan selection*.
Generates reports via: printer, computer diskette, e-mail, Internet/intranet site.
User support: user groups/meetings, onsite training, online support, telephone assistance.
Officers: Tony Holcombe, president; Dan Dolan, CFO; Mary Simpson, senior vp-marketing.
Contact: response center, 800-729-7655, ext. 3901.

Computer Workware Inc.

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

Benefit systems since: 1984.
Total clients 250
■ Fast Benefits Administration System
Purchase price: \$50,000 to \$65,000.
PC operating system: DOS; Windows 95 and higher.
Interactive requirements: Internet/intranet, computer kiosks.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.
Customization optional.
First installation: 1984.
Total benefit installations: 3,000.
Benefits managed/communicated: flexible spending account, short- and long-term disability, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, accounting, plan discrimination testing, participant letters, eligibility verification, COBRA billing, premium deductions, government reporting.
Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, flexible spending account information, personalized benefit information, benefit modeling/projections, benefit options information/advice.

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

■ Vital Objects
Purchase price: \$500,000.
PC operating system: Windows 2000 and higher.
Interactive requirements: Internet/intranet, electronic mail, computer kiosks, interactive voice response system.
Multiple users.
Provides: Internet/intranet access, online processing capabilities.

Customization optional.
First installation: 1999.
Total benefit installations: 40**.
Benefits managed/communicated: saving/investment plans, flexible spending account, short- and long-term disability, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, health provider contract management*, accounting, check writing*, retirement plan distributions*, plan discrimination testing, participant letters*, eligibility verification, COBRA billing, stop-loss reinsurance management*, premium deductions, savings plan loan administration, government reporting*, health care utilization review*.

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

Generates reports via: printer, e-mail, Internet/intranet site.
User support: onsite training, online support, telephone assistance.
Officers: E.G. Robinson, president; Keith Formosa, vp.
Contact: Keith Formosa.
 **Estimated.



DATAIR Employee Benefit Systems Inc.

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

Benefit systems since: 1967.
Total clients 1,230
Corporate benefit clients 67
Systems sold in 2000 319
Total 2000 revenue \$3,000,000
EBIS revenue: \$3,000,000
■ DATAIR's Cafeteria Plan Documents System
Purchase price: \$1,100 to \$1,250.
PC operating system: DOS.
Interactive requirements: Internet/intranet, electronic mail.
Multiple users.
Provides: online processing capabilities.
Customization optional.
First installation: 1989.
Total benefit installations: 213.
Benefits managed/communicated: flexible spending account, short- and long-term disability, group health plans, section 125 flexible benefit plans, COBRA, life insurance, workers comp.
System features: plan enrollment*, health provider contract management, participant letters, claims administration*, government reporting.
Communication features: benefit plan descriptions, benefit option selection/adjustment, flexible spending account information, benefit options information/advice.
Generates reports via: printer.
■ DATAIR's Defined Benefit System
Purchase price: \$2,000 to \$7,500.
PC operating system: DOS; Windows 95 and higher.
Multiple users.
Customization optional.
First installation: 1969.
Total benefit installations: 320.
Benefits managed/communicated: pension plans, Social Security, life insurance.
System features: recordkeeping, plan enrollment, coordination of benefits, accounting, retirement plan distributions, plan discrimination testing, participant letters, el-

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Continued on page 18



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**Business
Insurance**
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Continued from page 16

ibility verification, premium deductions, retirement planning/forecasting, government reporting.

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

Generates reports via: printer, mailed hard copy.

■ **DATAIR's Defined Contribution/401(k) system**
Purchase price: \$2,000 to \$7,500.

PC operating system: DOS; Windows 95 and higher.
Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1969.

Total benefit installations: 900.

Benefits managed/communicated: saving/investment plans, pension plans.

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

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, personalized benefit information, benefit modeling/projections, savings plan investment transfers, retirement savings modeling.

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

■ **DATAIR's FAST132 Reporter**

Purchase price: \$695 to \$795.

PC operating system: DOS.

Multiple users.

First installation: 1999.

Total benefit installations: 153.

Benefits managed/communicated: pension plans.

System features: accounting, retirement planning/forecasting, government reporting.

Generates reports via: printer, mailed hard copy.

■ **DATAIR's Flex Plus Cafeteria System**

Purchase price: \$1,750 to \$2,750.

PC operating system: DOS; Windows 95 and higher.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1988.

Total benefit installations: 235.

Benefits managed/communicated: flexible spending account, group health plans, Section 125 flexible benefit plans, COBRA, life insurance, workers comp.

System features: recordkeeping, plan enrollment, coordination of benefits, accounting, check writing, plan discrimination testing, participant letters, claims administration, eligibility verification, premium deductions.

Communication features: direct plan enrollment, benefit option selection/adjustment, savings plan investment selection*, flexible spending account information*, personalized benefit information, benefit modeling/projections, benefit options information/advice, flexible benefit plan selection.

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

■ **DATAIR's Retirement Plan Documents System**

Purchase price: \$1,500 to \$5,000.

PC operating system: DOS; Windows 95 and higher.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.

Provides: online processing capabilities.

Customization optional.

First installation: 1988.

Total benefit installations: 448.

Benefits managed/communicated: saving/investment plans, pension plans.

System features: plan enrollment, coordination of benefits, retirement planning/forecasting, government reporting.

Communication features: benefit plan descriptions, benefit option selection/adjustment, savings plan investment selection, personalized benefit information.

Generates reports via: printer, mailed hard copy.

■ **DATAIRVoice Turnkey IVR System**

Purchase price: \$4,500 to \$6,200.

PC operating system: Windows 95 and higher.

Interactive requirements: interactive voice response system.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1998.

Total benefit installations: 11.

Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, Section 125 flexible benefit plans.

System features: recordkeeping*, plan enrollment*, check writing*, retirement plan distributions*, plan discrimination testing*, participant letters*, claims administration*, eligibility verification*, premium deductions*, savings plan loan administration*, retirement planning/forecasting*, government reporting*.

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

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

■ **Financial Information Portal**

Purchase price: \$2,000 to \$12,500.

Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 2000.

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

System features: retirement planning/forecasting.

Communication features: flexible spending account information, personalized benefit information, benefit modeling/projections, benefit options information/advice, retirement savings modeling.

Generates reports via: Internet/intranet site.

■ **Participant Termination Calculation System**

Purchase price: \$695.

PC operating system: DOS; Windows 95 and higher.

Interactive requirements: electronic mail, computer kiosks.

Multiple users.

Customization optional.

First installation: 1977.

Total benefit installations: 175.

Benefits managed/communicated: saving/investment plans, pension plans.

System features: coordination of benefits, retirement plan distributions, participant letters, retirement planning/forecasting.

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

Generates reports via: printer.

■ **Pension Reporter**

Purchase price: \$695 to \$1,245.

PC operating system: Windows 95 and higher.

Multiple users.

First installation: 1985.

Total benefit installations: 645.

Benefits managed/communicated: saving/investment plans, pension plans, flexible spending account, Section 125 flexible benefit plans.

System features: accounting, government reporting.

Communication features: benefit plan descriptions, personalized benefit information.

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

■ **Qualified Plan Distribution (and Tax Analysis) System**

Purchase price: \$950.

PC operating system: DOS.

Interactive requirements: electronic mail.

Multiple users.

Customization optional.

First installation: 1987.

Total benefit installations: 222.

Benefits managed/communicated: saving/investment plans, pension plans, Social Security, life insurance.

System features: coordination of benefits, retirement plan distributions, retirement planning/forecasting.

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

Generates reports via: printer.

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

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

Contact: sales@datair.com.



EZClaims.com

27000 Grand River Ave., Suite 200,
Farmington Hills, Mich. 48335;

248-848-1484; fax: 248-848-1421

www.ezclaims.com

Benefit systems since: 2001.

Total clients 2

Corporate benefit clients 2

■ **EZClaims.com**

PC operating system: Windows 95.

Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 2001.

Total benefit installations: 1.

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

System features: recordkeeping, accounting*, check writing*, participant letters, claims administration, medical case management, disability management, stop-loss reinsurance management, government reporting.

Communication features: personalized benefit information*.

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

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

Officers: Jaz Sokhal; Sukhpal Dhillon; Charles Ross.

Contact: info@ezclaims.com.

Employee Technology Solutions Inc.

875 N. Michigan Ave., Suite 1900,

Chicago, Ill. 60611;

312-202-6617; fax: 312-280-5650

www.benefitsselections.com

Benefit systems since: 1998.

Parent: Near North National Group.

Corporate benefit clients 15

Systems sold in 2000 15

Total 2000 revenue \$1,200,000

EBIS revenue: \$1,200,000

■ **BenefitSelections**

Purchase price: \$50,000 to \$150,000.

PC operating system: Windows 95 and higher.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1998.

Total benefit installations: 19.

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

System features: plan enrollment, participant letters*, eligibility verification, retirement planning/forecasting*.

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

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

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

Officers: Jim Meyer, executive vp; Kathy Allen-Eads, vp-development and operations; Dana Bakos, vp-sales.

Contact: Jim Meyer, jmeyer@nng.com; Kathy Allen-Eads, kallene@nng.com; Dana Bakos, dbakos@nng.com.

EmployeeLife.com

830 Maude Ave.,

Mountainview, Calif. 94043;

650-940-1988; fax: 650-940-1908

www.employeelife.com

Benefit systems since: 1999.

Parent: Internet Capital Group and Texas Pacific Group.

■ **EeCampus**

Service bureau basis: \$3 to \$15 PEPM.

PC operating system: Windows NT.

Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access.

First installation: 1999.

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

System features: recordkeeping, plan enrollment, plan discrimination testing, participant letters, eligibility verification, premium deductions, government reporting.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information, medical savings account information, retirement savings modeling, flexible benefit plan selection.

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

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

Officers: Howard Koenig, CEO; Helen Roberts, executive vp-commerce solutions.

Contact: Bill Mattie; bmattie@employeelife.com.

Envisen

7110 Redwood Blvd., Suite C,

Novato, Calif. 94945;

415-897-0728; fax: 415-897-3863

www.envisen.com

Benefit systems since: 1996.

■ **Employee Resource Center**

Purchase price: \$5,000 to \$50,000 initial fee plus \$1 to \$5 PEPM maintenance.

Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1996.

Total benefit installations: 45.

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

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

Generates reports via: printer, Internet/intranet site.

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

Officers: Walter Smith, CEO; Barry Maxon, president/COO; Roger Woehl, chief technology officer.

Contact: Jerry Kumre, national sales coordinator; 800-685-5578; jerry@envisen.com.



FACTS Services Inc.

1575 San Ignacio Ave., Suite 406,

Coral Gables, Fla. 33146;

305-284-7400; fax: 305-661-6710

www.factservices.com

Benefit systems since: 1980.

Total 2000 revenue \$6,000,000

EBIS revenue: \$6,000,000

■ **FACTS ADMIN.**

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

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

Benefits managed/communicated: group health plans, life insurance.

System features: plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting, check writing*, participant letters, claims administration*, eligibility verification, medical case management*, COBRA billing, premium deductions, government reporting, health care utilization review*.

Communication features: access to status of medical

claims*, personalized benefit information*.

Generates reports via: fax, Internet/intranet site.

■ **FACTS CLAIMS & ENCOUNTERS.**

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

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

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

System features: plan enrollment*, medical coding/unbundling*, coordination of benefits*, health provider contract management*, accounting*, check writing*, participant letters, claims administration, eligibility verification*, medical case management*, COBRA billing, disability management, stop-loss reinsurance management, government reporting, health care utilization review*.

Communication features: access to status of medical claims*, personalized benefit information*.

Continued from previous page

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

■ Employee Benefits Statements

Purchase price: \$3,000 to \$8,000.
Leased: \$65 to \$200 per month.

PC operating system: Windows;
Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1993.

Total benefit installations: 29.

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

Communication features: benefit plan descriptions, personalized benefit information, benefit modeling/projections, benefit options information/advice, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.

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

■ I-ESSS (Internet Employee Self Service)

Purchase price: \$15,000 to \$65,000.

Leased: \$325 to \$900 per month.

Service bureau basis: \$3 PEPM.

PC operating system: Other types: Java.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1998.

Total benefit installations: 15.

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

System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, accounting, check writing, retirement plan distributions*, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management*, premium deductions, savings plan loan administration*, retirement planning/forecasting, government reporting, health care utilization review.

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

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

■ Taxdemo - Enrollment

Purchase price: \$5,000 to \$20,000.

Leased: \$120 to \$450 per month.

Service bureau basis: \$3 PEPM.

PC operating system: Windows.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1983.

Total benefit installations: 5,671.

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

System features: recordkeeping*, plan enrollment, medical coding/unbundling*, coordination of benefits*, accounting*, check writing*, retirement plan distributions*, plan discrimination testing*, participant letters, claims administration*, eligibility verification, medical case management*, COBRA billing*, disability management*, stop-loss reinsurance management*, premium deductions*, savings plan loan administration*, retirement planning/forecasting, government reporting*, health care utilization review*.

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

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

■ Voice Response

Purchase price: \$10,000 to \$30,000.

Leased: \$214 to \$600 per month.

Service bureau basis: \$1 to \$4 PEPM.

PC operating system: DOS; Windows; Other types: OS/2.

Interactive requirements: interactive voice response system.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1989.

Total benefit installations: 42.

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

System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management*, accounting, check writing, retirement plan distributions*, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management*, COBRA billing, disability management, stop-loss reinsurance management*, premium deductions, savings plan loan administration*, retirement planning/forecasting, government reporting*, health care utilization review*.

ance management*, premium deductions, savings plan loan administration, retirement planning/forecasting, government reporting*, health care utilization review*.

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

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

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

Officers: Richard D. Pelton, CEO; Rob J. Thurston, president; E. Richard Packham, vp.

Contact: Rob J. Thurston; hrconsultinggroup@msn.com.

Hay Group Inc.

100 Penn Square E.,

Philadelphia, Pa. 19107;

215-861-2569; fax: 215-861-2106

www.haygroup.com

Benefit systems since: 1984.

Total clients 24

Corporate benefit clients 22

Systems sold in 2000 3

Total 2000 revenue \$180,000,000

EBIS revenue: \$2,000,000

■ Pension Calculation Language (PCL)

Purchase price: \$250,000.

PC operating system: Windows 95 and higher.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

First installation: 1991.

Total benefit installations: 18.

Benefits managed/communicated: saving/investment plans, pension plans, Social Security.

System features: plan enrollment*, retirement plan distributions*, plan discrimination testing*, participant letters*, eligibility verification*, retirement planning/forecasting*, government reporting*.

Communication features: benefit plan descriptions*, direct plan enrollment*, benefit option selection/adjustment*, personalized benefit information*, benefit modeling/projections*, benefit options information/advice*, retirement savings modeling*.

Generates reports via: printer, Internet/intranet site.

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

Officers: Chris Matthews, CEO; Lois Barker, chief accounting officer; Suresh Bhula, CFO.

Contact: Kurt Fichthorn.



Information Products Inc.

17 Connecticut S. Drive, P.O. Box 558,

East Granby, Conn. 06026;

800-477-7822; fax: 860-653-0255

www.ipi-ivr.com

Benefit systems since: 1976.

Total clients 125

Systems sold in 2000 11

Total 2000 revenue \$2,000,000

EBIS revenue: \$1,000,000

■ Internet/Voice Response Benefits Enrollment System

Purchase price: \$25,000 to \$200,000.

Leased: \$400 per month or \$1 PEPM.

Service bureau basis: \$300 per month, \$0.35 PEPM.

PC operating system: Windows 98 and higher.

Midrange/mainframe system: Windows NT, SQL, Oracle, Sybase, Access, Sun Solaris/UNIX.

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

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1994.

Total benefit installations: 125.

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

System features: plan enrollment, participant letters, eligibility verification, premium deductions, retirement planning/forecasting.

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

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

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

Officers: Roger Hernsdorf, president; Bruce Hernsdorf, vp; Bill Glueck, director-business development.

Contact: Bill Glueck; 800-477-7822, ext. 219; wdg@ipi-ivr.com.

iTango Software

1015 Third Ave., Suite 1000,

Seattle, Wash. 98104;

206-624-6888; fax: 206-624-1994

www.itango.com

Benefit systems since: 2001.

■ Itango**

Leased: \$4 PEPM plus one-time set-up fee.

PC operating system: Windows 98 and higher. Other types: Macintosh OS/9, IBM and Macintosh browsers; Microsoft Internet Explorer 4.0 and Netscape Navigator 4.0.

Interactive requirements: Internet/intranet, electronic

mail.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 2001.

Benefits managed/communicated: flexible spending account, short- and long-term disability, leaves of absence, Social Security, group health plans, Section 125 flexible benefit plans, COBRA, life insurance, workers comp.

System features: recordkeeping, plan enrollment, coordination of benefits, participant letters, eligibility verification, premium deductions.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, savings plan investment selection, flexible spending account information, personalized benefit information, benefit options information/advice, managed care network information, flexible benefit plan selection.

Generates reports via: Internet/intranet site.

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

Officers: Steve Cullen, president/CEO; Henry Lin, vp-corporate development; Cher Paige, vp-client services.

Contact: sales@itango.com.

****Sold without hardware but is an application service provider.**



Liberty Insurance Services/Genelco

1600 S. Brentwood Blvd.,

St. Louis, Mo. 63144-1330;

314-962-2040; fax: 314-968-9589

www.genelco.com

Benefit systems since: 1985.

Parent: Royal Bank of Canada.

Total clients 110

Corporate benefit clients 11

Systems sold in 2000 8

Total 2000 revenue \$16,700,000

EBIS revenue: \$6,450,000

■ GroupWeb

PC operating system: Other types: Internet Explorer, Web browser (version 4.0 or higher).

Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 2000.

Total benefit installations: 1.

Benefits managed/communicated: group health plans.

Communication features: direct plan enrollment, access to status of medical claims, personalized benefit information.

Health Benefit Management Systems

Midrange/mainframe system: eServer iSeries 400 (A/S400).

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1986.

Total benefit installations: 11.

Benefits managed/communicated: flexible spending account, short- and long-term disability, group health plans, COBRA, life insurance.

System features: plan enrollment, medical coding/unbundling, coordination of benefits, health provider contract management, accounting, check writing, participant letters, claims administration, eligibility verification, COBRA billing, stop-loss reinsurance management, health care utilization review.

User support: user groups/meetings, onsite training, online support, telephone assistance, documentation, implementation, project management, technical.

Officers: Jennie Johnson, president; David Schutzman, executive vp.

Contact: info@genelco.com; 800-983-8114.

Logical Claim Solutions

4747 Lincoln Mall Drive,

Matteson, Ill. 60443;

708-747-4292; fax: 708-283-0464

www.lcsinc.com

Benefit systems since: 1987.

Total clients 63

Corporate benefit clients 26

Systems sold in 2000 9

■ Logical Claim Solutions

Purchase price: \$65,000.

Leased: \$2,000 per month.

Service bureau basis: \$1.25 per transaction.

PC operating system: DOS; Windows;

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

First installation: 1987.

Total benefit installations: 26.

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

System features: recordkeeping, plan enrollment, medical coding/unbundling*, coordination of benefits, health provider contract management, accounting*, check writing, retirement plan distributions*, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration*, retirement planning/forecasting*, government reporting, health care utilization review.

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

transfer*, medical savings account information, retirement savings modeling*, flexible benefit plan selection*.

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

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

Officers: Donald L. Long, CEO; Kathleen Hildreth, COO; Stanley, Sadlik, chief information officer.



William M. Mercer Cos. L.L.C.

1166 Ave. of the Americas,

New York, N.Y. 10036;

212-345-7000; fax: 212-345-7677

www.wmmercercos.com

Benefit systems since: 1975.

Parent: Marsh & McLennan Cos. Inc.

■ Data Reconciliation System (DRS)

Purchase price: \$8,000 to \$15,000 initial cost, annual fee: \$800.

Single user.

First installation: 1988.

Total benefit installations: 15.

Benefits managed/communicated: pension plans.

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

■ Global Retirement System (GRS)

Purchase price: \$15,000 to \$240,000 initial cost, annual fee: \$3,000 to \$36,000.

PC operating system: DOS; Windows 95;

Multiple users.

Customization optional.

First installation: 1989.

Total benefit installations: 5.

Benefits managed/communicated: pension plans, Social Security, group health plans, life insurance.

Products & Services Guide

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Continued from previous page

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www.spectrumhr.com

Benefit systems since: 1984.

■ iVantage

PC operating system: Windows 98 and higher.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1999.

Total benefit installations: 55.

Benefits managed/communicated: leaves of absence, group health plans, section 125 flexible benefit plans, COBRA, life insurance, workers comp.

System features: recordkeeping, plan enrollment, coordination of benefits, participant letters, government reporting.

Communication features: benefit plan descriptions, direct plan enrollment, personalized benefit information. Generates reports via: printer, computer diskette, e-mail, mailed hard copy, Internet/intranet site.

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

Officers: Jim E. Spoor, president; Nancy E. Spoor, executive vp; Sybil Romley, vp-sales.
Contact: info@spectrumhr.com.

Sungard Corbel

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

Parent: Sungard Data Systems Inc.

Total clients	8,400
Corporate benefit clients	2,300
Systems sold in 2000	700
Total 2000 revenue	\$32,000,000
EBIS revenue	\$18,000,000

■ Relius Administration

Purchase price: \$9,000 to \$150,000.

PC operating system: Windows 95 and higher.

Interactive requirements: Internet/intranet.

Multiple users.

Provides: Internet/intranet access.

First installation: 1991.

Total benefit installations: 1,300.

Benefits managed/communicated: pension plans.

System features: recordkeeping, plan discrimination testing, government reporting.

Communication features: benefit modeling/projections.

Generates reports via: fax, mailed hard copy, Internet/intranet site.

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

■ Relius Documents

Leased: \$750 per license; \$165 to \$495 monthly maintenance fee.

PC operating system: Windows 98 and higher.

Interactive requirements: Internet/intranet, electronic mail.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

Benefits managed/communicated: pension plans, flexible spending account, section 125 flexible benefit plans.

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

■ Relius Government Forms

Purchase price: \$95 to \$3,300.

PC operating system: Windows 95 and higher.

Multiple users.

Customization optional.

First installation: 1990.

Total benefit installations: 35,000**.

Benefits managed/communicated: pension plans.

System features: government reporting.

User support: online support, telephone assistance.

**Estimated.

■ Relius Proposal

Purchase price: \$1,800-\$70 per month maintenance fee.

PC operating system: Windows 95.

Midrange/mainframe system: NT LAN;

Multiple users.

Customization optional.

First installation: 1996.

Total benefit installations: 500.

Benefits managed/communicated: pension plans.

System features: plan enrollment, plan discrimination testing, retirement planning/forecasting.

Communication features: personalized benefit information, benefit modeling/projections.

Generates reports via: mailed hard copy.

User support: online support, telephone assistance.

Officers: Don Mackanos, president; Ken Simons, senior vp; Tom Makeever, vp.

Contact: Susan Hajek; 800-326-7235, ext. 1177; susan.hajek@corbel.com.

TPABenefits Inc.
10000 IH 10 W., Suite 400,
San Antonio, Texas 78230;
210-697-9900; fax: 210-697-0360
www.tpabenefits.com

Benefit systems since: 1995.
Parent: Benefit Management Administrators Inc.

Total clients	5
Systems sold in 2000	4
Total 2000 revenue	\$750,000
EBIS revenue	\$250,000

■ TPABenefits

Service bureau basis: \$0.50 PEFM.

PC operating system: Windows 2000.

Midrange/mainframe system: database server.

Multiple users.

Provides: Internet/intranet access, online processing capabilities.

Customization optional.

First installation: 1999.

Total benefit installations: 15.

Benefits managed/communicated: group health plans.

System features: recordkeeping, plan enrollment, coordination of benefits, accounting, participant letters, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, health care utilization review.

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

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

User support: onsite training, telephone assistance.

Officers: James Burkholder, president; Charlie Gomez, manager-information systems.

Contact: James Burkholder; 800-934-6302, ext. 203; james@tpabenefits.com.

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Benefit systems since: 1986.

Total clients	4,732
Corporate benefit clients	3,983
Systems sold in 2000	401
Total 2000 revenue	\$2,620,000
EBIS revenue	\$2,620,000

■ RBILL for Windows (Retiree Premium Billing)

Purchase price: \$1,695 to \$4,995.

PC operating system: Windows;

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1998.

Total benefit installations: 1,544.

Benefits managed/communicated: leaves of absence, group health plans, life insurance.

System features: recordkeeping, plan enrollment, accounting, participant letters.

Communication features: benefit plan descriptions, personalized benefit information, benefit options information/advice, Generates reports via: printer, computer diskette, e-mail.

■ TravisCobra/Client Server

Purchase price: \$8,995 to \$10,750.

PC operating system: Windows.

Multiple users.

Provides: online processing capabilities.

Customization optional.

First installation: 2000.

Total benefit installations: 88.

Benefits managed/communicated: COBRA.

System features: recordkeeping, plan enrollment, accounting, participant letters, eligibility verification, COBRA billing.

Communication features: benefit options information/advice.

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

■ TravisCobra/Web

Purchase price: \$2,999.

PC operating system: Windows.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 2000.

Total benefit installations: 143.

Benefits managed/communicated: COBRA.

System features: recordkeeping, plan enrollment, communication features: personalized benefit information, benefit options information/advice.

Generates reports via: printer, e-mail.

■ TravisCobra for Windows

Purchase price: \$1,895 to \$6,490.

PC operating system: Windows;

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1994.

Total benefit installations: 4,584.

Benefits managed/communicated: COBRA.

System features: recordkeeping, plan enrollment, accounting, participant letters, eligibility verification, COBRA billing.

Communication features: benefit options information/advice.

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

■ TravisFlex/Web

Purchase price: \$2,999.

PC operating system: Windows.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 2000.

Total benefit installations: 33.

Benefits managed/communicated: flexible spending account, Section 125 flexible benefit plans, medical savings accounts.

System features: recordkeeping, accounting, claims administration.

Communication features: access to status of medical claims, flexible spending account information, personalized benefit information, flexible benefit plan selection.

Generates reports via: printer, e-mail.

■ TravisFlex for Windows

Purchase price: \$1,895 to \$6,490.

PC operating system: Windows.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1995.

Total benefit installations: 1,496.

Benefits managed/communicated: flexible spending account, Section 125 flexible benefit plans, medical savings accounts.

System features: recordkeeping, plan enrollment, accounting, plan discrimination testing, participant letters, claims administration, eligibility verification, government reporting.

Communication features: access to status of medical claims, flexible spending account information, benefit options information/advice, medical savings account information, flexible benefit plan selection.

Generates reports via: printer, computer diskette, e-mail.

■ TravisGroup Billing for Windows

Purchase price: \$5,995.

PC operating system: Windows.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1998.

Total benefit installations: 98.

Benefits managed/communicated: group health plans, Section 125 flexible benefit plans, COBRA, life insurance.

System features: recordkeeping, accounting, check writing, participant letters, eligibility verification.

Generates reports via: printer, computer diskette, e-mail.

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

Officers: Alan H. Williams, president; Carrie Horgan, Fiona Wilson, John Worner, vps.

Contact: Alan H. Williams, alanw@travissoft.com; Erica A. Slater, eslater@travissoft.com.

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Clearwater, Fla. 33765;
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Benefit systems since: 1979.

■ Checkclaims

PC operating system: DOS; Windows.

Multiple users.

Provides: Internet/intranet access.

Customization optional.

First installation: 1984.

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

System features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, health provider contract management, accounting, check writing, plan discrimination testing, participant letters, claims administration, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, government reporting, health care utilization review.

Communication features: benefit plan descriptions, direct plan enrollment, benefit option selection/adjustment, access to status of medical claims, flexible spending account information, personalized benefit information, managed care network information, medical savings account information, flexible benefit plan selection.

Generates reports via: printer, computer diskette, mailed hard copy.

■ Mediclaims

PC operating system: DOS; Windows.

Multiple users.

Provides: Internet/intranet access.

Custom

GLOBAL BRIEFS

AXA Group S.A.'s profits increased 21.2% in 2000, to 2.26 billion euros (\$2.13 billion). Revenues at the Paris-based insurer were 79.97 billion euros (\$74.29 billion), a 10.8% increase over the figure for 1999. The group's large corporate insurance business, however, posted a loss. But the loss of 17 million euros (\$15.7 million) before the amortization of goodwill was an improvement on the 151 million euro (\$140.2 million) loss the insurer recorded in 1999....**Paris-based Gras Savoye & Cie.**, France's largest insurance broker, has bought Dignac S.A., a broker based in Bordeaux, France. Dignac has annual revenues of 3.4 million francs (\$483,480) from commercial and special-risks business. Gras Savoye said the acquisition will increase the amount of business it does annually in southwest France to approximately 50 million francs (\$7.1 million)....**Aon Risk Services Inc.** in the United States and the Non Marine Reinsurance unit of U.K.-based Aon Ltd. have opened a London unit, **Healthcare Plus**, to offer health care internationally. Aon said the creation of the unit "reflects the increasing importance of health care reinsurance/insurance across the globe." Healthcare Plus will be headed by Hugh B. Jago, formerly the managing director of Unionamerica Insurance Co. in London, where he was the leading underwriter of reinsurance and insurance health care accounts....**Assurances Generales de France** reported a 26.7% rise in group net income, to 845 million euros (\$796.3 million), in 2000. Excluding goodwill and certain exceptional charges, net income in 2000 at Paris-based AGF increased 27.5%, to 917 million euros (\$864.2 million), the company reported. AGF, a subsidiary of Munich-based Allianz A.G. Holding, said consolidated premium volume from nonlife insurance totaled 6.21 billion euros (\$5.85 billion) in 2000, up 3.4% over the figure for 1999. AGF's net income from nonlife insurance, excluding goodwill and charges, was 322 million euros (\$303.4 million)....**Groupama Insurances**, the London-based unit of French insurer Groupama, is also making changes to its health care operations. It is combining its accident/health, travel and private medical business into a new division, **Groupama Healthcare**. The merger involves the creation of a team of about 40 specialists that will be based at existing offices in Tonbridge, Kent. Groupama said the change will enable it "to streamline processing and ensure the closest liaison and cooperation between the various business areas and with customers."....**Hannover Reinsurance Co.** expects to report strong premium growth for all lines in 2000, thanks to reduced catastrophe losses and firming pricing at renewals. Wilhelm Zeller, chairman of the executive board of Hannover Re, based in Hannover, Germany, said in a statement that gross premiums written would turn in a 25.4% increase to 8.40 billion euros (\$7.55 billion). That result was boosted, in particular, by a 75% increase in financial reinsurance, while the volume of program business was up 32%, property/casualty reinsurance premiums were up 26%, and life and health reinsurance premiums increased 19%....**Lloyd's of London** managing agency **XL Brockbank Ltd.**, a subsidiary of **XL Capital Ltd.**, has appointed **Paul Drake** as underwriting development manager. Mr. Drake will be responsible for underwriting strategy and business development and will be involved in new product development, broker relationship management and online initiatives. Previously, he was property and accident/health underwriter and agency director at the underwriting agency **Cottrell & Maguire Ltd.**

Facing big loss, HHH enters liquidation

SYDNEY, Australia—HHH Insurance Ltd. went into provisional liquidation last week and said it would likely declare a loss of about \$800 million Australian (\$406.6 million) when it publishes its half-year results.

The announcement follows the completion of a review of the operations of the Sydney, Australia-based insurer by the accounting firm KPMG.

HHH's decision "was difficult for the board but prudent and necessary, given present indications about the extent of the losses for the first half and their impact on the balance sheet. In addition, what has come to light through the busi-

ness restructuring process are further contingent liabilities that an already-weakened balance sheet could not sustain," Randolph Wein, chief executive officer of HHH, said in a statement.

Losses from discontinued operations in the United States and the United Kingdom could not be sustained by HHH's profitable Australian operations, the statement said.

Much of the losses in the United States were from workers compensation business, an HHH spokesman

said. HHH had written workers comp coverage in the United States until last year, when it sold the renewal rights of its U.S. workers comp business to Alaska National Insurance Co in Anchorage.

The announcement ends the speculation that has surrounded HHH over the past several weeks. The insurer was due to announce its results last Friday and was widely expected to report significant losses. The publication of the results has been postponed, the spokesman said.

HHH had recently undergone a strategic review and had agreed to sell off certain areas of its business, including selling its Australian workers compensation business to NRMA Insurance Group Ltd. HHH had also agreed to set up a joint venture with fellow Australian insurer QBE Insurance Ltd. to market large commercial business.

Both QBE and NRMA issued statements late last week saying that the deals will proceed as planned. The QBE statement, however, said that it will hold discussions with liquidators regarding the proposed 40% stake that HHH would take in the joint venture.

—By Gavin Souter



Top Aussie court accepts Esso review

To set jurisdiction for gas fire class action

By DAMIEN TOMLINSON

MELBOURNE, Australia—A \$1 billion Australian (\$510 million) class action lawsuit against Esso Australia Pty. Ltd. has been delayed by at least a year, after Australia's High Court agreed to hear Esso's appeal of the court ruling that authorized the suit against the company.

Esso Australia, a wholly owned subsidiary of Houston-based Exxon Corp., last November lost its request to have the class action thrown out on jurisdictional grounds by Australia's Federal Court.

Esso petitioned Australia's High Court to hear its appeal of that ruling and, on Feb. 16, the High Court accepted the case for review.

In the case being appealed to the High Court, Esso argued that the class action should be heard in the Supreme Court of Victoria, not the Federal Court. The Federal Court last November rejected that argument, but also dismissed a claim by the plaintiffs that Esso had engaged in misleading and deceptive conduct, breaching

the federal Trade Practices Act 1974.

In its petition for High Court review, Esso argues that, as the alleged breach of federal law has been dismissed, the case should not be allowed to proceed in federal court.

Bernard Murphy, a plaintiff attorney with Melbourne-based Maurice Blackburn Cashman, which is representing the class of plaintiffs in conjunction with the Melbourne law firm of Slater & Gordon, said the High Court would "probably not hear the case for another five months, and a decision will probably be delivered five months after the hearing."

Regardless of the High Court's eventual decision, though, the class action also would be unable to proceed before the completion of the Victorian state government's prosecution of criminal charges against Esso.

Victoria WorkCover, the government body that administers workplace health and safety regulations in the state of Victoria, has alleged

See Esso on page 23

U.N. study predicts some uninsurability
Coverage havoc seen with climate change

By CAROLYN ALDRED

Insurance rates will rise and some risks may become uninsurable as a result of climate change expected to occur in the 21st century, according to the latest study issued by the United Nations-sponsored Intergovernmental Panel on Climate Change.

The report, written by 133 coordinating authors and 243 contributing authors worldwide and examined by 440 government and scientific reviewers, warns that the insurance industry—as well as governments, other industries and society overall—will have to adapt and plan for the changes global warming will cause.

A summary of the report, "Climate Change 2001: Impacts, Adaptation and Vulnerability," was published by the United Nations on Feb. 19. The report is based on the scientific conclusions about global warming set forth in another IPCC report, "Climate Change 2001: The Scientific Basis," published in January.

The full 1,000-page report is due to be published this month. Both the report and summary contain sections about the effect of climate change on insurance

and financial services.

"There is high confidence that climate change and anticipated changes in weather-related events perceived to be linked to climate change would increase actuarial uncertainty in risk assessment. Such developments would place upward pressure on insurance premiums and/or could lead to certain risks being reclassified as uninsurable, with subsequent withdrawal of coverage," the summary states.

Climate change and its predicted effects, which include worsening weather-related events and flooding, "would trigger increased insurance costs, slow the expansion of financial services into developing countries, reduce the availability of insurance for spreading risk and increase the demand for government-funded compensation following natural disasters," the summary says.

"In the event of such changes, the relative roles of public and private entities in providing insurance and risk management resources can be expected to change," it concludes.

At particular risk are property/casualty insurers and reinsurers, the summary report notes.

See Climate on page 23

Attention to U.K. flood risk urged

By CAROLYN ALDRED

LONDON—Insured losses from the floods that have inundated homes and businesses across the United Kingdom since last fall likely will reach £7.50 billion (\$10.84 billion) due to higher-than-expected commercial losses, the Assn. of British Insurers has announced.

Meanwhile, the ABI has repeated its warnings to the government that insurers may have to change their comprehensive flood risk coverage in the United Kingdom due to increased risk. The government is taking the ABI's warnings seriously; through new planning proposals, it is encouraging local planning authorities and developers to consult with the ABI before embarking on new developments in areas with high risks of floods.

Loss estimates from the floods have risen steeply from initial predictions. That is because exceptional rainfall has continued throughout the fall and winter, causing regular flooding in many districts following the first deluge. Several rivers still go on flood alert each time it rains heavily. As a result, many small businesses, particularly shops, have suffered extensive loss of earnings and property damage, said an ABI spokesman, who could not identify individual losses.

Last fall was the wettest in the United Kingdom since record keeping began in 1773, and it has increased concerns about climate change and future flooding in the country, the ABI spokesman said.

"New evidence is emerging to See Flooding on page 23



PHOTO: AFP

A supermarket in Uckfield, East Sussex, was one of many U.K. businesses that sustained heavy damages in last fall's floods.

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REQUEST FOR EXPRESSIONS OF INTEREST FOR ASSISTANCE IN THIRD PARTY ADMINISTRATION OF NASSAU COUNTY'S WORKERS COMPENSATION BUREAU

Public Financial Management, Inc. ("PFM"), the nation's leading financial advisor to governments, is requesting an Expression of Interest from responsible vendor: engaged in the practice of Third Party Administration of Workers Compensation Claims and Benefits on behalf of its client: Nassau County, New York ("the County"). The County is contemplating issuing a Request for Proposals ("RFP") for a vendor to undertake such activities and this Request for Expressions of Interest will help the County flesh out the RFP and identify potential vendors who may be qualified to respond. PFM is interested in receiving written communication from vendors that could assist the County in monitoring and managing its incoming Workers Compensation Claims and in implementing a system to computerize and manage the County's existing backlog of Workers Compensation Claims and payables.

Firms wishing to receive a copy of the RFP when and if it is released should send a written communication describing the firm's approach to Third Party Administration, examples of the firm's track record of success, a list of clients with needs comparable to Nassau County, and identify a principal contact for further communications.

Potential vendors wishing to submit an Expression of Interest should mail two (2) copies of their responses to the address below. (Telephone contact is discouraged.)

Ms. Nancy Winkler
Managing Director
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Flooding

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suggest that flooding will become more frequent and severe, both inland and coastal—at the same time flooding is likely to become more unpredictable,” according to an ABI report on inland flooding risk. The report was issued last fall in response to floods that occurred in the spring of 1998.

Meanwhile, “pressure is continuing to build new developments in the flood plain to meet government housing targets. In England and Wales, the Environment Agency has no powers to prevent development in the flood plain—it can only advise the planning authority accordingly, and this advice may not be heeded,” the ABI report notes.

Concern over future building in flood plains prompted discussions between the government and the ABI about the extent to which insurers would continue to offer insur-

ance coverage for flood risks. The ABI has been warning the government for some time that the continued building of commercial and domestic property on flood plains will worsen flooding problems and may lead insurers to cut back on capacity for this exposure (BI, April 10, 2000).

‘Pressure is continuing to build new developments in the flood plains to meet government housing targets,’ says the ABI.

The ABI repeated its warnings to the government’s planning minister, Nick Raynsford, in a subsequent meeting this month, the ABI spokesman said.

“We are not looking to withdraw flood cover immediately, and we

will continue to offer flood insurance for the next two years. But we are looking to see whether we can continue to offer flood as an automatic part of our cover for all households in the long term,” the spokesman said.

Already in the United Kingdom, flood coverage for commercial insurance is often provided separately, the spokesman noted.

“At present, the U.K. is one of the few countries in the world where insurance companies virtually automatically provide flood cover on all homeowners’ insurance policies; this may not be sustainable in the future, bringing up the questions of future availability and affordability of flood insurance,” the ABI report cautions.

The renewed warnings come at a time when the government is reviewing its guidelines on development in flood plains. In a newly drafted consultation paper titled “Development and the Flood Risk,” the government proposes to

strengthen the “coordination between land-use and development planning and the operational delivery of flood and coastal defense strategy (and) strengthen the links between land-use planning, land management and building regulations.”

Details in the guidelines suggest that the government has been taking the ABI’s concerns seriously.

According to the draft guidelines—which are also known as Planning Policy Guidance No. 25—local planning authorities should adopt a “risk-based approach to proposals for development in flood-risk areas.”

In addition, local planning authorities and developers are encouraged in the guidelines to consult with the ABI when planning development in areas likely to be at risk from flooding.

“The insurance industry has become increasingly concerned about environmental risks, such as flooding, and the scale of claims to which

they can give rise. It is, therefore, continuing with reviewing its position in relation to flood risk,” the draft guidelines note.

As a result, “developments at risk of flooding may increasingly face difficulties with the cost or availability of insurance and this, in turn, could cause problems for property buyers in obtaining mortgages. In extreme cases, properties might remain unsold, leading to blight on the whole development,” the guidelines warn.

By adopting a risk management approach, “local authorities will have a clear framework for the management of flood risk, which should provide the necessary basis for mutual understanding with the insurance industry,” the guidelines add.

According to the Ministry of Agriculture, Food and Fisheries, in England alone, more than 1.6 million residential properties and 127,000 commercial properties, with a total value of £200 billion (\$288.94 billion), are at risk from flood. **[BI]**

Climate

Continued from page 21

“The financial services sector as a whole is expected to be able to cope with the impacts of climate change, although the historic record demonstrates that low-probability, high-impact events or multiple closely spaced events severely affect parts of the sector,” particularly if capacity has been depleted by other factors, such as adverse financial market conditions, according to the panel’s summary.

“The property/casualty insurance and reinsurance segments and small specialized or undiversified companies have exhibited greater sensitivity, including reduced profitability and bankruptcy triggered by weather-related events,” the summary states.

According to the IPCC, global economic losses from catastrophic weather-related events have increased more than 10-fold in the last half-century, from \$3.9 billion per year in the 1950s to \$40 billion per year in the 1990s. In addition, the summary notes, the insured portion of these losses has risen from a negligible level to \$9.2 billion per year over that period. Total costs are even larger when losses from smaller, noncatastrophic weather-related events are included.

“The costs of weather events

have risen rapidly despite significant and increasing efforts at fortifying infrastructure and enhancing disaster awareness preparedness,” the summary notes.

Although part of the upward trend is a function of population growth, increased wealth and urbanization in vulnerable areas, part is linked to climatic factors such as the observed changes in “precipitation and flooding events,” the report summary states.

Adaptation to climate change presents both complex challenges and opportunities for the insurance sector, the IPCC says.

The insurance industry’s ability to cope with the effects of climate change is tied to several factors, the summary states. They are regulatory controls, tax treatment of reserves, the ability of companies to withdraw from at-risk markets, disaster preparedness and loss prevention programs, building codes and changes in land-use planning.

“In some cases, public insurance and relief programs have inadvertently fostered complacency and maladaptation by inducing development in at-risk areas, such as U.S. flood plains and coastal zones,” the summary notes.

Insurers in the United States have “not yet systematically included climate change information” in their planning, “so there is potential for surprise,” the summary warns.

Meanwhile, several other industries will need to adapt to counter the effects of global warming, the

report summary notes. Those industries include the energy sector; agriculture; fisheries; tourism; the health sector; and any commercial businesses located in high-risk areas, such as coastal or river plains, the summary notes.

Public insurance and relief programs have, in some cases, inadvertently fostered complacency, according to the IPCC.

According to the IPCC, predicted adverse effects from global warming include:

- A widespread increase in the risk of flooding for many populated areas, resulting from increased heavy precipitation and a rising sea level.
 - A reduction in potential crop yields in most tropical and subtropical regions, as well as in some middle-latitude regions.
 - Decreased water availability in many regions where water already is scarce.
 - An increased number of individuals exposed to diseases such as malaria and cholera and an increase in deaths from heat stress.
 - Increased energy demand due to higher summer temperatures.
- Meanwhile, predicted beneficial effects include:
- Reduced energy demand during winter months.

- Reduced winter mortality in the middle and high latitudes.

- A potential increase in global timber supplies from appropriately managed forests.

- Increased water availability in some areas, such as parts of Southeast Asia.

- Increased crop yields in some regions of some middle-latitude areas.

Extreme events such as droughts, floods, heat waves, avalanches and windstorms are “projected to increase in frequency and/or severity during the 21st century due to changes in the mean and/or variability of climate, so it can be expected that the severity of their impacts will also increase,” the report summary says.

Adaptation to the current climate variability and extremes can produce benefits and form a basis for coping with future climate change, the summary states.

Conversely, the summary says, “maladaptation, such as promoting development in risk-prone locations, can occur due to decisions based on short-term considerations, neglect of known climatic variability, imperfect foresight, insufficient information and overreliance on insurance mechanisms.”

Copies of the summary of the report “Climate Change 2001: Impacts, Adaptations and Vulnerability” may be obtained through the Web site of the Intergovernmental Panel on Climate Change, www.ipcc.ch.

Esso

Continued from page 21

11 breaches of safety regulations by Esso under the Occupational Health & Safety Act 1985, each punishable by fines of \$250,000 Australian (\$127,500). Esso is defending the charges.

As part of its decision last November, the Federal Court ruled that the civil class action should be stayed, pending the outcome of the Victoria government’s criminal prosecution.

Slater & Gordon and Maurice Blackburn Cashman filed the civil class action in the Federal Court in 1998, on behalf of 1.2 million Victorian domestic and commercial natural gas users, seeking compensation for financial losses that stemmed from a disruption to gas supplies following a fire at Esso’s Longford plant.

The lawsuit includes a \$350 million Australian (\$178.5 million) subrogation action by 22 insurers seeking to recover the cost of claims paid for policyholders’ business interruption and loss of profits.

The Sept. 25, 1998, fire at the natural gas plant in Longford, Victoria, (BI, Oct. 5, 1998), left businesses and residents in Victoria without gas for almost two weeks. The Longford plant pumps natural gas from wells in Bass Strait, which separates the Australian states of Victoria and Tasmania.

The Longford Royal Commission, the Victorian government’s inquiry into the cause of the gas explosion, said, in its 287-page report, that the failure of Esso to train its workers to cope with emergencies was the main cause of the fire (BI, July 5, 1999). The fire killed two men and injured eight.

Esso had attempted to lay the blame on the gas plant’s control room operator, but the commission dismissed Esso’s argument, concluding that Esso’s corporate culture and failure to train and equip its workers with the knowledge to deal with an emergency were primary reasons for the fire.

The class action claimants say Esso breached its duty of care when “designing, installing, operating and maintaining” the Longford plant.

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NAFTA

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are not equipped to adequately inspect northbound trucks and enforce U.S. laws, which are tougher than those governing Mexico's truckers. Those critics—which include the Teamsters union, safety advocates and some U.S. insurer groups—fear that unsafe trucks and drivers would cruise through overwhelmed border checkpoints and cause more U.S. highway accidents and deaths, as well as faster deterioration of U.S. roads and bridges. Eventually, they warn, U.S. companies with transportation-related risks could face increased losses and higher insurance costs.

But supporters of lifting the restrictions—including Mexican authorities and most U.S. trucking companies—disagree that safety would suffer and are viewing the order in a much different light. They say that NAFTA re-

quirements must be met to increase trade, reduce border congestion and promote seamless coverage of transportation risks in the United States, Mexico and Canada.

The cross-border trucking issue surfaced last month when the five-member NAFTA Arbitration Panel issued a unanimous report requiring the United States to end a five-year blanket moratorium that limited the access of all Mexican trucks to a small commercial zone within the United States. The moratorium had been imposed by then-President Bill Clinton.

The zone stretches roughly two to 20 miles north of border crossings in Arizona, California, New Mexico and Texas. The northern border of each state's zone ends at a transfer point, where each Mexican-owned tractor—usually the truck's cab and two front axles plus wheels—passes along its cargo trailer, which, typically, is U.S.-owned, to a U.S.-owned tractor. The U.S. tractor then hauls the cargo to its

ultimate U.S. destination.

The decision of the NAFTA panel says the United States must change its policies and consider on a case-by-case basis applications for "U.S. operating authority" from Mexican-owned or -domiciled trucking companies. But the decision does not require the United States to grant operating authority to any applicant "unable to comply with U.S. trucking regulations when operating in the United States," according to the panel's report.

Under U.S. regulations, federal or state authorities typically mandate that trucks meet certain weight, size and equipment requirements. The United States generally limits truck weight to 80,000 pounds, compared with Mexico's limit of 97,000 pounds. In addition, the United States requires front-wheel brakes, while Mexico does not.

U.S. laws also require that drivers meet tougher licensing standards that include limits on the duration of their

driving shifts and drug testing, while Mexican laws do not.

In terms of insurance, U.S. trucking companies must prove that they meet minimum financial responsibility requirements to protect third-party claimants' right of recovery. Some interstate trucking companies also must carry cargo insurance, while shippers often obtain similar coverage to protect their interests.

Most goods shipped from Mexico to the transfer points currently are protected by a type of "trip insurance," though more-continuous coverage is expected to become the norm once the borders become more open, said Bruno Skerianz of Dawson, Miranda y Skerianz Inc., an Irving, Texas-based managing general agent and insurance brokerage.

While the NAFTA panel report will require the United States to change its policy, the report imposed no deadlines.

"I'd feel fairly comfortable saying

that it will happen this year, primarily because the new presidents in both countries are committed to free trade," said David Golden, director of commercial lines for the National Assn. of Independent Insurers in Des Plaines, Ill.

It remains to be seen, though, whether the United States and Mexico will be ready for the change.

"The two countries have made only marginal progress in harmonizing the safety regulation relating to drivers and vehicles," according to a policy statement from the American Insurance Assn.

For example, Mexico does not have "hours of service" laws equal to those in the United States, and it does not mandate the maintenance of driving logs or other types of data for enforcement.

Without that information, U.S. authorities wouldn't know how long a Mexican driver had been behind the wheel before reaching the U.S. border, said Jackie Gillan, vp of the Advocates for Highway & Auto Safety, a Washington-based coalition of consumers, health, safety and insurance organizations and companies. As a result, even tougher U.S. rules could not effectively control the working hours of Mexican drivers to help ensure their alertness on the road, he said.

"In addition, U.S. border inspection facilities and personnel are not equal to the challenge of evaluating the safety and weights of Mexican trucks crossing our border, even under current border zone operating restrictions," said Jerry Donaldson, the Advocates' senior director of research.

For example, the border crossing in El Paso, Texas, had only one agent to inspect 1,300 trucks that crossed through on a single day, said a spokesman for the Teamsters union.

Teamsters union members are currently holding truck rallies to call attention to their safety concerns. "The safety and lives of our citizens are worth more than whatever fines we would have to pay for violating this flawed trade agreement," the Teamsters spokesman said.

The New York-based Risk & Insurance Management Society Inc. considers the issue serious enough to warrant monitoring, said Lance Ewing, vp of external affairs for RIMS. "If our fears are realized, we will push for legislation," said Mr. Ewing, who also is senior director of insurance and loss prevention for GES Exposition Services Inc. in Las Vegas.

Given the uncertainties, risk managers seeking to avoid any exposure can consider contracting out for trucking services, he said.

Meanwhile, supporters of lifting the rules to improve trade with Mexico are more optimistic.

"We don't see any added risk at all" as a result of the NAFTA panel's decision, said a spokesman for Consolidated Freightways Corp., a transportation company based in Vancouver, Wash.

Consolidated, which owns a 49% share in a Mexican trucking company, uses the same safety standards at its corporate locations in the United States, Mexico and Canada, the spokesman said. Nonetheless, it plans to continue requiring its Mexican drivers to turn their cargo over to U.S. drivers just north of the border.

The American Trucking Assns. Inc. said it "strongly supports" the NAFTA panel's decision, because it "has long viewed free trade as an important tool in improving our country's economic growth."

"Thanks to NAFTA, trade between Mexico and the U.S. has more than tripled since 1993, and it is estimated to reach \$250 billion dollars" in 2000, according to a statement from the Mexican embassy in Washington.

Furthermore, an increasingly more-efficient transportation network will make the region more competitive, the embassy statement said. **BI**

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COMMENTARY

Earthbound junk no mere trifle

I'm fascinated and more than a little concerned about the space station Mir dropping out of the sky this week.

Is this dumping of the largest piece of garbage in space really going to come off as intended? If not, is anyone going to be hurt? Or will some lucky landowner end up with a piece of Mir in a convenient location and open a new tourist attraction?

I'm sure that the Russian Aerospace Agency's purchase of \$200 million in liability insurance for any damage that the unmanned space station might cause when it splashes down in the Pacific Ocean was intended to reassure the world that they know what they are doing. But Russia's risk financing program is not giving me that safe and secure feeling that Mir will re-enter the atmosphere and break up as planned. Given the industry's underwriting results, why should the fact that London underwriters were willing to reinsure this risk convince me that the Russians really know what they are doing with Mir?

Sure, the Russians have brought down some 100 orbiters. But this is the largest man-made object ever to enter the atmosphere, with its weight reported to be anywhere from 137 tons to 143 tons. Hence, no one can be sure how this massive space station will behave.

It's supposed to splash down away from any habitation, about 1,850 miles east of southern New Zealand. And most of the space station is likely to burn up as it enters Earth's atmosphere, the experts say. But an estimated 1,500 fragments are expected to reach the earth, with estimates of their collective weight varying from 20 tons to 40 tons. Some of those fragments, perhaps as large as a car, may hit the earth at speeds high enough to smash through six feet of concrete, according to reports from Reuters and others.

Fragments of spacecraft have fallen before where they were not supposed to land. In the 1979 return of the U.S. Skylab, pieces fell in a remote area of western Australia.

And let's face it, the 15-year-old Mir is prone to accidents. There has been a fire on board, a cargo ship has rammed it and it has suffered computer failures. And its batteries are dying.

It is somewhat comforting to know that the U.S. Space Command will track Mir and that the U.S. government will provide Russia with tracking and trajectory data as well as scientific data on atmosphere conditions.

Still, I'm not sure that the Russians will be able to control Mir no matter what information they have.

After all, even parachutists can't always control their descents. As also reported recently by Reuters, a parachutist landed on a woman serving beer at a coleslaw wrestling match during the raucous "Bike Week" celebration in Daytona Beach, Fla. The skydiver, who was hired to parachute into the wrestling arena, was blown off course by high winds and landed on top of a woman who was carrying a tray full of beer near the beverage concession. Although spectators had yelled warnings to her to move, it all happened too quickly for her to look up and dodge danger. This would all be pretty funny if the waitress had not been seriously injured. The parachutist, who said he never saw the woman, was uninjured.

The Russians contend that they have played out a large number of emergency scenarios for dumping Mir and possible ways of dealing with them, according to a report on the Web site www.spacedaily.com. "For example, Mir's batteries could unexpectedly run down, shutting down the station's control systems. In that case, Mission Control would switch to the backup system for controlling Mir's movements, and then switch to the computer on board the Progress ship," a cargo ship that is now docked with Mir.

I must admit that my concern for where fragments of Mir may land is very personal. My husband and I own a small farm on the east coast of the North Island of New Zealand and I am really not interested in finding out the procedures for filing a claim with a Russian insurance company if a piece of Mir lands on our home.

Nor do I care to see our modest beef cattle operation usurped by a new tourist attraction.

We'll know soon enough if we need an insurance lawyer who speaks Russian. In the meantime, I'm glued to www.spacedaily.com.

Publishing Director Kathryn J. McIntyre's column appears fortnightly and on www.businessinsurance.com. She can be reached at kmcintyre@crain.com.



Kathryn J. McIntyre

Pensions

Continued from page 1

Senate Finance Committee unanimously passed a similar bill. But the effort ultimately died after Senate Republican leaders decided to attach the pension legislation to a tax bill. President Clinton warned he would veto the tax bill—for reasons largely unrelated to the pension provisions—and the Senate Republican leadership decided against bringing the tax bill up for a vote, effectively killing pension reform for 2000.

This year, though, the outcome could be different. Aside from overwhelming congressional support, Senate Republicans would be unlikely to attach the pension bill to any broader measure they knew President George W. Bush would oppose.

Indeed, House Republican Majority Leader Richard Armey, R-Texas, described the crafting of the Portman-Cardin bill as a model way to build a consensus.

Still, enactment of the legislation is by no means certain. President Bush, for example, has yet to endorse the bill, as his current focus is on legislation that would cut individual tax rates.

Nonetheless, benefit lobbyists expect presidential support, because the measure is geared toward helping individuals, said Mark Ugoretz, president of the ERISA Industry Committee, a Washington-based benefits lobbying group that represents large employers.

Indeed, pension plan participants

could contribute more into plans—ultimately reaping bigger benefits—while the measure would also increase the benefits companies could contribute. For example, the legislation would:

- Gradually raise to \$15,000 from \$10,500 the maximum annual salary deferral that could be made to 401(k) plans.

In addition, employees 50 or older also could contribute an additional \$5,000 annually to 401(k) plans through a so-called catch-up provision. That provision is aimed at aiding women who left the workforce at to raise children and only now have the opportunity to save for retirement.

- Increase to \$200,000 from \$170,000 the amount of annual employee compensation employers can consider in calculating pension benefits—a change that could significantly increase benefits.

- Increase to \$160,000 from \$140,000 the maximum annual benefit that can be funded through a defined benefit plan, and raise to \$40,000 from \$35,000 the maximum annual contribution that can be made to a defined contribution plan.

For employers, the bill would eliminate or modify many of what benefit experts regard as senseless rules that raise administrative costs and make offering plans needlessly complicated.

One significant change would ease non-discrimination testing procedures for 401(k) plans that allow pretax and aftertax contributions. This would be accomplished by allowing employers to use the same basic test—used to compare contributions by

highly compensated and rank-and-file employees—on both pretax and aftertax contributions.

By contrast, current law requires a complex testing procedure for savings plans that allow both pretax and aftertax contributions.

In addition, in testing other types of defined benefit and defined contribution plans, plans would not necessarily be considered discriminatory if they failed certain numerical tests. Employers must run those tests to prove that the plans do not cover too great a percentage of highly paid employees and that benefit formulas do not favor higher-paid employees.

For plans that did not pass those tests, the measure would allow employers to try to prove through "facts and circumstances" that the plans were not discriminatory.

Other provisions in the measure would:

- Increase benefit portability for employees who move among private, non-profit and governmental employers. An employee could, for example, transfer a 401(k) account balance to a 403(b) plan when he or she leaves a private employer to join a non-profit organization, such as a university.

- Allow employees to make aftertax contributions to 401(k) plans with very favorable tax breaks. As long as the money remained in a plan for at least five years, employees age 59 1/2 or older could withdraw tax-free the contribution and the investment earnings—a huge tax break for younger employees who contribute to the plan.

Plumeri

Continued from page 1

with the backing of an owner that is looking to grow a company for the long term, Mr. Plumeri said.

The change in approach to running Willis is perhaps inevitable, given the differences between Willis' old ownership and management and the new.

Formerly, Willis was viewed as a blue-blooded British brokerage run by blue-blooded British brokers. Centered on Lloyd's of London and publicly owned, Willis steered clear of retail operations in the United States, preferring instead to maintain a servicing agreement with the former Johnson & Higgins. That arrangement ended in 1991, when Willis bought Corroon & Black, but the brokerage remained British-run and listed on the London Stock Exchange.

Willis' ownership changed in 1998, when it was bought by a consortium led by Kohlberg Kravis Roberts & Co. L.P. in New York. And the senior management also changed last September, when Mr. Plumeri succeeded the retiring Executive Chairman John Reeve.

Mr. Plumeri, from Trenton, N.J., brings to Willis a new perspective, with a background in securities brokering, banking and personal financial services and a flair for salesmanship. Before joining Willis, Mr. Plumeri led the integration of the consumer businesses at Citicorp and Travelers Inc., serving as CEO of Citibanking North America in addition to his existing post at Travelers, which had been as chairman and CEO of Primerica Financial Services.

Rather than running the company from London, Mr. Plumeri says he intends to spend less than half of each month there and the rest of the time in New York, Willis' North American headquarters in Nashville, Tenn., and "anywhere else I'm needed."

One of the first changes he has made to the London-based brokerage is to set up a global sales and marketing department, which Willis did not have before.

Other changes have been aimed at increasing communication between

management and the rest of the staff. For example, Mr. Plumeri instituted his "Talk with Joe" program whereby employees are invited to e-mail him about any subject they choose and he'll reply himself. He has also implemented "Joe's notes," whereby, at the request of department heads, he'll write a note commending the efforts of individual employees.

But it won't be all change at Willis, Mr. Plumeri said. He stressed that the brokerage is full of talented people doing a great job. And he wants to maintain those strengths and grow them by improving service to customers.

And service is something he does know about, Mr. Plumeri said. His background is derived mainly from the diverse financial services provided by the companies that now make up Citigroup Inc. "That's not insurance broking, but they all had clients and the clients had to be serviced and had to be made to feel good about the companies I represented," he explained.

Service is one area where all insurance brokers need to improve, Mr. Plumeri said. For example, risk managers continually complain about the poor claims-handling services they endure, he said.

"Nobody has distinguished themselves in the claims area yet, but we are going to make a valiant effort," Mr. Plumeri said. To improve its claims servicing, Willis is implementing standards for tasks such as how long it takes to service a claim.

The companies that Mr. Plumeri formerly ran also focused on product innovation and marketing and sales, he said. And Willis' new global sales and marketing department will focus on cross selling and product development, he said.

The driving force behind such expansions in products and services by Willis is the desire to fill the "value gap," he said. Mr. Plumeri defined that as the difference between what a client can do for itself and what its brokerage can do for it. The wider the gap, the more opportunities there are for the brokerage, he said. "Everything we do will be to continue to define and grow that value gap," he

said.

Additionally, he sees Willis as an adviser to clients rather than just an insurance brokerage, and the type of advice it gives will depend on clients' needs, Mr. Plumeri said.

"You then open up for yourself to a whole bunch of things that you can do in the future," Mr. Plumeri said. "Who says you can't do construction financing or premium financing or employee benefits and help individual employees with financing and investing? That takes you into banking and alliances with other companies," he said.

"I'd rather see what our clients want and then build Willis to meet those needs," he said.

To build Willis, Mr. Plumeri intends to take a diverse approach. "You can grow through recruiting, acquiring or by growing organically, and we intend to use all three."

Those growth efforts will focus primarily in the United States, Mr. Plumeri said. "When you look at the U.S., our business is not as big as it should be, given the size of the U.S." So, if an attractive company became available, Willis would buy it, he said.

Despite occasional rumors that KKR plans to sell Willis, Mr. Plumeri believes he will have the opportunity to build Willis for the long term. When he was recruited to run the company, Mr. Plumeri said, he was reassured that KKR wanted to "build a great company."

"You don't grow a great company in two, three or four years. I did not come with the understanding that it was going to be sold; I came here to build a great company, and that's what I'm going to do... If you look at my track record, I'm a builder and a grower. I'm only equipped to grow and build," he said.

He described recent rumors that Willis would merge with rival London brokerage Jardine Lloyd Thompson P.L.C. as "poppycock." Instead, Willis will continue to thrive as a global brokerage, which is "a geographic fact," and expand its range of services, he said. "I think people are going to have a lot of fun watching Willis grow in leaps and bounds," he said.

HMOs

Continued from page 1

hikes that managed care firms are introducing, on average, are "probably sufficient for them to at least sustain, if not improve, operating margins," Mr. Meyer said.

Furthermore, a number of companies took significant action to reduce their exposure to the deteriorating Medicare market, "which should help results in 2001," he said.

"It should be, generally, a good year," with operating profits "around 25% or better, in most cases," said Michael LeConey, an analyst with Dirks & Co. in New York.

Among financial results reported were:

- Oakland, Calif.-based Kaiser Permanente posted \$584 million in net income last year, compared with a \$6 million net loss in 1999.

- Louisville, Ky.-based Humana Inc. reported \$90 million in net income, compared with 1999's \$382 million loss.

- St. Louis, Mo.-based Right-CHOICE Managed Care Inc. reported an 88.8% increase in net income, up to \$35.5 million.

- Minneapolis-based United-Health Group reported \$705 million in net income, up 25.2%.

- Thousand Oaks, Calif.-based WellPoint Health Networks Inc. reported \$342.3 million in net income, a 22.9% increase from the year before.

- Health Net reported \$163.6 million in net income, a 14.9% increase from 1999, excluding certain items.

- The HMO and indemnity operations of Philadelphia-based CIGNA Corp. reported \$762 million in operating income, up 7.2%.

- Trumbull, Conn.-based Oxford Health Plans Inc. posted \$191.3 million in net income, down 30.3%.

- Hartford, Conn.-based Aetna Inc., reporting for the first time as an independent health care and related benefits company, posted operating earnings of \$193.6 million, excluding certain items, down 40.9%.

Aetna's business now consists of health care, including dental, group insurance and related benefits, and a large-case pensions unit. William H. Donaldson announced last week that he was stepping down as chairman (see Update, page 2).

- Santa Ana, Calif.-based Pacific-Care Health Systems Inc. reported \$161 million in net income for the year, down 42.3%.

"There were no surprises in terms of performance," said Mr. Meyer about the fourth quarter. "Everyone built on already very good years, for the most part."

Richard Shaw, an analyst with A.M. Best Co. in Oldwick, N.J., said, "I think what we're seeing in the industry is that the larger companies have started to recover much faster than the smaller companies, and I

would anticipate that to continue through 2001. But I also think the smaller companies will recover in 2001," as their rate hikes are introduced.

"I think the industry, as a whole, is establishing some better controls on their medical costs, and technology is helping them to lower their administrative costs," Mr. Shaw said.

Meanwhile, though, pharmaceutical drug costs remain a concern. Three-tiered payment systems have a big dampening effect on pharmaceutical costs the year they are implemented, "but whether it will create an ongoing, longer-term, lower-cost trend is yet to be seen," Mr. Meyer said.

"Clearly," he said, "pharmacy trends are running at much higher levels than the overall cost trends,"

'There were no surprises. Everyone built on already very good years,' says Douglas L. Meyer.

even with the measures taken.

"I don't think they're going to have a handle on it," Mr. Shaw said. But he noted that managed care firms are reacting more quickly than they have in the past to rising costs, through the use of formularies and product design.

"The sense I get is that pharmaceutical expense, which certainly has become a major problem, will moderate from a 25% to 30% rate (of increase) to somewhere in the order of a 15% to 20% rate, if only because they've become such a big number that people have gotten very, very concerned about it and are putting a lot of emphasis on it in one form or another," Mr. LeConey said.

Jack Reichman, director at the rating agency Standard & Poor's Corp. in New York, said the cost of pharmaceuticals is "probably a little more under control than it was in prior years." But Mr. Reichman stressed that the rising cost of pharmaceuticals is only one factor behind medical inflation, and other factors, in total, "are even more important in absolute dollars."

Employer resistance to continuing rate hikes is a concern to HMOs as well, Mr. Reichman said. "We see medical inflation requiring another significant rate increase in 2002, but we see some employers pushing back against that in resistance," he said.

"The latest economic information is just making that more of a concern than it was," Mr. Reichman said. He noted that while S&P has a "stable" outlook on the industry now, it may revise that outlook to "negative" later this year.

"There are still a number of chal-

lenges out there" on the litigation front as well, said Mr. Meyer, referring to class action suits filed against HMOs.

Patrick Finnegan, senior vp at Moody's Investors Service Inc. in New York, also pointed to concerns about HMO liability and whether managed care firms can be sued. "Certainly by the summertime, one would expect to see some more-crystallized views of the issue," he said.

The widespread layoffs occurring this year are another potential area of concern. Mr. Finnegan noted that fewer employees translate into fewer lives covered. "And if that's not made up by winning market share from your competitors," he said, "that could have a slowing down, or even negative, impact on growth statistics."

Meanwhile, HMOs may have to adapt to employers' growing interest in consumer-driven health care for providing medical benefits to employees (see story, page 3).

According to a Hewitt Associates L.L.C. survey, just over 20% of employers either have or are considering this approach, also known as defined contribution health plans (*BI*, Feb. 12).

"To be successful over the next five years, HMOs are going to have to respond to that type of a benefit plan configuration," Mr. LeConey said. "HMOs should be able to deal with it, but it's going to mean a lot of work on plan design" to accommodate employers, he said.

But Mr. LeConey suggested the trend may work to the benefit of HMOs. "It might even allow them to increase market share and broaden their business," he said, "particularly against the huge self-funded market."

"There are a lot of open questions" about the defined contribution approach, Mr. Olson said. "I think we would have to wait and see how that plays out. I don't think we foresee a time when an employee is simply given a lump sum."

Meanwhile, analysts expect HMO stocks to do well despite the current downturn on Wall Street. For the week ended March 16, the eight HMO stocks included in *BI* Industry Stock Report were down 7.85%, while their performance for the previous 52 weeks was down 2.63%.

Until last week's broader market turmoil, the HMO stocks "have been one of the best-performing sectors of the stock market in the past nine months," Mr. LeConey said.

The outlook for HMOs remains excellent, he said.

"Overall, general market issues and trends will probably dampen some of the potential for stock price increases this year," Mr. Meyer predicted. But the industry is expected to have a good year from an earnings standpoint, he said, "so we'll see how that translates in terms of stock market appreciation." **[B]**

counsel devoted to the case, and "any payments or contributions made by any outside counsel retained by the state to anyone in return for the referral of the state's legal business in connection with the tobacco litigation."

Stephanie Kanwit, a partner in the Washington office of the New York-based law firm of Epstein Becker & Green P.C. who drafted the requests on behalf of the Chamber, said the requests contain a warning "not to claim attorney/client privilege." That's because, Ms. Kanwit said, the real client in the cases is the states' citizenry.

A spokesman for the Assn. of Trial Lawyers of America in Washington dismissed the requests as "typical hypocrisy from an organization that receives a significant

amount of its funding from the tobacco industry."

"In effect, what they're saying is that the tobacco industry deserves the best possible representation in the world and that taxpayers deserve none," the spokesman said. "One has to wonder, now that the Chamber has decided that more information ought to be public information, that they will also call for every corporation like Firestone, Ford, the pharmaceutical industry and the tobacco industry to make public about the dangers they have knowingly exposed the American people to."

"It is amazing," the ATLA spokesman added, "that the Chamber would suggest that—in our capitalist system that they so often cheer—that they would want to limit the income of any group." **[B]**

UPDATES

Treatment standards win support

Continued from page 2

guidelines," said Dr. David Abelson, the chairman of the ICSI, in a written statement. "This is a major step forward in promoting best care for Minnesota patients."

The ICSI was founded by Park Nicollet Health Services of St. Louis Park, Minn.; the Mayo Clinic of Rochester, Minn.; and the HealthPartners Medical Group, a Bloomington, Minn.-health plan that already adopted the standards. Four health plans—Blue Cross & Blue Shield of Minnesota, based in St. Paul, Minn.; Medica, a subsidiary of Allina Health Systems in Minnetonka, Minn.; PreferredOne of Minneapolis; and UCare Minnesota of Minneapolis—last week joined them in accepting the use of the treatment protocols created by the ICSI. The agreement creates, in effect, a best-practice medical standard for Minnesota.

To date, the ISCI, which was founded in 1993, has developed treatment guidelines for nearly 50 medical conditions, including chest pain, pregnancy and depression.

Education bill clears panel

WASHINGTON—The Senate Finance Committee last week unanimously approved legislation that would permanently extend and expand an expiring provision in the tax code that allows employers to reimburse employees for educational assistance costs, such as tuition, without the reimbursement being added to employees' taxable income.

The current law, set to expire Dec. 31, allows employers to reimburse employees for up to \$5,250 a year in undergraduate educational expenses without employees paying taxes on the contributions.

The bill passed by the Finance Committee, S. 133, would make the tax-favored status of employer-provided educational assistance benefits permanent and broaden the tax break to cover graduate education.

Donaldson to step down at Aetna

HARTFORD, Conn.—William H. Donaldson plans to step down as chairman of Aetna Inc. on April 1.

President and Chief Executive Officer Dr. John W. Rowe will assume the additional role of chairman, while Mr. Donaldson will remain on the company's board of directors.

Mr. Donaldson was named chairman, president and CEO of Aetna when Richard L. Huber resigned from those posts last year (*BI*, Feb. 28, 2000). Shareholders had been unhappy with Aetna's stock performance.

Mr. Donaldson, a co-founder of investment bank Donaldson, Lufkin & Jenrette, is a past chairman and CEO of the New York Stock Exchange. He has been an Aetna director since 1977.

Dr. Rowe was named president and CEO of Aetna U.S. Healthcare last September. The Hartford, Conn.-based company was renamed Aetna Inc., the name of its former parent company, following the spinoff of that company's financial services and international operations.

The company also announced last week that Ronald A. Williams will join Aetna as executive vp and chief of health operations. Dr. William C. Popik became chief medical officer on March 5.

Briefly noted

Kevin P. Brooks, chairman, president and chief executive officer of General Star Indemnity Co., last week left the surplus lines insurer. A spokesman for General Re Corp., the immediate parent of Stamford, Conn.-based General Star, would not comment on Mr. Brooks' departure. Patricia H. Roberts, who had been senior vp and chief operating officer, has been named to replace him as president and CEO of General Star. Joseph P. Brandon, executive vp of General Re, has been named chairman of General Star....A suit seeking class-action status was filed last week against **Metropolitan Life Insurance Co.**, alleging the insurer discriminates against women in hiring and promotion. The suit, filed in U.S. District Court in New York, seeks monetary damages, punitive damages and a change in the company's policies. A spokesman for New York-based MetLife said the company had not yet seen the suit and would not comment....St. Paul, Minn.-based Workers' Compensation Reinsurance Assn. approved a **\$310 million surplus distribution** to Minnesota employers and insurers. Minnesota law requires all workers comp insurers and self-insured employers to buy reinsurance coverage for large claims from WCRA....Dallas-based broker **Summit Global Partners Inc.** has expanded into California with the addition of Russell Sands, former chairman of Aon Risk Services Inc. of Northern California. Mr. Sands is now chairman and chief executive officer of Summit Global Partners Insurance Services in San Francisco....Accused swindler **Martin R. Frankel** has pleaded not guilty to federal charges that he siphoned about \$200 million away from a group of life insurers he controlled. Appearing in U.S. District Court in New Haven, Conn., after his extradition from Germany earlier this month, Mr. Frankel entered his plea to a 48-count fraud and money laundering indictment. He is being held without bail.... Insurers will pay \$330 million in claims to businesses and homeowners with property damage caused by last month's **earthquake in Seattle**, according to preliminary estimates by Insurance Services Office Inc.'s Property Claim Services Unit based on claims received....Stanley D. Loar, chief executive officer of San Francisco-based broker Woodruff-Sawyer & Co., was named chairman of Columbus, Ohio-based brokerage network **Assurex International**. Mr. Loar also is chairman of Assurex Synergy Group, the network's global unit.

Counsel

Continued from page 2

downplayed such action against firearms manufacturers because, he said, most tend to be small concerns.

The Chamber sent the letters seeking congressional hearings on the arrangements to the leadership of both parties late last week. The group expected the requests for hearings to be referred to the appropriate committees.

Mr. Donohue stressed that the state requests, filed under individual state freedom-of-information acts, are not lawsuits. They seek, among other things, information about how states negotiated the contingent fees with outside counsel, the actual time the outside



PHOTO: AFP

A Petrobras oil rig lists in the Atlantic after a series of explosions last week.

OIL RIG INSURED A massive oil rig that last week was listing in the Atlantic Ocean off Brazil is insured for \$500 million, but its owner, Petroleo Brasileiro S.A., or Petrobras, does not have business interruption coverage. The extent of the loss was unclear, because the rig, which was damaged after a series of explosions last week, had stabilized and Rio de Janeiro-based Petrobras hoped to stop it from sinking, a spokesman for the state-owned oil company said late last week. If the rig were to topple, it could cause a significant pollution problem, because it holds hundreds of thousands of gallons of oil. No had escaped as of last week, the spokesman said. The cause of the three explosions that resulted in the fire on the rig has not yet been determined. One person was confirmed to have been killed by the explosions, and nine others were missing and presumed to be dead, the spokesman said. There were 175 people aboard the rig at the time of the blasts. Property coverage for the platform is led in Brazil by Bradesco Seguros S.A. in Rio de Janeiro, with most of the risk reinsured into the global energy insurance market through Brazil's state-owned reinsurer, the Instituto de Resseguros do Brasil, the spokesman said.

BLUES CONSOLIDATION FORECAST The number of Blue Cross & Blue Shield Assn. health plans may shrink by more than half in five years, according to a new study by Conning & Co. The study, "The Blue Cross & Blue Shield Plans: Past, Present and Future," says the number of Blues plans could be reduced by 57% over the

next five years. That consolidation will result because the Blues plans lack the access to capital that their rivals enjoy, according to Hartford, Conn.-based Conning. Most of the Blues plans operate as nonprofits, which makes them less attractive to the financial markets, according to Conning. As a result, the Blues plans are under increasing pressure to merge with each other or go public to remain competitive, the analyst said. A statement from the Chicago-based Blue Cross & Blue

Shield Assn. rebutted the study's conclusions, saying that its independent member plans are financially strong and effective competitors. Additionally, the statement said that any consolidation and reorganization activity among Blues plans is consistent with the trend in the rest of the health insurance industry. Based on preliminary results for the year 2000, the Blues plans collectively reported approximately \$2.3 billion in pre-tax profits and added more than 5 million new customers.

ISO ADDS THEFT DATA The Insurance Services Office Inc. and the National Equipment Register are joining forces to provide online information on lost and stolen equipment. Insurers will be

able to access the NER, a database of lost and stolen heavy construction and agricultural equipment, through New York-based ISO's claims database, ClaimSearch. In addition, the arrangement will allow insurers to register equipment losses along with identifying information, such as serial numbers. Information in the NER database will be provided to equipment lessors, insurers and law enforcement agencies. "Law-enforcement agencies will have free access to a central resource to check on equipment ownership and assist rightful owners in its recovery. Insurers will be able to recover a higher percentage of equipment that has been reported lost or stolen, detect fraudulent claims, and deter theft. And equipment owners can reduce insurance costs and other expenses associated with theft," David Shillingford, president of New York-based NER, said in a statement.

FILM SUIT DISMISSED A violent movie's content is protected under the First Amendment of the U.S. Constitution and its director did not intend to incite violence, a Louisiana state court judge ruled last week. Judicial District Court Judge Bob Morrison in Amite, La., threw out a portion of the closely watched media liability case against the Warner Bros. studio and Oliver Stone, the director of the movie



PHOTO: REUTERS

The 1994 film "Natural Born Killers" depicted a violent crime spree.

"Natural Born Killers." The 1994 film was a violent depiction of a man and a woman who drive across America on a crime spree and become media stars. Mr. Stone and Warner Bros. were sued after a couple went on a similar rampage in 1995 in two states and told authorities they had done so after repeatedly watching the film. The suit was brought by the family of a Louisiana woman who was left paralyzed by a gunshot and later died of cancer. The couple remains jailed for their crimes. Although the judge dismissed the portion of the case against the director and movie company, the suit against the couple that committed the copycat crime and the homeowner insurer of the parents of the woman involved in the crime spree was allowed to continue. USAA Life Insurance Co. in San Antonio wrote a homeowners liability policy on a cabin in Oklahoma from which guns used in the crime spree were taken, according to Timothy Schafer, an attorney with Schafer & Schafer in New Orleans who is representing the insurer. Mr. Schafer would not reveal the limits of the coverage.

BIG LIFE INSURER DEAL U.K. multiline insurer Prudential P.L.C. is buying Houston-based American General Corp. Under the all-stock deal, valued at £17.6 billion (\$25.85 billion), Prudential will hold 50.5% of the combined company and American General will have a 49.5% stake. American General, which operates in the life insurance, retirement and consumer lending sectors, is a leading provider of annuities to employee plans in the education and health

care sectors. Jonathan Bloomer, chief executive officer of London-based Prudential, said the deal would make the new group an international player and give it a strong foothold in the United States. The companies estimate that their combined operating profit for 2000 would be £1.91 billion (\$2.81 billion). Mr. Bloomer will remain CEO of the new group, which will operate out of headquarters in London and New York; American General CEO Robert Devlin will become deputy chairman.

OVERSEAS COVERAGE Hartford Steam Boiler Inspection & Insurance Co. is offering middle-market policyholders a package of property/casualty coverages for overseas risks. The program, dubbed HSB OneSource, is designed to insure a variety of foreign exposures of medium-sized companies, ranging from export-related risks to risks arising from business travel or even student exchange programs. The program is tailored to a given policyholder's needs, but can include: foreign commercial general liability and auto liability; foreign voluntary workers compensation; foreign all-risks property; kidnap and ransom/extortion; political risk; foreign travel accidental death and dismemberment and emergency medical coverage; marine cargo and transit; and comprehensive crime coverages. HSB noted that its policyholders have access to an extensive international claims service network.

BRIEFLY NOTED WellPoint Health Networks Inc. has named David Helwig president of its large-group division. He will report directly to WellPoint's chairman and chief executive officer, Leonard Schaeffer. Previously, Mr. Helwig was a senior vp for the division. Zurich Reinsurance (North America) Inc. has realigned its underwriting operations to integrate its facultative operations with its treaty operations. The Zurich Financial Services Group Inc. unit will now be organized around specific business segments, the New York-based reinsurer said.

To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the For The Record column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

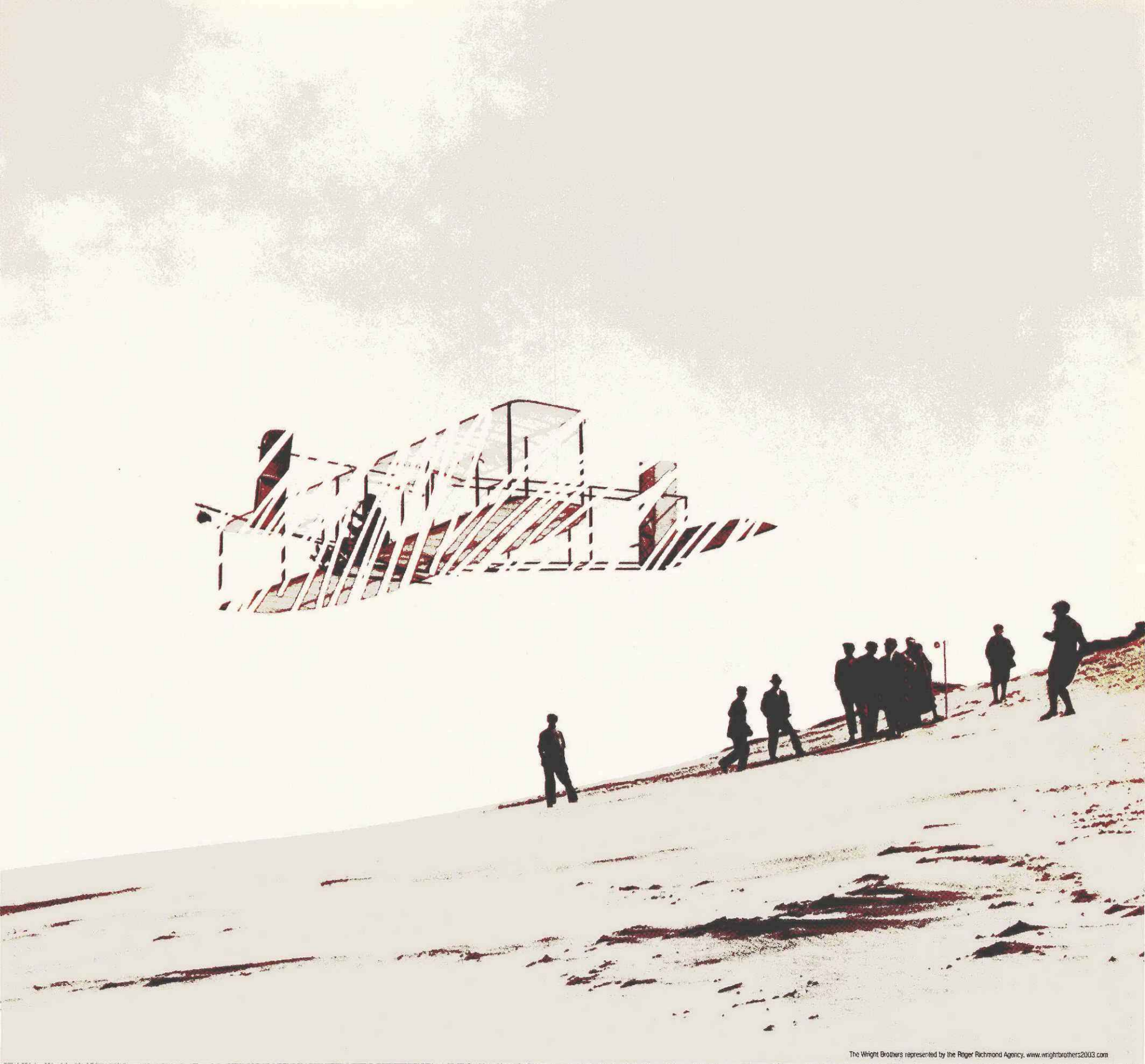
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BI Industry Stock Report MARCH 12, 2001, THROUGH MARCH 16, 2001

BROKERS																											
		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)			Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)			Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)				
Aon Corp.	NYS	34.67	-4.94	1.23	42.31	20.94	4581	HSB Group Inc.	NYS	38.75	0.00	0.00	40.33	21.50	0	INSURERS/REINSURERS							AVERAGE			-3.64	-7.74
Brown & Brown	NYS	35.98	-7.63	2.80	39.92	15.90	155	HCC Insurance Holdings	NYS	24.55	-2.27	-8.86	27.19	10.94	1964	HEALTH MAINTENANCE ORGANIZATIONS											
Clark Barlow Holdings	NDO	9.50	-6.17	-6.17	17.88	8.50	174	ING Groep N.V.	NYS	61.12	-14.28	-23.72	83.94	46.81	1255	Aetna Inc.	NYS	37.14	-0.03	-9.55	42.69	32.94	3503				
E.W. Blanch Holdings Inc.	NYS	9.25	-5.61	-46.95	56.94	7.70	473	IPC Holdings Ltd.	NDO	20.44	-11.14	-2.68	24.50	11.25	283	Health Net Inc.	NYS	17.73	-11.17	-32.30	26.94	7.63	2968				
Gallagher Arthur J. & Co.	NYS	27.20	-7.95	-14.50	34.25	11.53	1148	Hartford Financial Services	NYS	61.17	-7.60	-13.39	80.00	29.38	9604	Humana Inc.	NYS	12.50	-4.59	-18.03	15.81	4.75	3547				
Hibb, Rogal & Hamilton	NYS	34.50	-6.12	-13.48	42.13	26.56	197	John Hancock Financial Services	NYS	35.87	1.82	-4.66	39.25	13.44	6153	Oxford Health Plans	NDO	27.31	-6.62	-30.85	42.75	13.50	9880				
Kaye Group Inc.	NDO	13.00	1.96	67.74	13.00	5.00	33	LaSalle Re Holdings Ltd.	NYS	18.88	0.00	0.00	15.38	10.88	0	Pacificare Health Sys.	NDO	27.25	-2.02	81.67	72.31	9.81	3559				
Marsh & McLennan	NYS	95.35	-4.51	-18.50	135.69	70.50	7160	Lincoln National	NYS	44.18	0.45	-6.62	56.38	22.63	8557	Sierra Health Services	NYS	4.16	-14.23	9.47	6.70	2.44	221				
BROKERS	AVERAGE		-4.45	-5.14				MAIC Holdings Inc.	NYS	13.29	-7.96	-20.36	21.13	10.00	117	United HealthGroup	NYS	55.82	-8.48	-9.05	64.36	23.19	9505				
INSURERS/REINSURERS																											
ACE Ltd.	NYS	37.51	-1.19	-11.61	43.94	14.06	5137	Market Corp.	NYS	187.05	0.54	3.34	190.00	111.50	248	Wellpoint Health Networks	NYS	93.01	-7.84	-19.30	121.50	56.94	2658				
Accel International Corp.	NDO	0.18	0.00	-39.37	1.00	0.10	0	MBA Insurance Group	NYS	77.30	-3.06	4.28	81.10	36.50	3150	HMOs	AVERAGE		-7.85	-2.63							
Accopiance Insurance Cos.	NYS	4.30	-4.23	-18.10	6.94	3.75	200	Meadowbrook Insur. Group	NYS	3.70	-8.64	-54.46	8.38	3.52	15	ALL COMPANIES							-5.31			-5.17	
AEGION N.V.	NYS	29.40	-11.04	-29.06	43.00	29.40	806	MellLife	NYS	28.40	-12.43	-18.86	36.63	14.25	14652												
AFLAC Inc.	NYS	53.90	-10.69	-25.33	74.94	33.56	6974	Mutual Risk Mgmt. Ltd.	NYS	6.95	-7.21	-54.24	21.75	6.95	2468												
Allmerica Financial Corp.	NYS	49.90	-5.22	-31.17	74.25	35.06	2179	Navigators Group	NDO	13.75	0.00	3.29	11.38	8.63	16												
Allstate Corp.	NYS	39.80	-3.68	-8.64	44.75	17.19	14479	NYMAGIC Inc.	NYS	18.59	0.49	-1.51	15.25	12.25	5												
Ambac Financial Group	NYS	59.75	-0.91	2.47	61.86	25.91	3958	Ohio Casualty Corp.	NDO	8.75	2.94	-12.50	11.08	6.13	784												
American Financial Group	NYS	22.57	-4.81	-15.03	29.00	18.69	621	Old Republic Int'l	NYS	27.28	-3.08	-14.75	31.06	10.63	1921												
American General	NYS	38.51	0.68	-5.50	41.72	22.81	33155	Partner Re Ltd.	NYS	48.86	-7.04	-19.90	62.50	30.00	472												
American Intl Group	NYS	78.00	-4.55	-20.86	103.75	52.38	34698	Penn-America Group Inc.	NYS	9.29	-0.64	21.84	3.75	6.88	10												
American Safety Insurance	NYS	8.00	-1.23	30.61	8.16	3.25	15	PMA Capital Corp.	NDO	16.50	-4.86	-4.35	11.13	15.19	69												
Argonaut Group	NDO	15.56	-10.75	-25.89	21.25	14.44	222	Philadelphia Cons. Holding	NDO	27.63	-10.34	-10.53	31.92	14.13	489												
AXA-UAF Group	NYS	55.85	-9.19	-22.23	81.50	55.85	1338	PXRE Corp.	NYS	18.00	3.45	6.67	23.10	12.50	52												
Baldwin & Lyons Inc.	NDO	21.25	0.00	-8.60	28.75	15.25	34	ReliaStar Financial Corp.	NYS	53.94	0.00	0.00	53.94	23.75	0												
Berkley W.R. Corp.	NDO	45.75	-4.94	-3.05	48.75	14.00	1498	Renaissance Re Holdings Ltd.	NYS	67.80	-6.48	-13.42	84.19	35.88	818												
Berkshire Hathaway Inc.	NYS	65000.00	-8.58	-8.45	74600.00	44500.00	2	RJI Corp.	NYS	41.93	-0.45	-6.17	45.16	26.25	34												
Capital Transamerica Corp.	NAS	13.94	3.24	12.06	14.44	10.00	19	St. Paul Cos.	NYS	43.13	-6.54	-20.58	57.00	21.31	5587												
Chubb Corp.	NYS	68.42	-4.31	-20.90	90.25	43.25	5339	SCOR	NDO	25.44	1.75	-22.62	35.88	18.00	6780												
CIGNA Corp.	NYS	106.78	-4.66	-19.29	136.75	60.75	4801	SAFECCO Corp.	NYS	21.80	-5.63	-7.72	24.63	18.31	NA												
Cincinnati Financial Corp.	NYS	36.34	-3.41	-8.14	43.31	26.19	1610	SCPI Holdings Inc.	NYS	1.30	4.00	131.11	2.25	0.53	31												
Citigroup	NYS	45.50	-7.39	-10.89	59.13	35.81	100752	Seibels Bruce Group	NDO	22.89	-0.55	-6.44	26.94	14.88	214												
CNA Financial Corp.	NYS	35.90	-5.33	-7.35	41.94	24.56	499	Selective Ins. Group	NDO	47.00	-7.05	-17.54	11.00	46.00	177												
CNA Surety	NYS	13.01	0.31	-8.70	14.94	10.38	122	Tokio Marine & Fire	NDO	35.60	-1.66	-7.38	41.19	18.75	3437												
EMC Insurance Group Inc.	NDO	11.25	0.00	-4.26	13.13	6.81	8	Torchmark Corp.	NYS	101.65	-1.94	-3.99	107.06	68.75	50												
ESG Re Ltd.	NDO	2.50	14.29	35.59	5.50	1.72	295	Transatlantic Holdings	NYS	20.07	-2.86	-19.11	21.13	12.00	462												
Enhance Financial Services	NYS	13.45	0.00	-12.87	17.00	8.63	0	Trerwick Group Inc.	NDO	6.00	4.35	2.13	7.75	4.50	6												
Everest Reinsurance	NYS	63.68	-1.42	-11.09	74.75	23.63	1173	Unico American Corp.	NDO	20.56	-0.30	4.11	35.00	15.50	14												
Fremont General Corp.	NYS	3.58	-1.65	27.29	7.56	1.50	1369	United Fire & Casualty	NDO	36.19	-3.74	-10.92	41.94	27.19	561												
Gainco Inc.	NYS	2.05	-17.34	-21.90	6.38	1.40	229	Unum	NDO	7.05	0.47	2.73	30.44	11.94	4543												
Harleysville Group	NDO	24.00	-11.01	-17.95	30.63	12.00	154	Vesta Insurance Co.	NYS	7.05	-4.60	39.26		8.39	4.13	172											
								XL Capital Ltd.	NYS	75.90	-5.30	-13.13	39.25	40.63	1996												
								Zenith National Ins.	NYS	25.25	-7.51	-14.04	30.70	20.00	104												

BI Insurance Index

Date	Index
1/26	2,700
2/2	2,650
2/9	2,600
2/16	2,550
2/23	2,500
3/2	2,450
3/9	2,400
3/16	2,230.90



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THE GREATEST RISK IS NOT TAKING ONE.

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