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Business Insurance

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

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Updates

M&M changes broker name, appoints new broker execs

NEW YORK—Marsh & McLennan Cos. Inc. has formed a holding company for its risk and insurance services business and named the top managers of the main units.

The new entity is called Marsh Inc., which abbreviates the list of company names the world's largest broker has taken over in the past few years. It houses the companies' insurance and reinsurance brokering and consulting businesses. Before last year's purchase of Sedgwick Group P.L.C., the insurance units were organized under J&H Marsh & McLennan Inc.

See **Updates** *on next page*

Offshore insurer offers reward for tips on 'lies'

By DOUGLAS McLEOD

SAN JOSE, Costa Rica—Few insurance companies ever have to deny that they are targets of an FBI investigation, but such is the case with Camelot Insurance Co. S.A. of Costa Rica.

Camelot, formed last year by a California businessman, is offering a $10,000 reward for information regarding the source of what it says are "lies" about the company's stability.

"Someone or some company is spreading false rumors that we are conducting an illegal operation and are under investigation by the FBI," Camelot announced in a press release posted on its World Wide Web site. "This is not only false but totally impossible since we. . .have not done business with any (United States) citizens or entities which would even fall under the jurisdiction of the FBI."

Woodrow Wilson Bowling, Camelot's president and chief executive officer, said he learned of questions about the company's status in Costa Rica from a U.S. broker who was approached about doing business with the insurer. The broker, Donald Ulan of Pascagoula, Miss., confirmed discussions with Camelot representatives but said he has done no business with the company.

Camelot has not written any business so far, Mr. Bowling added, but its plan is to become an eligible surplus lines insurer in the United States and to write marine, aviation, automobile

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Camelot posted a reward on its Web site for information about the source of rumors of an FBI investigation.

3 bills expected in Congress

Pension reform heats up

By JERRY GEISEL

WASHINGTON—The drive to pass pro-employer and pro-employee pension reform legislation is rapidly gaining momentum, with at least three major bills slated for introduction in the coming weeks.

The first of those bills, to be introduced—perhaps as soon as this week—by Reps. Ben Cardin, D-Md., and Rob Portman, R-Ohio, would aid employers by softening rigid pension non-discrimination tests. The measure would be a boon to employees by allowing them to contribute more to their defined contribution plans, as well as boosting benefits that can be funded through defined benefit plans.

Later this month, Sens. Charles Grassley, R-Iowa, and Bob Graham, D-Fla., will introduce legislation that also would raise the limits on contributions that rank-and-file employees could make to defined contribution plans, while giving employees the green light to move funds between 401(k) and 403(b) plans. The bill also would reduce the red tape that has discouraged some employers from offering pension programs.

In addition, Senate Finance Committee Chairman William Roth, R-Del., will introduce legislation this month that would, among other things, boost by 50% the maximum annual salary deferral employees can make to 401(k) plans.

With the federal government enjoying big budget surpluses and legislators more attuned to adding incentives to encourage pension plan growth, the prospects of significant pension legislation gaining congressional approval

See **Pensions** *on page 38*

Vermont RRG placed in rehab

Premiums for Nonprofits' Mutual had dropped sharply in recent years

By RODD ZOLKOS

MONTPELIER, Vt.—The soft insurance market that has made business difficult for many risk retention groups has taken its toll on Vermont-domiciled Nonprofits' Mutual Risk Retention Group Inc.

Vermont regulators placed the RRG in rehabilitation in January, following several years of consistently declining premium volume at Nonprofits' Mutual.

The state's move was prompted by "declining business over the years," said Andrew Sargeant, president of Vermont Insurance Management Inc. in Montpelier. "And I think the profits they were making on the business weren't enough to cover their overhead, the administration costs."

Vermont Insurance Management has been Nonprofits' Mutual captive manager since the RRG's inception, though Mr. Sargeant said VIM has little to do with Nonprofits' Mutual's business now that the state has appointed a rehabilitator.

"It's a company we were watching closely for a year and a half or so," said Leonard D. Crouse, Vermont's director of captive insurance. "It was to a point where we thought impairment was an issue, and we had no choice but to put it in rehabilitation."

Nonprofits' Mutual's 1997 premium volume of nearly $3.8 million was down sharply from $6.1 million in

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Brokers seek another look from buyers

By SALLY ROBERTS

Risk managers who are grumbling that the advent of the megabroker means less choice among global intermediaries might want to take a second look at regional brokers.

Once perceived to be only middle-market players in specific regions of the country, many large regional brokers have evolved into national companies equipped with the ability to handle larger global risk management accounts.

Much of this evolution, they say, is a result of the consolidation wave that swept through the top ranks of the world's largest brokers. As Marsh & McLennan Cos. Inc. and Aon Corp. acquired and continue to integrate most of the former "alphabet houses," a number of skilled professionals, as well as national accounts, are finding new homes with regional brokers.

At the same time, technological advances and international strategic alliances are making it easier for regional brokers to conduct business worldwide. The Worldwide Broker Network, for instance, is offering many large regionals the opportunity to align themselves with more than 30 member brokers around the world. The international broker alliance, which formed in 1989 and has had U.S. membership for two years, is similar to the former UNISON network, which met its demise when M&M acquired Johnson & Higgins, the sole U.S. partner, in 1997.

"We now find ourselves addressing a different client base," said Bruce Basso, chairman of Alburger Basso deGrosz Insurance Services Inc. The Belmont, Calif.-based regional ranked as the 25th-largest broker of U.S. business, based on $46.6 million in 1997 revenue (*BI*, July 20, 1998).

"That marketplace, of $750 million in revenue on up to $3 billion to $4 billion that used to be handled by the large national firms, is now susceptible," Mr. Basso said. Indeed, regional brokers "are very easily

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Strength in numbers

The Worldwide Brokers Network is helping mid-sized brokers to compete globally

Worldwide Broker Network 1998 figures combined	
Premium volume:	$3 billion
Revenues:	$350 million
Employees:	3,000

Source: Worldwide Broker Network

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NEWSPAPER



Updates

M&M changes broker name

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John T. Sinnott is chairman and chief executive officer of Marsh Inc. Mr. Sinnott previously headed J&H Marsh & McLennan. Norman Barham is vice chairman, the same title he held at J&H Marsh & McLennan.

Brandon W. Sweitzer is president of Marsh Inc. and is directly responsible for human resources, corporate services and communications worldwide. Mr. Sweitzer previously was chief executive officer of Guy Carpenter & Co. Inc. He will succeed G.H.C. Wakefield as chairman of Guy Carpenter when Mr. Wakefield retires next month.

Salvatore D. Zaffino, the former chairman and CEO of Sedgwick Re, replaces Mr. Sweitzer as CEO of Guy Carpenter.

Quill O. Healey, the former chairman and CEO of Sedgwick Inc. in the United States, now is chairman of Marsh's operations in North and South America. Robert J. Newhouse III is president and CEO of those units. Additionally, Roger E. Eagan is now responsible for the United States. Previously, he had headed J&H Marsh & McLennan's Northeast region.

Rob White-Cooper is chairman and CEO of Marsh's overall operations in Europe, Africa, the Middle East, Japan, Korea and the rest of the Asia-Pacific region.

All the changes took effect Friday. The names of the operating units within Marsh Inc. are still to be determined, a spokeswoman said.

Marsh & McLennan continues to have three main operating units: Marsh Inc., Mercer Consulting Group and Putnam Investments.

Y2K bill would cap punitives

WASHINGTON—Punitive damage awards related to Year 2000 computer problems would be capped if a bipartisan Y2K bill unveiled last week becomes law.

In addition to limiting punitive damages to the greater of $250,000 or three times actual damages, the Year 2000 Readiness and Responsibility Act of 1999 also calls for capping attorneys' fees in Y2K-related cases to $1,000 an hour, abolishing joint-and-several liability in Y2K-related cases by holding defendants responsible only for their proportion of fault, limiting the personal liability of directors and officers of companies named in Y2K-related suits, and encouraging the use of alternative dispute resolution mechanisms rather than the courts to settle such disputes. The measure's liability limitations would not, however, apply to personal injury cases.

The bill's chief sponsor—House Rules Committee Chairman David Dreier, R-Calif.—had outlined most of the measure's major provisions during an address at the Center for Strategic and International Studies in Washington last month (*BI*, Feb. 15). His bill also closely follows an employer-backed Y2K legal reform package unveiled about a month ago (*BI*, Feb. 8).

"We believe the emphasis should be on fixing the problem—not playing the blame game. Technology firms are an engine of our economic growth, providing jobs and raising the living standards of every American. We must not scapegoat and bankrupt them," said Rep. Dreier as he joined several other lawmakers from both parties in unveiling the bill.

Meanwhile, the Senate Commerce Committee could vote as early as this week on its own Y2K reform legislation, sponsored by Commerce Committee Chairman John McCain, R-Ariz.

CNA sheds more business

CHICAGO—A significant portion of CNA Financial Corp.'s Affinity Health business will be "transitioned" to Radix Health Connection and the North American operations of ESG Re, CNA said in a release.

According to the release, annual premiums for this portion of CNA's Affinity Health business total about $100 million.

ESG, a reinsurance partner of the Chicago-based Radix, will assume liability retroactive to Jan. 1. Radix will manage renewal rate examination, administrative controls, third-party administrator oversight and operating expense reductions, according to the release.

"This is part of our exit from the group health business," a CNA spokesman said. CNA in August 1998 announced its intention to exit the group health market to focus on disability, long-term care and accident products.

Jet hull reinsured in London

LONDON—London underwriters provided hull reinsurance on the China Southwest Airlines plane that crashed last Wednesday, killing all 50 passengers and 11 crew members on board.

Willis Corroon Group Ltd., which, along with J&H Marsh & McLennan Cos. Inc. brokered the airline's hull cover in the London market, said it was bound by a client confidentiality agreement not to disclose details of the coverage.

The Russian-built Tupolev Tu-154 was on a domestic flight when it crashed into a field on its approach to the port city of Wenzhou in the eastern province of Zheijiang.

Although China Southwest Airlines is a member of the International Air Transport Assn., like all IATA members its liability limits on domestic flights are set by the local government. In China, this is 70,000 yuan ($8,456) per passenger, though local reports from China said 11 passengers on the flight had taken out policies at the airport with Chinese insurers that would pay out a maximum of 200,000 yuan ($24,160) per policy.

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Errors & omissions

• A Feb. 22 Global Brief incorrectly named the chairman of the new World Federation of Insurance Intermediaries. Dutch broker Jan Weitenberg is the chairman of the WFII; Christopher Collins is chairman-elect.

• Due to an editing error, a listing for PMA Management Corp. in the Feb. 15 directory of third-party administrators provided an incorrect contact number. PMA's sales manager can be reached at 609-727-3157.

Globalization of insurance brings challenges, execs say

By PAUL D. WINSTON

SOUTHAMPTON, Bermuda—Globalization of the insurance industry presents new challenges for insurers and brokers in generating growth, a panel of industry executives says.

Growth is especially a challenge in light of such factors as consolidation, convergence of insurance and financial services, new forms of competition and continued pricing pressures, the panelists say.

Those were among the findings of a broad-ranging panel discussion among top insurance and reinsurance executives during the World Insurance Forum, held in Southampton, Bermuda, Feb. 16-19 and organized by members of the Bermuda marketplace.



Companies have had to participate in the consolidation phenomenon in recent years to attain the global scale needed to compete, because it is impossible to achieve that scale through organic growth alone, said Patrick G. Ryan, chairman, president and chief executive officer of Aon Corp. in Chicago.

"It's been very difficult to grow any business, but particularly the insurance business, through organic growth," he said.

Mr. Ryan said he has a "healthy respect" for the capabilities of specialist and regional brokers, ac-

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HIP plans in two states to close operations, transfer members

By JERRY GEISEL

TRENTON, N.J.—New Jersey state officials and the state's HMO industry are taking steps to ease the burden on enrollees and employers of the failed HIP Health Plan of New Jersey, which will be shuttered at the end of the month.

Meanwhile, the New Jersey plan's liquidation has prompted an affiliated HMO, HIP Health Plan of Pennsylvania, to cease operations. HIP of Pennsylvania on Friday announced it would begin working with Pennsylvania regulators to move plan members into other plans by April 30.

"The unfortunate circumstances relating to liquidation of the HIP Health Plan of New Jersey and the close cross-border relationship with many of our members does not make it feasible to continue operations," a statement said.

Under the New Jersey plan, an HIP member undergoing medical treatment will be able to continue to see, on a short-term basis, a current provider, even if that provider is not yet in the network of the member's new health plan.

Under that arrangement, an HIP enrollee undergoing routine medical treatment as of March 31—the date HIP will cease to operate in New Jersey—can continue to receive treatment for 30 days from a current provider, even if that physician has not yet been credentialed by the enrollee's new HMO or health plan.

However, the current provider would have to accept the new health care plan's payment sched-

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Health reform proposal near

By MARK A. HOFMANN

WASHINGTON—A group of influential conservative Democrats will make known their views on managed care regulation within the next couple of weeks.

Because of the narrowness of the Republican majority in the House, the so-called Blue Dogs—a group of moderate to conservative Democratic House members—could have considerable impact on the success of managed care legislation, said Rep. Marion Berry, D-Ark.

And as he addressed the Self-Insurance Institute of America Inc.'s annual legislative and regulatory conference in Washington last week, Rep. Berry offered praise for the efforts of Reps. Charlie Norwood, R-Ga., Greg Ganske, R-Iowa, and John Dingell, D-Mich., who have introduced legislation designed to curb what they believe are abuses of the managed care system.

But Rep. Berry also reassured his listeners that "we cannot allow managed health care to be destroyed—we cannot afford it." He said that although the Blue Dogs haven't taken positions yet on specific aspects of managed care reform, such as

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AAHP backs external review

By ROSEANNE WHITE

WASHINGTON—The American Assn. of Health Plans is calling for its members to voluntarily adopt systems for binding independent external review of certain coverage decisions.

The external review should be available to plan participants when coverage decisions are based on medical necessity or exclusion of experimental or investigational therapy, the Washington-based association states in its principles on external review, issued at a policy conference last week.

Health plan participants "deserve access to fair, effective and fast internal appeal mechanisms and independent review of medical necessity determinations," the AAHP board of directors said in a statement.

Though a small percentage of cases go to external review, this step will "give assurance to consumers that we get it. We hear what they're saying," Karen Ignagni, AAHP president and chief executive officer, said at a press briefing. The review process "is at the heart of patient protection," Ms. Ignagni said.

The AAHP's principles state that health plan participants should complete the plan's internal appeal process before seeking independent external review. The external review decisions should

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Inside

• How insurance companies respond to the current round of lawsuits against gunmakers will either improve or worsen customers' image of insurers, this week's editorial says. **PAGE 8**

• Norwegian insurer Storebrand Skadeforsikring and Sweden's Skandia Insurance Co. are merging their property/casualty operations to form one of Scandinavia's largest commercial insurance companies. **PAGE 15**

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Spotlight report

Benefits: Administration & Online Resources

Employers gamely trying to lure workers into informational sites

By ROBERTO CENICEROS

Pulling a generation of Nintendo-bred employees into a corporate online site for health and welfare benefits may eventually require all the graphic extravaganza and the Blam! Zap! Crash! of the latest computer video games.

Experts who develop employee education technology say they believe it is just a matter of time before interactive computer programs similar to video games are used for benefits communication and enrollment.

Already, a unit of Bankers Trust Corp. has developed video game technology for employee job training and for policy education on topics such as sexual harassment.

But for now, leading-edge employers are luring employees into their self-service benefit and human resources online sites with attractions such as scavenger hunts and advertisements embedded in departmental intranet sites. Some sites even contain some cartoon-type characters.

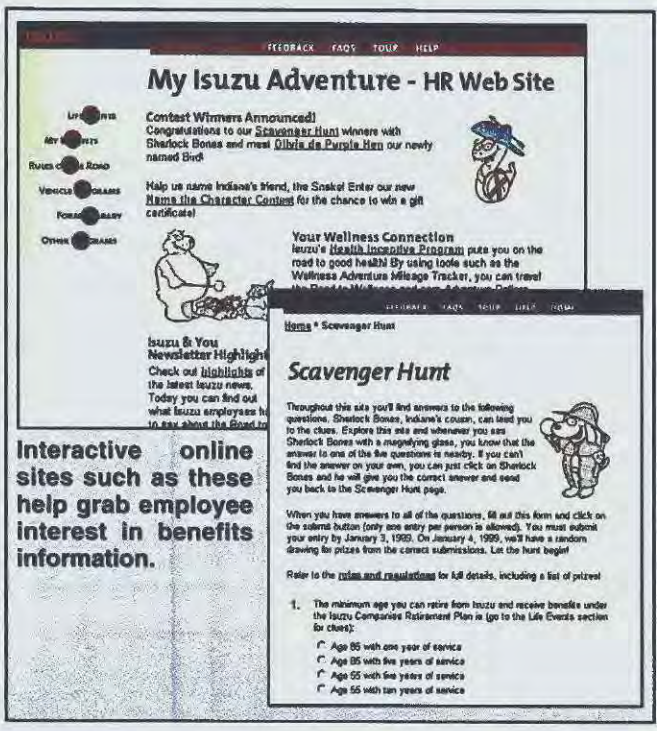
When it comes to animated action, they still can't touch the newest video games.

Still, they are helping employers move from the old world of benefits education, where all information was handed out to employees on paper, to the new, self-service world, where employees are pulled in to the electronic medium.

High-tech leader Lucent Technologies still relies on some low-tech approaches to advertise its benefits intranet site. In addition to its intranet, Lucent still uses posters and mailings to reach employees. Multiple-media channels are most effective in reaching a population of 113,000 active employees, said Barbara Hockfield, director of compensation and benefits in Morristown, N.J. A variety of approaches is helpful because different people learn in different ways, Ms. Hockfield said.

All benefit product information, such as summary plan descriptions—which have been reworded and restructured for the company's intranet medium—is now available only through the company's site. The plan

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Interactive online sites such as these help grab employee interest in benefits information.

Off-the-shelf software has benefits in store

By AMANDA MILLIGAN

The developing array of off-the-shelf benefit administration products could do for employee benefits what McDonald's did for the restaurant industry—speed up service and lower costs.

Until more employers sample these programs for themselves, the ultimate impact of preconfigured benefit management tools is unknown. But consultants and vendors both say some of these new off-the-shelf products could handily satisfy benefit managers' cravings for cost and time efficiency.

From streamlining open enrollment to searching for local physicians in a managed care plan, the goal of these products is the same—to give employees more flexibility in how benefit decisions are made, and to lighten the burden on benefit and human resource managers.

"The one thing (employers) shouldn't look for is a big track record. . . .That's going to change, but right now there aren't long client lists for these applications," said John Garner, manager for NetWorking Employee Benefit Solutions L.L.C., in Pasadena, Calif., a consulting firm with an emphasis on Internet and intranet programs.

David Donahue, president and founder of East Hartford, Conn.-based vendor Bentana Technologies Inc., agrees. Bentana is a software services and information management company.

"I don't think it's rolling out as quickly as everybody believes. Employers are getting comfortable with the platforms first and are then extending capability to the employees," Mr. Donahue said. "After a year and a half of educating the market, we're finally having our marketing bear fruit."

Kevin Grauman, chief executive officer for The Outsource Group L.L.C., a San Francisco-based firm specializing in pooling the human resource functions of small companies, believes in the future of Web-based off-the-shelf products. "I think they're going to change the way business is done," he said of Concord, Calif.-based vendor BISNet L.L.C. The Outsource Group is one of two clients of BISNet, which offers an off-the-shelf product that allows employee benefit enrollment self-service.

Currently, the predominant use of off-the-shelf benefit administration products is

See **Off-the-shelf** *on page 16*

For now, ERISA pre-emption still protecting employers

But court decisions, legislation could expand liability

By MICHAEL PRINCE

Employers are nervous that continued chipping away at the Employee Retirement Income Security Act could create more potential liability for them.

For now, the law still protects them. Although the $120.5 million verdict against Aetna U.S. Healthcare in January shocked many by its size, employers have few legal concerns about liability for coverage decisions made by their health plans, attorneys said.

ERISA limits any recovery to the value of the denied benefit, restricts cases to federal court and imposes a high standard on plaintiffs, who must show the decision was arbitrary and capricious, said Rhonda Orin, a partner in the Washington office of Anderson, Kill & Olick P.C. She specializes in policyholder lawsuits against insurance companies.

Therefore, under ERISA now, an employer will not face punitive damages or compensatory damages, such as pain and suffering.

"I think ERISA pre-emption is still a significant protection for the employer," said Bill Brossman, attorney consultant for William M. Mercer Inc. in Princeton, N.J.

What most concerns employers is an ongoing two-front attack on ERISA. First, there has been a whittling down of the scope of ERISA protection. The Supreme Court "has taken away some of the protections of ERISA," with about one decision per term during the 1990s, said Lisa Bondurant, a partner with the law firm of Carter & Ansley in Atlanta. She specializes in ERISA litigation.

Also, a number of proposals pending in Congress could peel back some ERISA protection and allow medical malpractice suits against health plans. Although some of these proposals contain language excluding employers from suits, some don't exclude employers, and it's far from clear what version might ulti-

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Total benefits outsourcing a small but growing field

By JOANNE WOJCIK

While the à la carte benefits outsourcing business is booming, only a handful of employers are choosing to farm out all their transaction-related benefit work.

But total benefits outsourcing is expected to grow, as benefit managers increasingly focus more on strategic planning and less on day-to-day administration.

Most employers already outsource some of their employee benefits functions, with health claims administration and 401(k) plan recordkeeping as the most common tasks, according to Peter E. Warner, a consultant who heads the national benefits administration and sourcing solutions practice for Deloitte & Touche's employee benefits group in San Francisco.

But, "currently, total benefits outsourcing is only available and cost-effective for very large organizations, typically those with more than 15,000 employees," Mr. Warner said.

The best candidates for total outsourcing are larger organizations, or those with at least 5,000 lives, agreed Paul Relle, client manager at William M. Mercer Inc. in Boston.

"There's a fairly substantial fixed cost for going into this," he said, although he declined to provide figures because of the large number of variables involved.

"Outsourcing is best for large companies that know they're fat in their support business but not in their core business," said Michael Sternklar, principal in charge of outsourcing at PwC Kwasha in Fort Lee, N.J.

For example, he said, "most of our clients are made up of the 10 companies they've acquired over the past few years," which often leads to redundancy in benefit departments.

An employers' benefits administration should already be well organized in-house before being outsourced, Mr. Relle said. Otherwise, the cost will rise significantly, because the employer will need to hire a consultant to get the program in shape to be outsourced, he said. "Organizations that have a reasonably good handle on the data

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Education

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descriptions are not available on paper unless an employee prints them.

Lucent also uses technology to pull employees into its self-service system, where they can enroll in health plans, find personalized benefit data or access a similar human resources site.

One way the company does so is by mailing new hires a multimedia CD-ROM with their employment acceptance letter. The CD contains a full array of benefits information. It also launches a browser, opening a link path to Lucent's benefits site. The user can then input personal information into the company's benefit system.

The CD-ROM has proved so successful that Lucent also uses it to reach top executives and the company's senior members, who tend to be less comfortable with computer technology, Ms. Hockfield said.

"It gives them an opportunity to experience the efficiency and economy of effort it takes to get to the information they need," Ms. Hockfield said. Lucent's site contains abundant stock option information and other data that is of interest to executives.

The technology is allowing Lucent to develop its own employee benefits and human resource service center.

At Izusu Motors America Inc., about 70% of the company's 800 employees have accessed their employer's human resource and benefits Web site. To attain that participation, Izusu launched its site with a scavenger hunt for answers to a short list of benefit-related questions. Employees also had a chance to name some of the cartoon characters on the site. Employees navigating the system submitted answers to the questions to become eligible for a drawing. Prizes included round-trip airline tickets to anywhere in the United States and $100 gift certificates.

"We wanted to start out with the fun things to get people to go to the site and learn how to move around in the system," said Rhonda Parry, Izusu's vp-human resources and administration in Cerritos, Calif.

"We have had a tremendous response in terms of enthusiasm, because it's fun," she said. "They really respond well, young and old."

Ms. Parry believes the system will ultimately raise employee sophistication regarding benefits and improve the data input by employees that will be used for future benefit offerings. The company hired William M. Mercer Inc. to develop the site so it could be easily accessed by employees who carry laptop computers and work away from the company's offices.

One of the site's strong features is that it takes little time to learn to navigate, so employees are not distracted from their usual responsibilities, said Katie Goldberg, a consultant in San Francisco and a member of Mercer's Web communication team.

So far, the Web site has information from Isuzu's established wellness program and employee savings accounts. Plans call for the eventual addition of benefit statements, policies, employee surveys and health plan information and enrollment. To maintain a high level of interest, Izusu will continue to use scavenger hunts and games as it rolls out the additional functions.

In addition, work is under way to make the site available through the Internet, so that families at home can also access it. Benefits experts say family self-service through the Internet will become a growing practice.

The animal cartoon characters helped give the site its graphic appeal, including the lead character, a dog named Indiana Bones. The Indiana Jones-parody theme is from Izusu's wellness program, which also was developed by Mercer, Ms. Parry said.

The more employers are able to make their Web sites gamelike and to create an office buzz about them, the more traffic they will attract, benefit experts say. The immediate challenge is to create systems that help people change their behavior, so they no longer expect information to be handed out but instead seek it themselves.

But technology "usability" surveys show that both employers and employees remain averse to burdening Web sites with too much "metaphor" that distracts users from conducting their business, said Curtiss Butler, director of new media for Buck Consultants in New York. The ability to conduct a transaction, such as making changes to a 401(k) plan, can be the attraction itself, he said.

One Buck client with a human resources and benefits intranet attracts employees to the site with animated announcements similar to the commercial banner advertisements that are widely used on the Internet.

These announcements "become the attraction that pulls people over to the particular part of the benefit site where there is something they want people to look at, whether it is enrollment or a new benefits program," Mr. Butler said.

The advertisements for the benefits site pop up when employees log in to their own department's intranet. The practice is effective because employees more frequently access their own department's site than other company intranet sites, Mr. Butler said.

Where employers place directions to a benefit site may be as important as how they do it, he said.

But Mr. Butler and other benefit experts said they believe benefit Web sites eventually will have more of an entertainment interface, especially as employers reach into the home with family self-service benefits, and media such as Web television and game systems become more commonplace.

For now, though, employers considering family self-service benefits prefer to keep their graphic enhancements simple, so they can easily reach employee homes with the simplest computer systems and modems, consultants said.

But businesses already are using advanced media where appropriate.

Corporate Gameware, a unit of Bankers Trust, has developed training video games styled after popular 3-D maze games that can help employees master business operations and corporate policies. The approach derives from two concepts. The first is that business communication has a lot of content with little engagement, while computer games have lots of engagement with little content. The second idea is that younger employees raised on video games think and learn differently from previous generations. Such employees benefit from fast-paced interactive tools, according to a Gameware spokeswoman.

But some experts still see some hurdles to the immediate, widespread adoption of such systems for benefits administration.

There are still plenty of managers not of the Nintendo generation who consider video game-like systems unnecessary, said Wayne Guymon, chief information officer of information technology for the benefits administration services unit of Towers Perrin in Philadelphia.

But, Mr. Guymon predicted, the day will come when technology costs drop enough to make the application practical. "Everyone (will be) doing it, so you will look strange if you are not doing it," he said.

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* As reported in *Business Insurance,* December 14, 1998.

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Education

Continued from page 4

Towers Perrin is developing benefits technology that will operate through Microsoft's Internet Explorer browser, so that Internet communications can be standardized for use among employers, employees and Towers Perrin service centers.

It's also a move toward multimedia delivery of benefit services and the ability to make data more exciting so it draws people in, Mr. Guymon said.

Reaching the Nintendo generation will require 'edutainment," he said The term, other technology observers say, came from children's educational software. A generation of kids has always had education offered in an interactive mode with lots of graphics, sound and video clips, he explained.

"They are going to expect that (to) attract their attention," he said.

Pulling employees into a cutting-edge system is not the only new issue for employers and system designers, said Larry Heller, a PwC Kwasha director in the global human resources services division in Fort Lee, N.J.

Systems will increasingly need to let employees "drill down" and access complex yet personalized data on their retirement investments or health plans. That will entail helping them make sense of a tremendous amount of information available to them.

"No matter how cute the graphic characters are and no matter how catchy the product is, sooner or later, different people are going to be looking for different degrees of information. And the hardest thing to service is the person who is looking for a lot of detailed information, but they are not coming from a technical background," Mr. Heller said. BI

Benefits

Continued from page 3

are best suited to total benefits outsourcing."

Outsourcing is defined as the transfer to a third-party vendor of all or some of the administrative and/or employee relations tasks the benefits department typically performs.

In total benefits outsourcing, all three program areas—defined-contribution programs; defined-benefit programs; and health and welfare programs—are outsourced to a single vendor, Deloitte & Touche's Mr. Warner explained. Also outsourced are four service areas: management and administration; customer service; financial reporting and accounting; and government compliance and reporting.

Only a few vendors are providing total outsourcing services to employers.

"We've only been hired a few times for everything all at once," said Tom Schmitz, business leader for total benefits outsourcing at Hewitt Associates L.L.C. in Lincolnshire, Ill. "Most companies hire us for one service area and wait to see how we do. Then we grow out of that."

Hewitt is probably the largest total benefits outsourcing vendor, having invested more than $550 million since the beginning of the decade to build its business.

"Hewitt's been in the recordkeeping business since the 1980s. And then, when outsourcing began in the early '90s, we started to move in that direction," said Mr. Schmitz. "The technology was built in-house. We invested significantly every year" and developed partnerships with IBM Corp. and AT&T.

"The business shifted beginning in 1993, and now in 1999, 80% of our business is outsourcing business," he said.

Hewitt has five call centers; they are based in Lincolnshire; Orlando, Fla.; The Woodlands, Texas; suburban London; and Toronto.

"We still believe we're the only one with integrated outsourcing capabilities," Mr. Schmitz said.

Hewitt can assemble information on defined-contribution plans, defined-benefit plans and health and welfare plans into a single database for employers. The vendor also assigns a group of associates to work together as a team on each employer's account, he explained.

The interface between the employer and Hewitt is virtually seamless, so that employees using the employer-named benefits line often don't realize that they're calling someone outside their own company, he said. "We encourage our people to learn as much as they can about the client," and most associates work on only one employer's account at a time, said Mr. Schmitz.

Besides the call centers, Hewitt also provides benefits administration services via the Internet and interactive voice response technology.

But while Hewitt may be the largest and best-known total outsourcing vendor, other consultants are quickly making the investment to compete.

PwC Kwasha, which started its benefits outsourcing venture in 1995, regularly puts 15% to 20% of its profits back into the business, according to Mr. Sternklar. It has call centers in Little Falls, N.J., and Raleigh, N.C. The firm has the capability to handle total benefit outsourcing, but no clients have requested it yet.

William M. Mercer teamed up with payroll services provider Automatic Data Processing Inc. of Roseland, N.J., about four years ago to provide total benefits outsourcing and payroll services to employers through the Atlanta-based Administrative Solutions Group.

"We complement one another. We're the consultants; ADP does the transactions," explained Mr. Relle. "Mercer built a similar benefits outsourcing program, and ADP had the payroll capabilities. The two linked together to provide one-stop shopping."

Then ADP acquired the administrative outsourcing business from Mercer about a year ago, according to Dave Larson, vp-marketing in Administrative Solutions Group's special accounts division in Atlanta.

Like Hewitt, ASG provides call centers and IVR- and Internet-based services. ASG has call centers in Deerfield, Ill.; Des Moines, Iowa; Silver Spring, Md.; and Salt Lake City.

Though ASG has more than 450 employer clients, only a handful—the very largest—purchase total outsourcing services.

Last year, Watson Wyatt Worldwide pulled out of its joint total benefit outsourcing venture, which it launched with State Street Global Advisors in 1996.

But the venture, Wellspring Resources L.L.C., now owned solely by State Street, is still going strong, according to Amy McGeorge, chief marketing executive for Wellspring in Jacksonville, Fla.

"The demand is unbelievable," she said, because "the skills of the benefit manager are changing. Benefit departments have gone from being administrative and clerical functions to becoming strategic partners of their organizations. So they're outsourcing their routine tasks."

In addition, human resource spending "has been squeezed for some time," but it takes a big staff and a lot

See **Benefits** *on page 12*



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Opinions

Insurers shoot first, ask later

AS GUN MANUFACTURERS face an increasing threat of lawsuits from public entities and private parties seeking reparation for harm caused by violent crime, they no doubt are wondering if their insurers will stand by their side or duck and run for cover.

These would be the same insurers that often can be found publicly wondering how to improve their poor image and customers' perception of poor quality.

Sadly, we're afraid too many insurance companies won't make the connection.

To be sure, some insurers will recognize that gun manufacturers may have a legitimate claim for the defense of these lawsuits—and perhaps indemnification if they ultimately are found liable—and will work with policyholders within the terms of their contracts. Other insurers, though, are just as likely automatically to issue reservation-of-rights letters, laying the groundwork for a denial of coverage, before even discussing the claims with their policyholders.

That knee-jerk response is already occurring among insurers in the wake of a jury verdict last month that found gunmakers guilty of negligently distributing weapons (*BI*, Feb. 22). The gun litigation, however, is only the latest example of this all-too-common approach by the insurance industry.

One reason for this is that some insurers appear to equate an outrageous claim against the policyholder with the validity of that policyholder's claim for coverage. Just because a plaintiff's argument appears to lack merit does not mean it will be inexpensive to defend. Indeed, it also does not mean that a jury or court somewhere, sometime won't buy the argument and slap the defendant with a huge damage award. That creates a liability exposure for the policyholder that liability insurance is intended to assume.

If insurers truly believe their product or general liability insurance policies do not cover a particular claim, they should meet with the customer and attempt to determine why the two sides have differing interpretations of the contract. A willingness to try to resolve that dispute in a less-confrontational manner could go a long way toward assuring a continued relationship between the parties, as well as boosting the industry's stature.



"WHADDAYA MEAN," MINE ISN'T LOADED"?!"

However, if insurers instead respond to notifications of possible claims or questions of coverage with reservations-of-rights letters, petitions for summary judgment and other confrontational moves, it is no wonder the industry gets a bad reputation.

Unfortunately, this combative stance comes as businesses face a growing need for liability protection. Indeed, in the current mass-tort environment—in which many suits seem designed more to enrich plaintiffs attorneys than to provide redress to plaintiffs—manufacturers of any product can find themselves the target of a lawsuit.

The fact that this latest round of lawsuits is against gun manufacturers—an unpopular group in some quarters—should not make any difference in their entitlement to a fair consideration of their claims.

No one can reliably predict where new and costly lawsuits against businesses will emerge. But managing that uncertainty is the whole reason companies buy liability insurance, isn't it?

Letters

OSHA should wait for NAS ergonomics review

To the editor: You're right; the cold wind is still blowing, as revealed in your Feb. 8 editorial, "Ergonomics Draft Chilling."

The Occupational Safety and Health Administration claimed the far-reaching proposal is not its "last word." But why is the agency, which is charged with protecting workplace safety, moving forward with a draft when the first-ever comprehensive, impartial review of evidence surrounding ergonomics has just begun?

Indeed, our latest information is that OSHA is trying to issue a final rule before the end of this year. It almost seems that OSHA, in its rush to judgment, is afraid of what an unbiased review of the evidence will reveal.

Congress directed the National Academy of Sciences to review the related medical literature, which would define what it is we really know and don't know about ergonomics. OSHA should consider such fundamental information before it writes regulations.

The American Medical Assn.'s Archives of Internal Medicine reported in its July issue that "the debate concerning whether certain occupations actually cause repetitive motion disorders is now well over a century old and far from settled."

OSHA should support research to resolve this debate, not ignore the need for it.

That's why the U.S. Chamber of Commerce and the National Coalition on Ergonomics—which both represent employers across the nation—support the National Academy of Sciences review. We would be better served by sound science than by a broad, ill-defined regulation that was written before the appropriate research was completed.

Randel K. Johnson
Vp-labor and employee benefits
U.S. Chamber of Commerce
Washington

■ *Editor's note: OSHA issued its new draft proposal for an ergonomics standard on Feb. 19, after this letter was written (BI, Feb. 22).*

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; fax: 312-280-3174; e-mail: pwinston@crain.com

Distribution chain inhibits change

To the editor: Your correspondents are writing about the costs of distribution but are still only on the fringes.

Let us examine a fairly typical modern insurance industry chain: insured to retailer (bite 1) to wholesaler (bite 2) to managing general agent (bite 3) to insurer to U.S. reinsurance broker (bite 4) to London reinsurance broker (bite 5) to reinsurer to retrocession broker (bite 6) to retrocessionaire.

If all the distributors were separately owned, you would argue that this was an industry in real need of being streamlined. If, however, it turned out that the same owner took all six bites, you could expect strong resistance to change.

This aspect of consolidation should be quite an interesting matter to insurance consumers and, one might have thought, to those who regulate trade in the United States and elsewhere.

Graham McKean
Chairman
BMS Group
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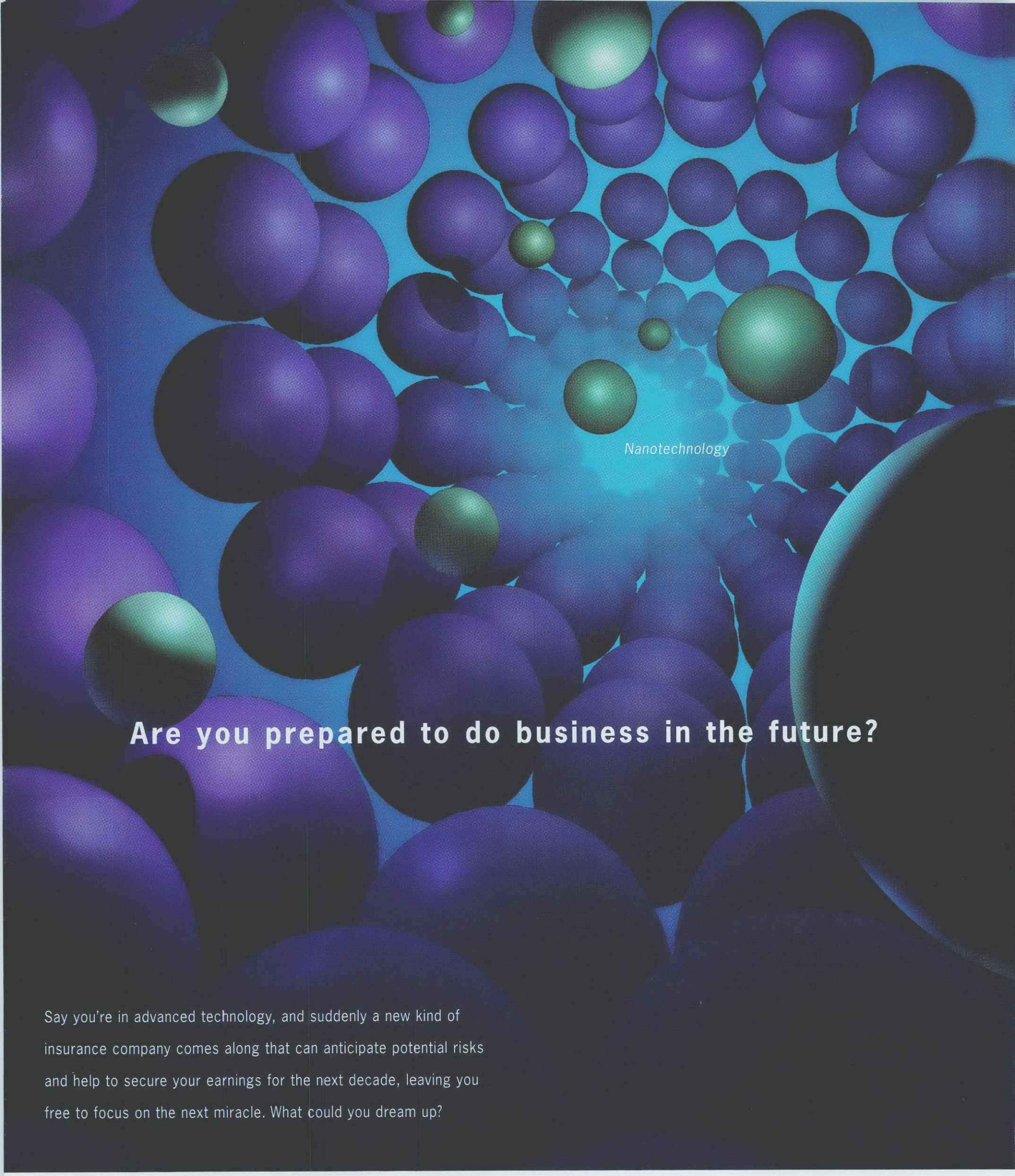
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Spotlight report

Off-the-shelf

Continued from page 3

for open enrollment, said Curtiss Butler, director of new media for Buck Consultants in New York. "I think companies are taking their fingers and running them down the expense sheet," he said, noting that open enrollment is among the most costly benefit administration activities.

He said the largest cost impact of off-the-shelf products is the savings in salaries paid to administrative staff who would otherwise be keying in enrollment data and shuffling paperwork. They give human resources and benefit staffs more managerial capacity and fewer clerical tasks.

There is no consensus about what type of company is best suited to using off-the-shelf products, however, and vendors offer products that target companies of all sizes.

"The challenge for all of these (software) companies is to find identities for themselves in the market," said Bob Cawley, senior vp-financial services group for Baltimore-based risk management services firm Riggs, Counselman, Michaels & Downes Inc., a client of Bentana Technologies.

"Most of the off-the-shelf products are more attractive to small to midsize companies that don't have a lot of internal support," said Steve Hitzeman, a senior consultant with Watson Wyatt Worldwide in Minneapolis.

Some of the products that operate efficiently for a 500-employee company, he said, "aren't easily scalable" to larger corporations with more employees. Transaction times can take too long because the file size becomes unwieldy, and some products might not support several users simultaneously accessing the system.

Some off-the-shelf products charge more per month per employee, while others cost less per employee but have higher startup charges. Monthly prices range from 45 cents per employee per month up to $5 per employee per month.

"The pricing of these things is all over the map," said Mr. Butler.

Cost savings in dollar figures vary, depending on a number of variables unique to each company. But Mr. Butler noted that, among his clients, these products have saved one company $50,000 and another $250,000—amounts significant enough to recover the initial cost of the system.

"It can easily cost-justify itself within 12 to 24 months," he said, noting Buck is a marketing partner with Santa Clara, Calif.-based vendor Healtheon Corp., one of several off-the-shelf products Buck offers clients.

As with cost estimates and targeted clientele, a single off-the-shelf product is not representative of the industry. Mr. Hitzeman said each of these products looks and operates differently. "It's not like accounting, where it has to be done a certain way."

"It's almost as though these base products are templates. . . .It's cheaper and faster to implement because you're taking advantage of a pre-existing model," said Tim Stentiford, national practice leader for the Web communication team in the Boston office of William M. Mercer Inc.

Customization around the base product, the off-the-shelf vendors say, is the key to these products.

"It's completely customized and personalized," said Gary M. Goldstein, chairman and CEO of BISNet. "Yes, we're off-the-shelf, but we are extremely flexible about how we approach the use of the system."

For clients of Health Pages, an Internet health information company, giving employees the ability to do benefits self-service from the office or home is one way corporations can increase efficiency, said Tom Billet, senior vp for Health Pages in New York.

Using Health Pages, an employee can search for a physician based on a number of criteria from one Web site, located on a company's intranet or on the Internet, and the employee can check to see whether the selected physician participates in the company's health plan.

"I think what employees especially like is the ability to identify physicians that participate in the plans we offer," said Thomas Weatherup, director of health care initiatives for General Motors Corp. in Detroit. GM, which offers 150 managed care plans to its employees, has used Health Pages for two years.

Health Pages also plans to expand its function to allow client employees to access an electronic version of the Physician's Desk Reference guide to learn about prescribed drugs and their possible interactions.

Insurdata Inc.'s off-the-shelf answer to employee self-service, called Insur-Enroll, also allows employees flexibility by using the combined technologies of interactive voice response systems and the Internet, said Nancy Mendoza, director of business development for Insurdata. This product enables employees to report via the phone or online life event changes, such as adding a dependent to a benefit plan.

"In our hectic lifestyles and paces. . . people want to do self-service at a time that is convenient," said Ms. Mendoza. "That customer self-service aspect of (Insur-Enroll) is really important."

The transactional abilities of these off-the-shelf products also have improved, not only between employee and employer but also between employer and insurer, NetWEBS' Mr. Garner said.

Healtheon Corp., which recently went public, provides Internet enrollment and electronic distribution to health plans, said Product Manager Rajesh Radhakrishnan. Healtheon's BenefitCentral system converts its files to meet the needs of each of the 20 participating health plans and eliminates the need for reinputting of data at the insurer level.

"One of our primary objectives is to ensure that when we send electronic information, that it goes directly into (the health plan's) system," Mr. Radhakrishnan said.

Because these off-the-shelf products are new and their developers often unproven, Buck's Mr. Butler said he thinks "the thing clients have the most trouble doing is comparing one product to another."

For potential off-the-shelf product buyers, Mr. Butler urges a careful examination of a tool's capabilities. He said it should be easy to link work flows, so that more than one activity can be managed through the system rather than just open enrollment, for example.

In addition, the product should be able to connect to multiple databases, such as those operated by health plans and insurers. Finally, the buyer should be able to make changes in business operations on their own with relative ease, Mr. Butler said.

Employers also should check the vendor's references and review any case studies, Mercer's Mr. Stentiford said. This will not only provide the potential buyer with an idea of how pleased clients have been with the operations of the product but also will offer insight on how employees have responded to and used the product. "The danger is the product can be driven by technology or data and not the end user," Mr. Stentiford said. "As you're looking at some of these base products, can you look at the site itself and not just the marketing materials?"

Off-the-shelf products also should be extensible, Mr. Stentiford said, because Web-driven technology and accessibility is rapidly changing.

Watson Wyatt's Mr. Hitzeman urges employers to look for a product that offers a "good shell," that is, one that covers a variety of benefits, that provides multiple means of accessing the data, and that has a lot of built-in legal and regulatory compliance mechanisms.

Also important is ensuring that current benefit laws and regulations are incorporated in the product's functions. Mr. Hitzeman said it is crucial that the vendor state where its legal and regulatory information is coming from: a third party with benefit knowledge, or from an in-house person whose job is to research benefit issues.

Said Mr. Garner, "You need a marriage of computer and benefit expertise." BI

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Acclamation Systems Inc.

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

Benefit systems since: 1991.
Total clients: 5
Corporate benefit clients 1

▶ **Luminx**

PC operating system: Windows 95, NT.
Midrange/maintrame system: midrange system UNIX, AIX.
Interactive requirements: Internet/intranet: electronic mail; interactive voice response system.
Multiple user.
Customization optional.
First installation: 1991.
Total benefit installations: 30.
Benefits managed/communicated: flexible spending accounts, disability plans, group health plans, COBRA.
System standard features: recordkeeping, plan enrollment, coordination of benefits, provider contact management, accounting, check writing, claims administration, generates participant letters, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions.
System optional features: utilization review, medical coding/unbundling.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, flexible spending account information, personalized benefit information, managed care network information.
Generates reports via: printer attached to computer or kiosk, computer diskette, fax.
Officers: Joseph C. Ott, president; Susan Pastoff, senior vp; James Senge, vp-operations; Mark Brown, vp-sales/marketing.
Contact: Mark Brown.

American Financial Systems Inc.

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

Benefit systems since: 1986.

▶ **AFS Deferral Tracking System**

PC operating system: Windows 95.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1998.
Benefits managed/communicated: Non-qualified Deferred Compensation.
System standard features: recordkeeping, plan enrollment, accounting, retirement plan distributions, retirement planning/forecasting.
System optional features: check writing, discrimination testing, generates participant letters, savings plan loan administration, voice response system; Internet and Intranet.
Communication standard features: savings plan investment selection, flexible spending account information, personalized benefit information, savings plan investment transfers, retirement savings modeling.
Communication optional features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment,
Generates reports via: printer attached to computer or kiosk, e-mail, fax, mailed hard copy, Internet/intranet site, Voice Response System is optional; Internet and Intranet.
Contact: Lauren Delong, director-marketing.

Aon Consulting

123 N. Wacker Drive,
Chicago, Ill. 60606-1770;
312-701-4800; fax: 312-701-4855
www.aonconsulting.com

Benefit systems since: 1993.
Parent Company: Aon Corp.
Total clients: 50
Total 1998 revenues: $625,000,000

▶ **Client specific***

Interactive benefit communication system.
Price:
Purchased: $50,000 minimum.
Service bureau basis: $10,000 per month.
PC operating system: Windows.
Other types: Server-Sun, NT and OP systems.
Single user or multiple user.
Provides: online processing capabilities.
Customization required.
First installation: 1989.
Total benefit installations: 100.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, flexible benefits, options also available for pension plans, workers compensation benefits, stock plan.
System standard features: recordkeeping, plan enrollment, coordination of benefits, provider contract management, retirement plan distributions, discrimination testing, generates participant letters, eligibility verification, COBRA billing, premium deductions, savings plan loan administration, government reporting, retirement planning/forecasting.
System optional features: utilization review, check writing, claims administration.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Communication optional features: claims status.
Generates reports via: printer attached to computer or kiosk, computer diskette, E-mail, fax, mailed hard copy, Internet/intranet site, details on investment alternatives and transfers among investment funds, options available for employee-specific recommendations and health care.
User support: user groups/meetings, onsite training, telephone assistance.
Officers: Daniel T. Cox, chairman-Aon Consulting Worldwide; Donald C. Ingram, chairman-Aon Consulting-Americas; David Jones, president-Aon Consulting's Human Resources Consulting Group.
Contact: 800-438-6487.
** Systems are customized in the areas of employee benefits, human resources and compensation.*

Apex Data Systems

6464 E. Grant Road, Tucson,
Ariz. 85715-3819;
520-298-1991; fax: 520-296-7948
www.apexdatasystems.com

Benefit systems since: 1975.
Total clients: 30

▶ **CognacPlus and Geronimo**

Price:
Purchased: $20,000 to $400,000.
PC operating system: DOS; Windows 3.1, 95.
Other types: UNIX.
Single user or multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1980.
Total benefit installations: 40.
Benefits managed/communicated: disability plans, long-term care.
System standard features: recordkeeping, plan enrollment, utilization review, medical coding/unbundling, coordination of benefits, accounting, check writing, claims administration, generates participant letters, eligibility verification, COBRA billing, stop-loss reinsurance management, government reporting, health care pre-certification, reasonable and customary review, PPO/EPO dual/triple option.
Communication standard features: benefit plan descriptions.
Generates reports via: printer attached to computer or kiosk, mailed hard copy.
Officers: Dwight Babcock, president; Cynthia Stewart, vp-marketing/public relations.
Contact: Dwight Babcock.

B

Benefit Plan Systems Corp.

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

Benefit systems since: 1987.

▶ **COBRA EAS**

Price:
Purchased: $2,000.

Continued on page 20



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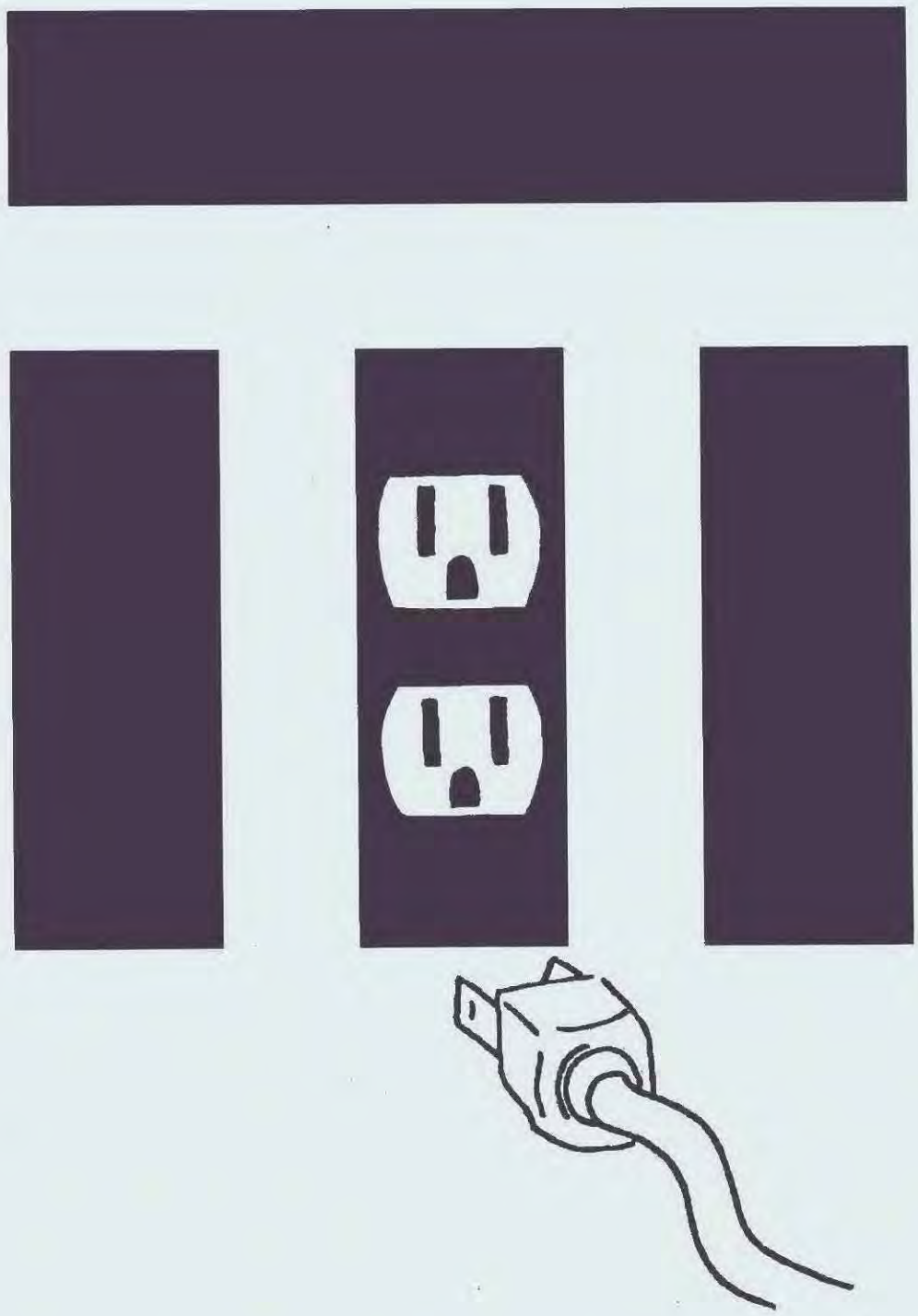
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Continued from page 18

PC operating system: Windows 3.1, 95, 98, NT.
Single user or multiple user.
Provides: Internet/intranet access available.
First installation: 1987.
Total benefit installations: 5,000.
Benefits managed/communicated: COBRA.
System optional features: recordkeeping, COBRA billing.
Communication standard features: benefit plan descriptions, direct plan enrollment, personalized benefit information.
Generates reports via: printer attached to computer or kiosk.

▶ **GIBS**
Price:
Purchased: $1,995 to $9,995.
PC operating system: Windows 95, NT.
Interactive requirements: Internet/intranet.
Single user or multiple user.
First installation: 1989.
Benefits managed/communicated: flexible spending accounts, disability plans, leaves of absence, group health plans, life insurance.
System standard features: recordkeeping, plan enrollment, generates participant letters, eligibility verification.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, personalized benefit information, benefit option information/advice.
Generates reports via: printer attached to computer or kiosk.

▶ **EasyCert**
Price:
Purchased: $495 to $1,995.
PC operating system: Windows 95 or NT.
Interactive requirements: Internet/intranet.
Single user or multiple user.
First installation: 1997.
Benefits managed/communicated: HIPAA certificates or creditable coverage, alternative form and other letters.
System standard features: recordkeeping, plan enrollment, generates participant letters, eligibility verification, manages HIPAA, prints certificates of creditable coverage, alternative forms, pre-exist notice, initial new hire COBRA notice.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, personalized benefit information.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, mailed hard copy.

▶ **TPA - The Plan Administrator**
Price:
Purchased: $2,500 to $25,000.
PC operating system: Windows 95, NT.
Interactive requirements: Internet/intranet; electronic mail; computer kiosks.
Single user or multiple user.
Provides: Internet/intranet access available.
First installation: 1995.
Benefits managed/communicated: flexible spending accounts, disability plans, group health plans, life insurance, group plan enrollment, eligibility and billing.
System standard features: recordkeeping, plan enrollment, accounting, eligibility verification, premium deductions, group premium collection paperless enrollment and eligibility reporting.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, personalized benefit information, benefit option information/advice.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, Internet/intranet site.
Officers: L.B. Wierzba, president; C. Jarl, vp; G Schuessler, corporate secretary.
Contact: Leonard B. Wierzba.

Benefit Resource Management Inc.

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

Benefit systems since: 1990.
Total clients: 19
Corporate benefit clients 5
Total 1998 revenues: $1,000,000

▶ **DOCSQL LTD/STD**
PC operating system: Windows 95, NT.
Multiple user.
Customization optional.
First installation: 1992.
Total benefit installations: 5.
Benefits managed/communicated: disability plans.
System standard features: plan enrollment, claims administration, eligibility verification, disability management, plan design.
User support: onsite training, telephone assistance, modem maintenance and upgrades.
Officers: Ted Mahler, president; George Andrews, vp/CIO.
Contact: Ted Mahler.

BeneSoft Inc.

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

Benefit systems since: 1987.

▶ **Flexible Software**
Interactive benefit communication system.
PC operating system: Windows.
Interactive requirements: Internet/intranet; interactive voice response system.
Single user or multiple user.
Customization required.
First installation: 1987.
Total benefit installations: more than 100.
Benefits managed/communicated: flexible spending accounts, group health plans, section 125 flexible benefit plans.
System standard features: recordkeeping, utilization review, medical coding/unbundling, coordination of benefits, provider contract management, accounting, check writing, retirement plan distributions, discrimination testing, claims administration, generates participant letters, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, government reporting, retirement planning/forecasting.
System optional features: plan enrollment.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, personalized benefit information.
Communication optional features: savings plan investment selection.
Generates reports via: printer attached to computer or kiosk, computer diskette, fax, mailed hard copy.
Officers: Faisal A. Saleh, president; Steve Frobel, vp.
Contact: Faisal A. Saleh.

Bentana Technologies Inc.

155 Founders Plaza,
East Hartford, Conn. 06108;
860-289-6037; fax: 860-289-6347
www.bentana.com.

Benefit systems since: 1997.
Total clients: 30,000

▶ **BenefitsXtra**
Interactive benefit communication system.
PC operating system: Windows.
Other types: operating system, Independent Web-based service.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1998.
Total benefit installations: 30,000.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System standard features: recordkeeping, plan enrollment, utilization review, accounting, retirement plan distributions, generates participant letters, eligibility verification, disability management, premium deductions, payroll.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, medical savings account information, retirement savings modeling, managed care network information.
Generates reports via: printer attached to computer or kiosk, e-mail, Internet/intranet site.
User support: telephone assistance, new releases, new documentation.
Officers: David Donahue, president; Mike Gingrave, vp-product development; Scott Ramsey, vp-professional services.
Contact: David Houpert.

BLAZE SSI Corp.

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

Benefit systems since: 1980.

▶ **Benefits Administration System**
Price:
Leased: $1 per member per year.
PC operating system: Windows 95, 98, NT.
Interactive requirements: Internet/intranet.
Multiple user.
Customization optional.
First installation: 1990.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, 401(k) plans.
System standard features: recordkeeping, plan enrollment, check writing, retirement plan distributions, discrimination testing, generates participant letters, eligibility verification, savings plan loan administration, government reporting, retirement planning/forecasting.
System optional features: coordination of benefits, System easily links with ODBC databases for integration of data from multiple sources.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, flexible spending account information, personalized benefit information, benefit modeling/projections, benefit option information/advice, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, online support, onsite training, telephone assistance.
Officers: Janice M. Vittes, president; Joe Blaze, executive vp-technical services; Elizabeth Masto, executive vp-operations.
Contact: Carol Malone.

Buck Consultants Inc.

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

Benefit systems since: 1995.
Parent company: Mellon Bank Corp.
Total 1998 revenues: $332,000,000

▶ **Buck Interactive Voice Response**
Interactive benefit communication system.
Other types: no hardware is required under service bureau arrangement.
Interactive requirements: interactive voice response system.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization required.
First installation: 1989.
Total benefit installations: 59.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, Social Security benefits, group health plans, section 125 flexible benefit plans, life insurance, survey, all health and welfare enrollment benefits.
System standard features: recordkeeping, plan enrollment.
System optional features: utilization review, coordination of benefits, retirement plan distributions, generates participant letters, eligibility verification, premium deductions, savings plan loan administration, retirement planning/forecasting, confirmation statements generated for all transactions, plan materials and forms automated request and fulfillment.
Communication optional features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, managed care network information, savings plan investment transfers, retirement savings modeling. .
Generates reports via: mailed hard copy.
Officers: Joseph A. LoCicero, chairman/CEO; Karl Lohwater, secretary; Gary Stephen, treasurer.
Contact: Ed Gadowski, marketing department.

Byrne Software Technologies Inc.

732-A Crown Industrial Court,
Chesterfield, Mo. 63005;
877-537-8403; fax: 314-537-5904
www.BYRNESOFTWARE.com.

Parent company: William Byrne & Associates Inc.

▶ **Visual HCS**
PC operating system: Windows.
Midrange/mainframe system: midrange system: AS/400.
Multiple user.
Provides: online processing capabilities.
Customization optional.
First installation: 1987.
Benefits managed/communicated: pension plans, disability plans, group health plans, COBRA, automatic claim adjudication, claims processing, eligibility, collection, EDI, COB, pricing.
System standard features: recordkeeping, plan enrollment, utilization review, medical coding/unbundling, coordination of benefits, provider contract management, accounting, check writing, retirement plan distributions, claims administration, generates participant letters, eligibility verification, COBRA billing, stop-loss reinsurance management, premium deductions, government reporting.
System optional features: discrimination testing, medical case management, disability management.
Communication standard features: benefit options selection/adjustment, claims status, personalized benefit information.
Communication optional features: benefit plan descriptions, direct plan enrollment.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
Contact: Joyce Sherman, director-marketing/sales.

Continued on next page

Explanation of terms in the directory

The directory of employee benefit information and communication systems, a combination of the directory of the benefit information and claims systems and the directory of benefit communications systems, lists companies that produce and supply proprietary computer software products or interactive benefit communication software directly to corporations for the purpose of managing their employees' benefit plans. Companies that deal in general utility software, hardware only, or software designed only for general personnel administration are not included.

Listings begin with the company address, year the company began offering interactive benefit systems and name of parent company, if applicable.

Information about the number of **total clients** and corporate benefit clients is followed by **total 1998 revenues** and EBIS revenues.

Information on **software products** follows. **Price** indicates whether a system is purchased, leased or is operated on a service bureau basis. The purchase price, average lease price and service bureau price of the system is noted, if given by the company. **PC system requirements** indicate the type of operating system needed to run the software. **Midrange/mainframe** indicates the type of system for which the product is designed. **Interactive requirements** indicates the interactive communication features that are required. Following is an indication if the system is for a single user or multiple users. **Customization** options are noted when applicable.

Year of **first installation** and the **total installations** are also given. This is followed by an indication if the system is dependent on any other system. The next section details the **benefits managed/communicated**, followed by **system standard features** and **system optional features**. The next section details the **communication standard features** and **communication optional features** offered, followed by information on **report** capabilities. Following are the types of **user support** available that are standard in the benefit communication system. Names and titles of **officers** and a **contact** complete the listings.

The directory is published as an editorial service; there is no charge for companies to be included. 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 information received.

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Paperless office a reality at one wholesale agency page 20I

Brokers unfazed by Brazilian economic crisis

Prospects in Latin America remain high despite currency devaluation, executives say

By ROBERTO CENICEROS

Brokers and insurers expect that Brazil's current financial crisis is temporary and will not dim their growth and acquisition prospects in Latin America's insurance markets.

Some do worry about potential problems in Brazil, such as the possibility that hyperinflation will resurface. But many see that and other potential problems as minor risks, and they say that solid, fundamentals are in place for the long term. Nevertheless, several experts agree that premium volume will remain flat or fall throughout 1999.

Insurance industry executives closely watch the country because its $17 billion insurance market is by far Latin America's largest. It is more than three times larger than the insurance markets of either Argentina or Mexico, which are the region's next-largest insurance markets.

Brazil's monetary unit, the real, declined 30% in value from mid-January, when the government allowed it to float freely on world markets. The devaluation threw Brazil headlong into an economic crisis, caused a loss of confidence in Brazil's leadership and added to worries about a growing outflow of foreign capital and a deepening recession. At one point early last month, Brazil raised its prime interest rate to 39%. Three weeks earlier, the prime had stood at 29%.

As a result, Brazilians suddenly have lost a substantial amount of purchasing power, and neighboring countries could be affected as Brazilians find it harder to import goods.

But U.S. insurers and brokers



operating in the region say they don't expect the crisis will greatly disturb the underlying value in Brazil and in other Latin American countries.

"The way we—and most serious investors in that area—look at it is it's just a blip on the map and a financial dilemma," said Douglas B. Fay, president of Mountain Lakes, N.J.-based Globex International Inc. "It's a problem from a local currency standpoint, not from a U.S. dollar or pound standpoint. It's a temporary situation."

Globex helps independent brokers design, sell and service global programs. The company also can link brokers up with local producers in other countries.

The devaluation of the real, which weakens the monetary unit in relation to the dollar, could even accelerate the acquisition of local insurers, said Joe Graziano, president of international operations for Reliance National Insurance Co. of New York. In 1998, Reliance National opened a representative office in Sao Paulo, Brazil, as a precursor to establishing operations there, either through purchasing an insurer or obtaining a new license.

"The current situation does not cause us any particular angst," Mr. Graziano said. If anything, Reliance National might scale back short-term expectations. But the country has intrinsic value because of its population and economic size; its commitment to democracy; and its government, which is willing to tame inflation, he said.

In the past four to five years, Brazil's insurance market has grown from less than 1% to more than 2% of the country's gross national product, said Alastair Macfarlane, president of Aon Risk Services in Brazil. Consequently, multinational insurers of all types have in recent years increased their operations there. Among those insurers are Aetna Inc. of Hartford, Conn.; Liberty Mutual Insurance Co. of Boston; and CIGNA Corp. of Philadelphia, Mr. Macfarlane said.

Under those conditions, Aon, too, will continue to pursue business in Brazil.

"Aon in no way has reduced its level of interest in Brazil. We are firmly committed to Brazil and to expanding and growing our operations in Brazil," Mr. Macfarlane said. "There is a globalization going on in the business. Aon's view is that Brazil is a market which is still of considerable interest, and temporary difficulties do not mean that it's going to disappear."

Other brokers have a similar

See **Brazil** *on page 20D*

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1-800-611-6123 ext. 860
tdd #1-800-427-5593
http://www.fema.gov/nfip

National Flood Insurance Program
NFIP
Administered by FEMA

Brazil

Continued from page 20B

view of Brazil, seeing a need to offer a full range of services in the country.

"We are in there for the long pull. We have a very large operation there now," said Bob Solomon, J&H Marsh & McLennan Inc.'s managing director for international specialty operations in New York.

"Obviously, it's going to be a tough year or two," Mr. Solomon said. But Brazil is committed to privatizing industries, such as its reinsurance market, that currently are monopolized by the government. Competition will help spur insurance growth, Mr. Solomon predicted.

Over the past four or five years, multinational clients have made sizable investments in the region, Mr. Solomon said. He conceded that may slow, But J&H Marsh & McLennan has a substantial book of domestic, middle-market business in Brazil. And any slowing of multinational client investment can be offset by helping local companies introduce risk management concepts already in use in the United States, such as captive formation.

The crisis, therefore, could present new opportunities.

If, for example, a Brazilian bank were unable to provide a guarantee on a ship-building project, then perhaps J&H Marsh & McLennan could find an insurance company willing to provide a bond for the project, Mr. Solomon said.

Personally, I'm not convinced Brazil is going to go into a hyperinflation scenario,' says James McCarty.

And even though the devaluation of the real, combined with client investment in Brazil, may present acquisition opportunities for some in the insurance industry, others are not being wooed.

Near North Insurance Brokerage Inc. will continue to offer clients services in Brazil through partnerships with local producers, said John D. Richardson, senior vp and director of global operations for the Chicago-based broker. That frees up Near North to use its financial resources to build its core business in the United States and to avoid the difficulties of managing a foreign operation.

One of the biggest concerns about Brazil is a perception outside the country that only the large, international brokerages are capable of servicing multinational clients there, added Globex's Mr. Fay.

"But, in reality, there are dozens of strong independent brokers who are good," Mr. Fay said.

For insurers, a growing opportunity exists in Brazil's pensions and health plan markets, which Brazil and other countries have been moving to privatize.

Even Reliance National, which specializes in commercial property/casualty coverage in the United States, is exploring the health and benefits market in Brazil. It already provides health plan services in Argentina, Mr. Graziano said.

Brazil's current situation could hurt insurers if it were to continue for the long run, Mr. Graziano said. But, like other insurers, he believes it is a temporary and typical hurdle for companies interested in emerging markets.

"'Any company, whether it is in the insurance industry or any other business, needs to be able to deal with this kind of problem," he said. "If they believe value exists, they have plans to tough it out. In the short term, maybe you feel the pinch. But if the original plan (is sound), you stick with it. Most of the international community does just that."

And because of Brazil's size, any company that wants to be recognized as an international player must have a presence there, said James McCarty, president in the Boston office of Liberty International Latin America. Two years ago, Liberty Mutual purchased Brazilian insurer Paulista Seguros S.A., a personal lines company with a strategic focus on personal automobile insurance and "good-size books of business in commercial, commercial multiperil and group life."

Mr. McCarty views the immediate impact of the economic crisis on insurance as "fairly minimal."

However, if the country's financial difficulties kick off an inflation spiral, it could be a problem for insurers with outstanding policies that do not account for the impact of hyperinflation on goods and services such as automobile replacement parts and repairs.

But Mr. McCarty takes comfort in the Brazilian business community's past experience in handling inflation, he said.

"Personally, I'm not convinced Brazil is going to go into a hyperinflation scenario," he said. "If they can get the devaluation impact down to 30%, many parts of the Brazilian economy can absorb that without necessarily having to pass that on in terms of 30% inflation." BI

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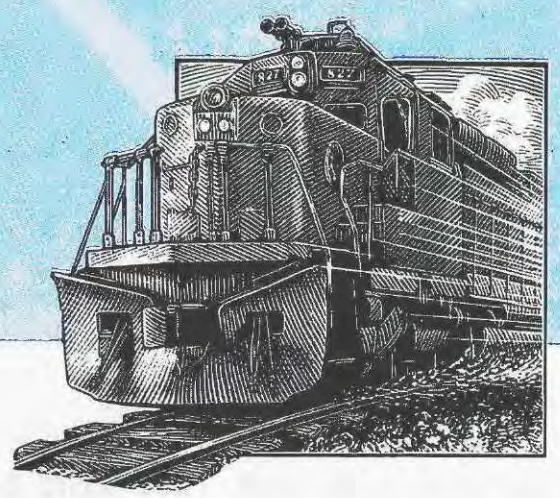
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Euro-priced deals have yet to gain currency



By CAROLYN ALDRED

Europeans don't yet have any euro coins jingling in their pockets, but the currency already is being used in insurance transactions across the continent.

The euro was introduced as a common currency for 11 members of the European Union in January. It will be used alongside each member state's national currency until Dec. 31, 2001. As of Jan. 1, 2002, euro notes and coins will be circulated, and the euro will become the sole currency throughout the 11 countries.

Meanwhile, a second wave of European countries, which likely will include Denmark, Greece, Sweden and the United Kingdom, is expected to adopt the euro in the near future.

Several multinational corporations already have signed insurance contracts in euros, and most European insurers and brokers are ready to price commercial insurance business in the new currency. However, despite the obvious advantages for pan-European operations of using one standard currency, the shift to the euro has been slow and gradual, insurers and brokers report.

"There hasn't been a huge rush to trade in euros," said David Sparkes, special projects director for London-based Willis Corroon Group Ltd.

Mr. Sparkes estimates that only about 5% to 10% of Willis Corroon's commercial clients in Europe have switched to the euro as their main insurance currency so far, despite the broker's urging that clients do so. "We feel that this is the way forward and that we may as well do it straight away," said Mr. Sparkes.

A spokesman from Munich Reinsurance Co., one of Europe's most influential reinsurers, agreed that, while the company is prepared to deal in euros according to its cedents' wishes, the use of the euro in reinsurance contracts so far has been "quite limited."

David Salvage, a business manager in the information technology division of Aon Group Ltd. in London, noted that most 1999 renewals thus far have been in corporations' own national currencies rather than the euro.

He said he believes that many companies did not want to be "in the vanguard of such a fundamental change" and are waiting to see how the new currency develops. "I would expect next renewal season to see a major move toward the euro," Mr. Salvage predicted.

Ian Bates, a member of the Assn. of British Insurers' European Monetary Union working party, also noted that "only a small proportion of renewals this year have been priced in euros." Mr. Bates, who is group internal control manager for Royal & SunAlliance Insurance Group P.L.C. in London, points out that not many multinational companies are pushing to use euros.

However, brokers and insurers note that the transition period is relatively short and that by the beginning of 2002 the national currencies of Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Portugal and Spain will be obsolete.

"We do not want to deal with a huge number of transactions at the last minute," said Mr. Sparkes.

"I do find it surprising how slow the takeup is," said Aon's Mr. Salvage.

One company that already is switching its policy documentation into euros is the Anglo-Dutch group Unilever. All upcoming renewals will be in euros for coverage of all the group's operations in the euro zone, confirmed corporate risk and insurance manager Albert van Blitterswijk.

Mr. van Blitterswijk said a standard European currency will make life for corporate risk managers much easier than conducting transactions in several different European currencies.

Adoption of the new currency is likely to vary from country to country in Europe, and international brokers and insurers are giving their operations flexibility in how fast they move to the new currency.

While all industrial and commercial clients of German-based

See **Euro** *on next page*

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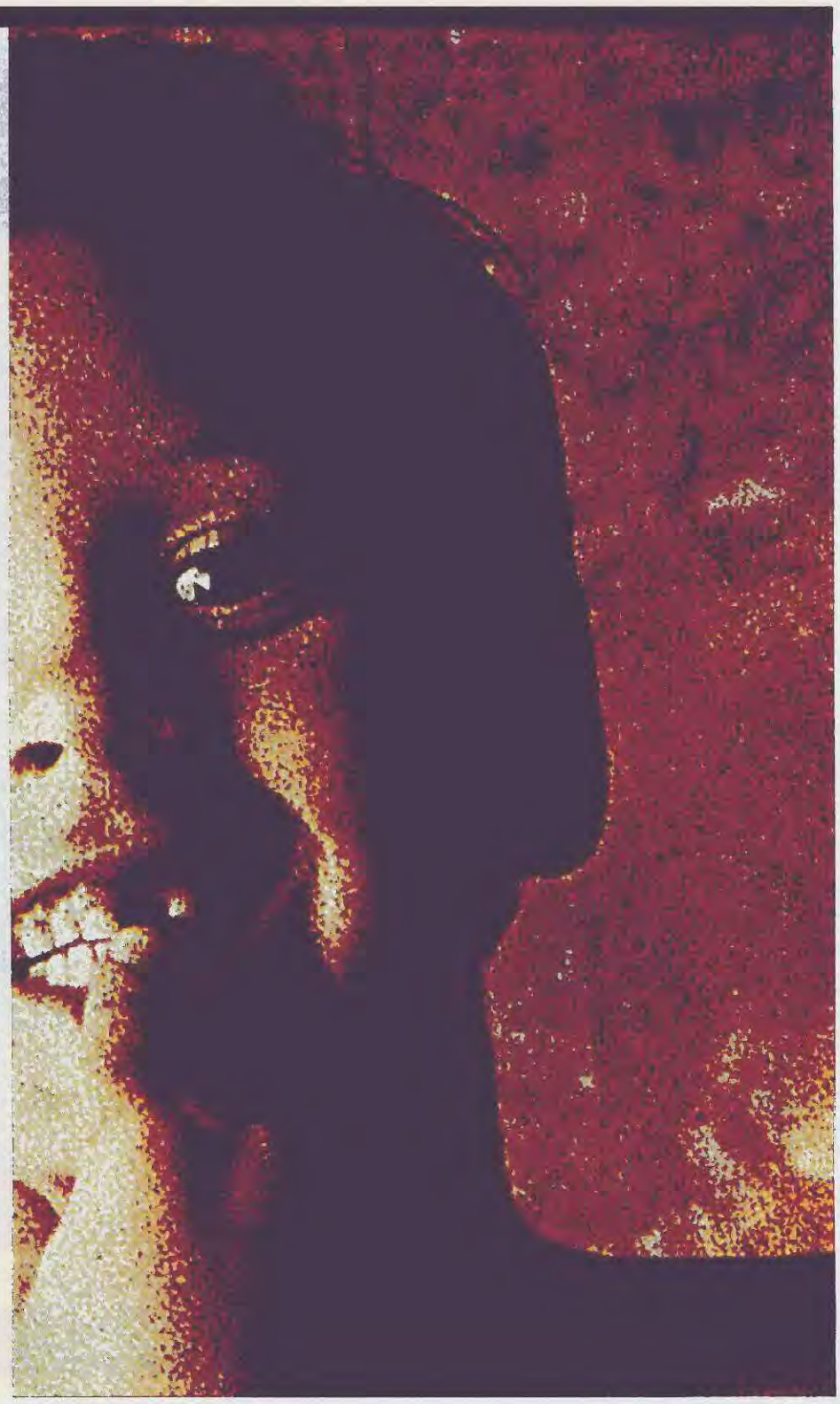
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Euro

Continued from previous page

Allianz A.G. have been able to pay in euros from the beginning of the year, the approach to personal lines insurance and life insurance is likely to vary according to the country in which a group member operates, said an Allianz spokesman. The euro strategy is being handled differently from country to country, he said.

Aon's Mr. Salvage has observed different attitudes toward the adoption of the euro while visiting the broker's various European operations. France is moving faster than other markets in adopting the euro, he said, noting that many of January's renewals in the French retrocessional market were transacted in euros. Other European insurance markets seem to be taking a more gradual, "pragmatic" approach, Mr. Salvage observed.

While ultimately simplifying life for insurers and brokers of multinational accounts, the cost of euro conversion is considerable. A consultation paper on the European Monetary Union prepared for the Assn. of British Insurers last year estimated that conversion costs for insurance companies would range from £10 million pounds ($17 million) to £100 million pounds ($170 million) per company. The paper was prepared by the London-based information technology company Cap Gemini UK P.L.C.

"Continental European experience in the insurance industry shows that the cost and complexity of EMU conversion will be greater than that for the millennium," agreed Peter Havelock, who leads London management consultant Ernst & Young's insurance industry euro service line.

Cap Gemini also stressed that the switch to euros was not just an information technology issue for the industry. "EMU should be looked at as a highly complex business issue," the consultation paper stated.

Meanwhile, insurers and brokers not based in the 11 phase-one countries also should be addressing the issue of the euro, as it will affect any company trading with European companies, according to the Assn. of British Insurers and the British Insurance & Investment Brokers Assn.

"Clients in Europe and worldwide can request that the sums insured in their policies are expressed in euros and that the premium and claims will be expressed in a like manner. However, unlike some other currencies, this will not be merely another settlement currency. It is, and will become, a universal currency throughout Europe," Peter Staddon, BIIBA's technical services manager, wrote in a recent bulletin sent to BIIBA members.

"Although the United Kingdom is not in the first wave for the harmonization of the European currency, it could impact our business," Mr. Staddon warned. And it is not just an issue for large brokers, he noted.

Major European corporations already are using the euro and are likely to expect that their suppliers do the same. These smaller suppliers could well be the clients of small- and medium-sized regional brokers, Mr. Staddon noted.

Problems faced by smaller brokers include losing money through currency fluctuations, invoicing, and posting clients' premium payments and insurer settlements in euros on their computer systems, according to Mr. Staddon. Running a dual system during the transition period is likely to result in complications, such as "invoicing in one currency and the client paying in another," he pointed out.

Meanwhile, the ABI is consulting British insurers on to how to deal with accounting in multiple currencies during the transition period, said Janette Weir, the association's chief economist.

Some European countries, such as Austria, are choosing to enact legislation dealing with this problem, but the ABI is in favor of an industry code of practice rather than a legislative solution, Ms. Weir said.

An ABI working party also is examining the issue of rounding out when converting from one currency to another. The European Union has laid down strict rules that all conversions should be rounded out to six significant figures, she said.

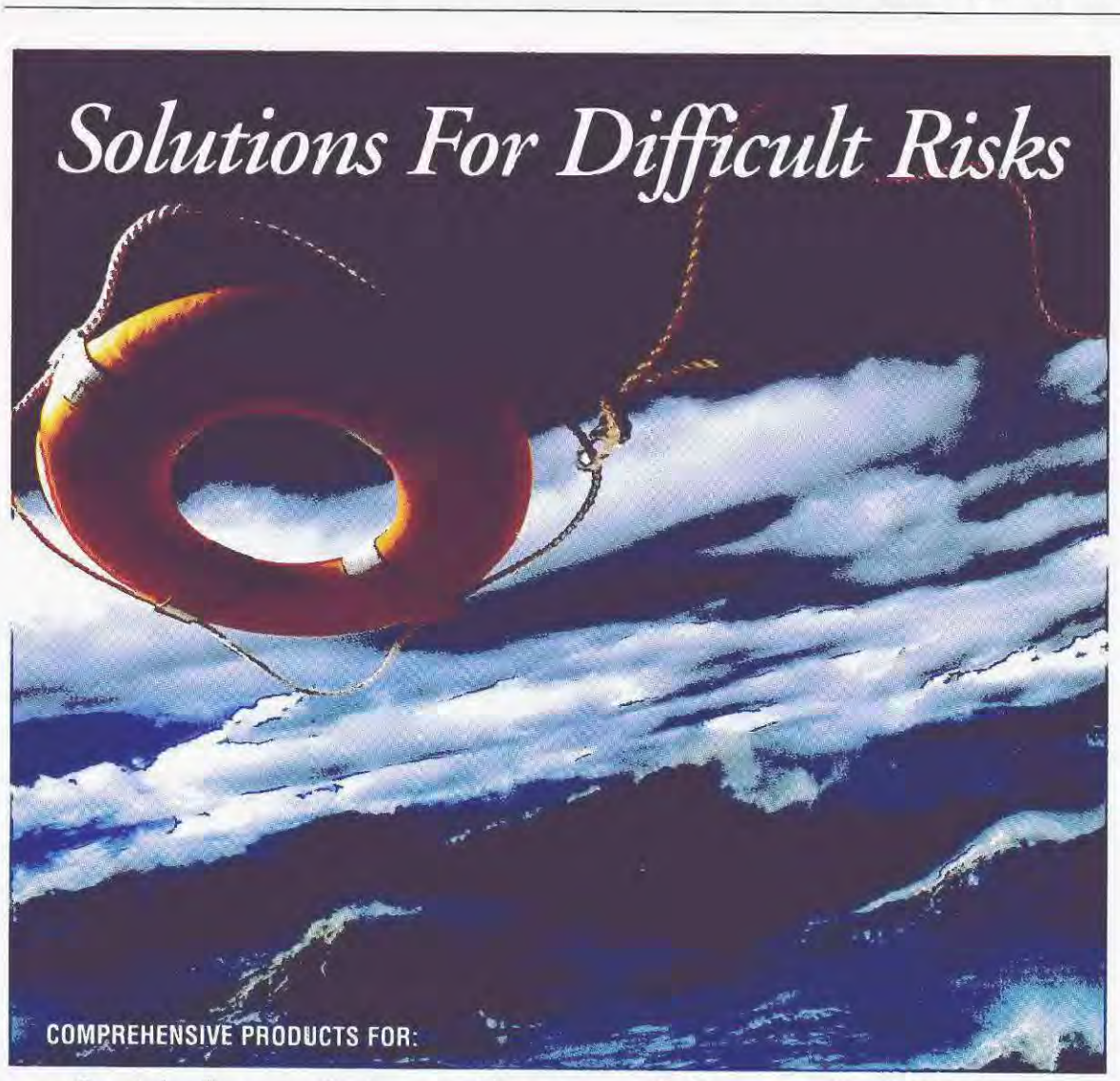
However, "We believe that, for some figures in insurance, (the ability to do) this would place a large cost on companies, with little benefit for the consumer," she said. Ms. Weir explained that, for example, expressing estimated expected pension returns to two decimal places would give consumers a false sense of accuracy.

As far as multinational clients are concerned, London market insurers should be well prepared to handle accounts in euros, despite the United Kingdom not yet being in the euro zone, according to RSA's Mr. Bates. The euro is still just a foreign currency, and London market insurers have been pricing policies in foreign currencies for years, he said.

Starting Jan. 1, Lloyd's of London added the euro to its central accounting system as one of its four main settlement currencies, along with the pound and the U.S. and Canadian dollars, a Lloyd's spokesman confirmed.

Being outside the euro zone should make no difference to United Kingdom-based insurers with multinational clients that wish to use the euro, said Mr. Bates. Similarly, he expects U.S. insurers and brokers with clients operating in Europe to be familiar with the euro, and to be able to price policies in euros if clients demand.

"The euro will be a major trading currency. If companies are not able to offer their products in euros now, they better make sure they can soon," Mr. Bates said. BI



A/BT Briefs

Broker grows

SAVANNAH, Ga.—Regional insurance broker Palmer & Cay Inc. has been busy growing its business since the beginning of the year, acquiring a broker and two employee benefit units.

Last month, the Savannah, Ga.-based broker acquired Powell-Walton-Milward Inc. of Lexington, Ky. The consolidated Palmer & Cay will employ 560 people in 21 locations and will be ranked among the top 20 brokers in North America, John E. Cay III, Palmer & Cay's chairman and chief executive officer, said in a statement.

In 1998, Palmer & Cay ranked as the 23rd-largest broker of U.S. business, based on $43.3 million in revenue (*BI*, July 20, 1998).

In January, Palmer & Cay expanded its employee benefit consulting practice with the acquisitions of KPMG L.L.P.'s Mid-Atlantic and Southeastern divisions.

The acquisitions expand the broker's employee benefit consulting operations to include new offices in Washington and Baltimore.

Separately, Palmer & Cay recently named Susan S. Thorpe and Beverly Gleason as vps and Laura P. Rhode as assistant vp of Palmer & Cay of Georgia Inc. Also, David M. Hofele was named vp of the parent organization. He had been general counsel.

RLI boosts Net tools

PEORIA, Ill.—RLI Corp. recently converted another portion of its property/casualty insurance operations to e-commerce initiatives. Approved producers of commercial excess umbrella policies can now quote and bind smaller, matrix-driven commercial excess umbrella policies via the insurer's Internet site at www.rlicorp.com.

Honors from IIAA

ATLANTA—Six independent insurance agencies recently were named the best in the nation during the Independent Insurance Agents of America Inc.'s and Reagan & Associates' annual Best Practices Symposium held in Atlanta.

Winners in each of the six revenue categories are: First Insurance-Douglas Inc., of Douglas, Wyo., under $250,000; Phil Garvin Insurance Corp. of Joplin, Mo., $250,000-$500,000; McCarthy & Trinka Inc. of Oak Brook, Ill., $500,000-$1.25 million; Thompson Insurance of Montgomery, Ala., $1.25 million-$2.5 million; Commercial Insurance Consultants of Lakeland, Fla., $2.5 million-$5 million; and Harden & Associates Inc. of Jacksonville, Fla., more than $5 million.

The award recognizes agencies that have the best overall performance out of the 180 agencies that participated in the 1998 Best Practices Study.

The study examines the business practices of leading insurance agencies and compiles their confidential operating data to create benchmarks by which other agencies measure, evaluate and compare their own performance. BI

Outsourcing frees agents to concentrate on selling

By SALLY ROBERTS

As the competitive insurance market continues to pressure independent agents to consolidate, two new outsourcing firms are helping those agents that want to grow but also remain independent.

Small to medium-sized agencies today face not only a soft pricing environment and larger premium requirements from insurers but also increasing competition from banks and Internet services now poised to take on insurance business. In order to compete effectively, an agent needs to invest in a state-of-the-art computer system and a professional staff. However, the costs of these can be prohibitive, and consolidation often is viewed as the answer.

But by outsourcing back-office administrative, marketing and service work, agents can have more time to focus on obtaining new business, and this opportunity can increase volume, income and the value of their agencies, outsourcing executives say.

Outsourcing also is proving to be a successful form of additional income and diversification for at least one agency that set up outsourcing services for an insurer.

Outsourcing is not a new concept, but it is one that is just beginning to infiltrate the independent agency system. The timing couldn't be better for many agents, according to Sharon H. Emek, president and chief executive officer of Metro Partners Inc., a New York-based agency management firm.

"The industry is undergoing major consolidation, and a lot of agencies are in a difficult situation because they're not ready to sell," Ms. Emek said. Because agencies cannot earn enough money both to maintain insurer contract requirements and to invest in technology and staff, "many are feeling the pressure to sell," she said. "But if they sell, they no longer will be entrepreneurs."

While "some agencies have managed to survive, a majority are caught between a rock and a hard place," Ms. Emek said.

That is why Ms. Emek designed what she calls the "Managing Agency Organization" model, which emerged from the traditional agency cluster concept. In the cluster concept, smaller, independent agencies contractually band together to share resources and increase their clout.

Metro Partners provides full-service sales, support and management services. As MAO partners, agencies continue to own their books of business and to maintain their names and identities, but Metro Partners does virtually all their administrative and customer service work. That leaves agents with a virtual office and more time to go out and produce new accounts, explained Ms. Emek.

In return for the back-office services, MAO partners share commissions—up to 75% on small accounts and about 40% on larger accounts. Despite the split, agency partners still will make more money because of the absence of overhead costs, contends Ms. Emek.

Referring to various statistics, she said the average agency owner takes home between 20% and 35% of an agency's income after all expenses are paid. In comparison, the average MAO agency partner takes home between 40% and 50% of an agency's earnings.

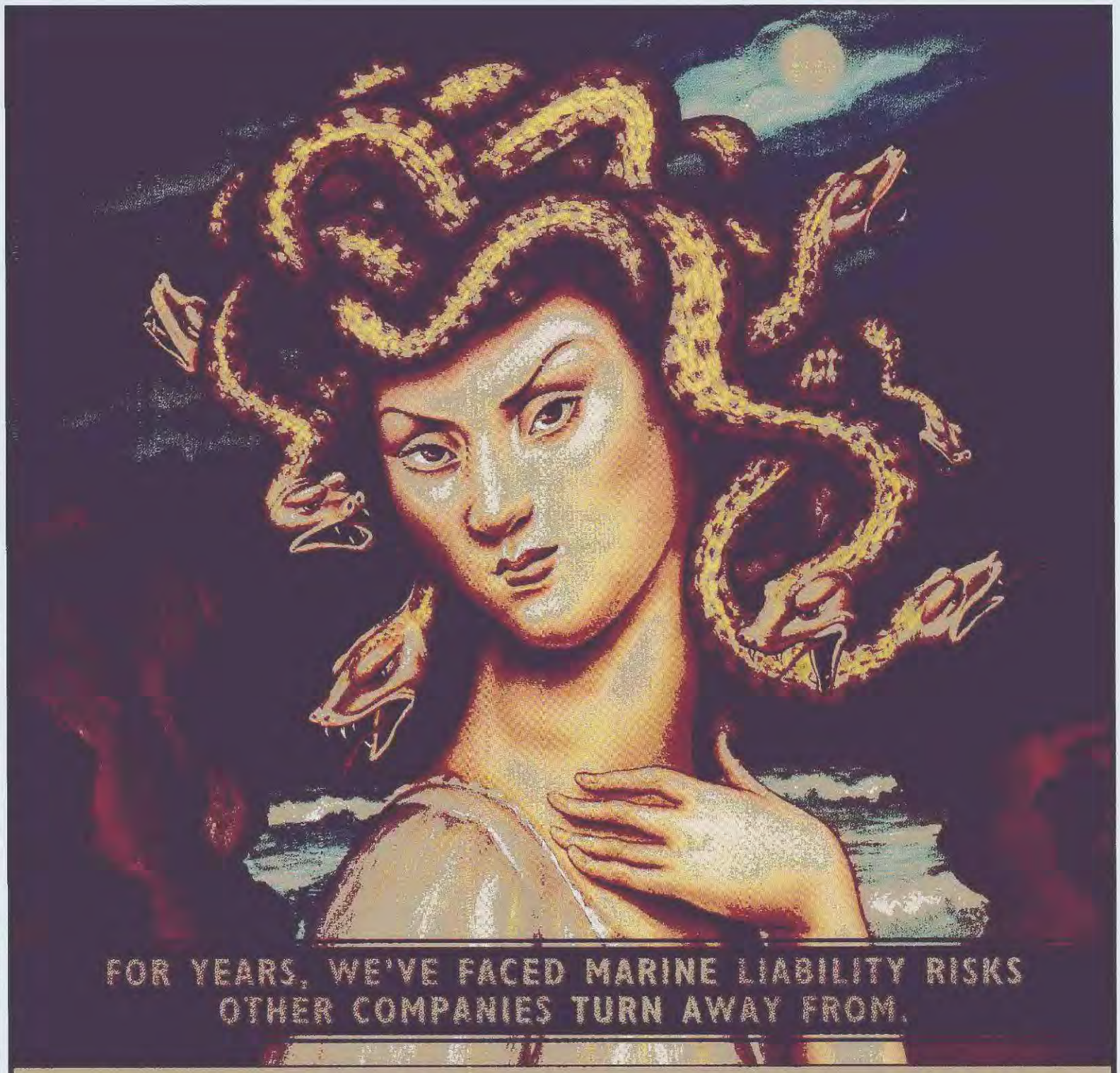
Not only does Metro Partners provide marketing, customer service and such back-office services as billing, rating, endorsements, certificates of insurance and renewal reviews, it also provides the products agents need to successfully compete with larger brokers. These products include captive and rent-a-captive formations, cash flow programs and wrap-ups.

In addition, Metro Partners' technology systems support many aspects of selling, servicing, administrative processing and e-commerce, eliminating an agency's need for costly automation, Ms. Emek said. She said each MAO agency partner is given a laptop with the same software.

Metro Partners even has the issue of perpetuation covered. When an agency becomes an MAO partner, Metro Partners guarantees in writing that it will purchase that agency's book of business if the agency wishes to sell, Ms. Emek said.

"We're not interested in buying agencies now. We're

See **Outsourcing** *on page 20H*



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Outsourcing

Continued from page 20G

interested in helping them grow," she said. However, when the time comes to sell the agency, "we have a very favorable buyout in the contract."

"We don't buy to own it," Ms. Emek stressed. "We buy it, but we will manage the agency." This means that the agency will continue to operate under its existing name.

Currently, Metro Partners is managing four agencies.

Ira Zapin, president of New York-based Zapin, Endlich & Lombardo Inc., said his decision to join Metro Partners last November was based on survival. "We went along as our own agency for a long time," Mr. Zapin said. "But the dictates of the market became such that, even though we were considered a fairly large agency, the cost of doing business became prohibitive."

The agency produces between $12 million to $14 million in annual premium, Mr. Zapin said.

Since becoming an MAO partner, Mr. Zapin and four other producers have moved their offices into Metro Partner's building.

Now that Metro Partners is handling his marketing and customer service, "I have more time to handle my sales," Mr. Zapin said.

According to Ellen Wilcox, president of Windsor, Conn.-based Trumbull Services Co., a new outsourcing subsidiary of The Hartford Financial Services Group Inc., "Agents are just beginning to see how to use outsourcing to reduce expenses and maximize their exposure to clients."

"The Hartford saw outsourcing was becoming, and would become, a real part of how agents do business," Ms. Wilcox said. By outsourcing back-office functions, "agents can concentrate on their competencies and outsource the things that are not their strengths."

Because outsourcing is still in its infancy, Ms. Wilcox said many agents are interested in Trumbull's services but that closing deals has been slow. "We have a large number of people in active negotiations," she said.

Trumbull, which began operations last September, manages the Hartford's flood insurance program. That program—and Trumbull's management of it—is one of the more popular services agents have asked about, Ms. Wilcox said.

In addition to flood insurance, Trumbull offers call center and communication services that are available 24 hours a day, seven days a week. These include expiration date functions, appointment-setting and post-sale welcome calls, Ms. Wilcox said.

Ms. Wilcox hopes agents will take advantage of Trumbull's premium collection services. "A lot of time, agents get stuck with uncollected balances," she said.

Agents pay Trumbull a fee based on the services provided.

While Paramus, N.J.-based agency NIA Group does not outsource any of its back-office work, it recently tapped Trumbull Services when an insurer asked the agency for help.

"We were approached by an insurance company with whom we have a very strong relationship, which asked if we could find someone to act as their back office," said Mike Greenberg, a senior vp for NIA.

While the insurer provided all types of insurance, "it didn't like providing workers comp coverage to customers," he said. "They could have either sold their comp book" or looked to another company to provide back-office services, he said.

Mr. Greenberg said Trumbull was a perfect fit, and he sees a future in helping insurers obtain outsourcing services.

"We have a large, diversified clientele and deal with a large number of insurance companies. These kinds of (outsourcing) opportunities are coming up more and more. The income potential for us is significant. It also is a way to diversify," he said.

NIA receives a percentage of the total outsourcing writings that flow through Trumbull, Mr. Greenberg said. BI



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Broker makes money by saving it for insurers

By RICHARD TROUT

When Tony Marino Jr. says his agency is innovative, he's not kidding.

Mr. Marino, president and chief executive officer of A.C. Marino Associates, a wholesaler in Woburn, Mass., has developed a paperless insurance agency.

"We're about a new distribution system, an alternative distribution system in insurance," Mr. Marino said.

That system incorporates a flat management structure and electronic transactions, which dramatically cut the costs associated with the traditional techniques of selling insurance, he said.

"I reduce the (insurer's) costs by 40%," Mr. Marino said. "That's where we make our money."

"We deliver (insurance) faster, more accurately and cheaper than anybody in the industry," he said. "Our agency, on a monthly basis, turns around 400 commercial lines condominium or apartment building quotes a month. Of that, we write somewhere between 150 to 175 new accounts a month. That's just new business, outside of the blocks of business we buy," he said.

Mr. Marino developed his distribution idea in 1995, when he was working as an agent at Cambridge, Mass.-based Hastings-Tapley Insurance Agency Inc.

After hearing that Nationwide Insurance Co. was planning to cut back on its homeowners business on the East Coast due to hurricane losses, Mr. Marino saw an opportunity to develop a niche homeowners product in that market.

Another opportunity soon presented itself. After the lead paint liability lawsuits of the early 1990s, Nationwide was planning to include a lead exclusion in its commercial lines habitational accounts—primarily apartment buildings concentrated in New York City. When the exclusion went into effect in 1996, Mr. Marino found a home for many of the accounts Nationwide started losing.

With permission from Hastings-Tapley, he developed a program for the homeowners and habitational business—which included lead liability coverage—so that the independent agents who formerly used Nationwide could retain their accounts. Quincy Mutual Fire Insurance Co. picked up the homeowners business, while St. Paul Insurance Co. assumed most of the habitational business.

The success of these programs hinged on reducing expenses for the insurers, and Mr. Marino, who was always interested in technology, envisioned using automation to achieve that goal. In addition to the attractiveness of the cost savings, Mr. Marino said many of the risks had loss records dating back a long time because they had been handled by the same agents.



Mr. Marino

At the time, Hastings-Tapley already had an automation system, but it was unable to accommodate Mr. Marino's objective. Thus, in 1998, he founded his own agency, A.C. Marino Associates.

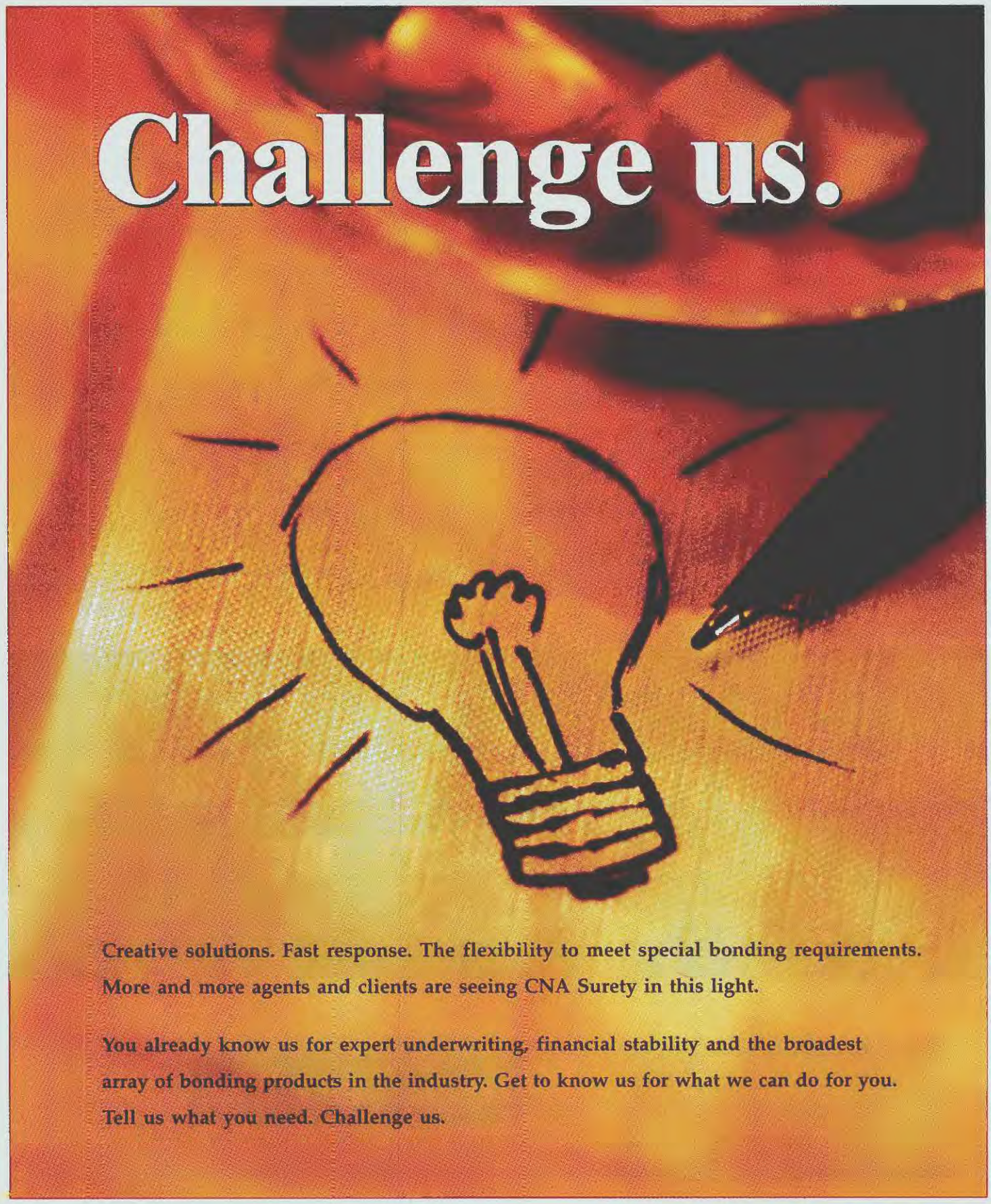
He centralized all of the policy processing, freeing up agents to do what they do best—sell insurance. A.C. Marino Associates takes care of everything else: marketing, placement, company contacts and designing new products that are exclusive to the agency, Mr. Marino said.

"Ninety percent of the volume we do, we never touch. We're just a pass-through, like amazon.com. We're a consolidator. We negotiate great deals that allow us to pay agents more money than they could have gotten if they had contracted directly with the company," he said.

"When I left Hastings-Tapley, which was January of '98, we had approximately $3 million in premium in habitational business and maybe $1.4 million in homeowner business," he said. "In January of '99, we now have $25 million in premium. In the last 12 months, even though we were a start-up and had to build all of our infrastructure and foundation and everything else, we still did $21 million in new business sales," Mr. Marino said.

The 10,000 homeowners policies A.C. Marino expects to place on Long Island this year perfectly illustrate what the agency

See **Marino** *on next page*



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Marino

Continued from previous page

does, according to Mr. Marino.

"We're in the final stages of getting approval from the New York state insurance department for a new homeowners product on Long Island, where nobody wants to write" because of the total potential windstorm loss, he said. "We're going to have the ability to write $5 million in premium there and then increase the capacity as needed," he said.

"There's a lot of demand on Long Island. There's no capacity; the capacity that is out there is priced very high. Companies can say, 'We offer homeowners,' but it's twice the rate—nobody's going to buy it. They satisfy the state insurance departments so they can keep selling their auto and small business and commercial business, but they're really not servicing that market," he said.

A.C. Marino, on the other hand, offers those homeowners policies at direct-writer rates, allowing it to capitalize on an insurance-starved market.

How can the agency afford to offer those rock-bottom rates?

It's mainly through automation technology. A sophisticated, paperless automation system affords his agency and the insurers it deals with tremendous savings, Mr. Marino said.

While the average agency generates $125,000 in revenue per employee, A.C. Marino generated $200,000 in revenue per employee in its first year, according to Kevin Kehoe, executive vp-sales/marketing. The wholesaler projects that it will generate $200,000 of profit per employee in its second year, whereas the industry average is $20,000 per employee, he said.

"That's 10 times the average," Mr. Kehoe emphasized. "That's what our niche marketing and technology expertise can accomplish. We figure out how to reduce the redundancy, and we never do it again," he said.

While information technology is the driving force in the agency's success, only four of its 20 employees provide full-time IT management and support. The agency has four assistant underwriters and works with about 70 producers, most in the New York City area.

> *'You don't have to be local to be in direct contact with your distribution force anymore.'*
>
> — Tony Marino Jr.

Mr. Marino, whose father and several siblings also are agents, learned the traditional nuts-and-bolts of the business through an early career at Nationwide and Alexander & Alexander Services Inc., now part of Aon Group Inc. He began to envision the advantages of technology after he joined Hastings-Tapley in 1986 as a commercial producer.

"I was frustrated with the cumbersome systems we had to go through, because a lot of the systems were designed by people who had never done the business," he said.

With the support of key contacts, Mr. Marino was able to build enough capital to create an agency that would act as the managing general agent for several specialized insurers, such as the Norfolk & Dedham Group, a New England mutual insurer based in Dedham, Mass. "I built a system that, for the first time, delivers every aspect of the insurance process on one platform," he said.

The foundation of that platform is CAIR Explorer, software developed by CAIR Systems of Newport Beach, Calif.

CAIR is an agency management system in which all policy information is entered and stored, thus eliminating paper transactions. Because it is Internet-ready, CAIR allows the buyer, agent and insurer to communicate with each other from any location. Even the building safety inspectors who evaluate property risks for the agency use laptop computers. "You don't have to be local to be in direct contact with your distribution force anymore," Mr. Marino said.

Although the technology is sophisticated, other agents say it's easy to use.

Access to Mr. Marino's insurance programs is available for an initial fee and monthly support expenses. If A.C. Marino Associates accepts business an agent submits, that agent receives a CD-ROM that he or she can use in a personal computer and that has all the documents the agent needs to do business with the wholesaler. "You just e-mail (the document) to us. We never print it. We then distribute it among our underwriters, and everybody gets all their information," he said.

CAIR is developing a form of single-entry multiple-company interface, or SEMCI, which A.C. Marino Associates expects to use in a few months. "All of the companies we represent. . .are

See **Marino** *on page 20L*

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DATEBOOK A searchable listing of industry-wide meetings and events, through the year.

ON-LINE FORUM A forum for users to exchange information and discuss a wide range of risk management or benefits management topics.

WEB LINKS A directory of related sites on the Web of interest to risk and benefit managers and others involved in the insurance business.

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Marino

Continued from page 20J

going to have their rating in there, so that our agent only has to input the information once and it cross-rates all the companies that (the client is) eligible for," he said.

For homeowners policies, Mr. Marino's agents have a great deal of onsite authority; CAIR provides the rating systems so that they can work from the field using laptops. Through a secure wireless satellite uplink, an agent can transmit an application back to the home office in Woburn. Many agents are even allowed to bind policies onsite, a process Mr. Marino calls "default underwriting."

The wholesaler's producers are almost as excited about the business as Mr. Marino himself.

"It's one of the easiest systems in the market today," said John Stewart, a commercial broker at Stewart Insurance Agency in New York.

"Everything you need to supply to them is outlined on forms on the computer system. You have an instant quotation. It only takes about 24 hours on turnaround" to complete the entire underwriting process, he said.

Mr. Marino has played a very important role in the success of the Stern Agency Inc., said President Ken Stern, one of the original Nationwide agents to roll habitational business into Marino's agency.

"He's been a knight in shining armor for us," said Mr. Stern. "Tony, with his father's contacts and his own personal relationships, seized a tremendous opportunity. He provided an outlet for business that we would have lost," he said.

"Everyone is a little fascinated by what he did in the short time that he did. He's a very energetic person," Mr. Stern said.

The distribution network is advantageous for both insurers and A.C. Marino Associates.

Cheryl Maloney, branch manager-excess casualty for Zurich U.S. in its Boston office, said the insurer respects Mr. Marino's agency. Zurich writes an umbrella liability program for the habitational business.

"They've taken the program concept and streamlined it," Ms. Maloney said. "They have everything at their fingertips, so that when we ask a question, we'll get everything bounced right back to us—the claims history, the loss control, the application. Anything we might be looking for, he's got. Even down to when they do a loss report on a location, they can e-mail that to us," she said.

A very positive attitude on Mr. Marino's part has enhanced Zurich's relationship with his agency, Ms. Maloney said. A.C. Marino Associates goes above and beyond the call of duty, and Mr. Marino's producers share his dedication to fast, quality service, she said.

And those qualities are attracting a flood of new accounts.

A few weeks ago, Mr. Marino met with a potential investor in Florida to establish a traditional insurer that will write homeowners coverage in hurricane-exposed areas.

On March 1, the agency will be finalizing a deal with an A+ rated insurer that will expand the agency's habitational program to Connecticut and Massachusetts, Mr. Marino said.

A.C. Marino Associates now has 70 independent producers who are online and gets 10 to 15 requests a week for agency appointments.

Mr. Marino's ability to connect with people helped him to realize the goal of a successful business founded on the concept of connectivity.

"At a time when I had all the contacts in place, all the relationships you could ever want in your life, a massive opportunity opened up to bring it all together," he said. "And I went for it." BI

CIGNA, agency tagged in sales practices case

By SALLY ROBERTS

A New Jersey state court judge has banned eight subsidiaries of CIGNA Corp. and insurance agency Bene-Marc Inc. from underwriting, soliciting, marketing and selling insurance products to members of the Amateur Softball Assn. of America.

Short Hills, N.J.-based Bollinger Fowler Co., which has been the ASA's agency for 35 years, sued CIGNA and Bene-Marc, alleging they used proprietary information and trade secrets from Bollinger to develop a competing plan to sell insurance to ASA teams and leagues.

CIGNA provided ASA's accident and liability coverage for 13 years, until last September, when the insurer was dropped from the program in favor of lower, multiyear rates. Bollinger alleged, among other things, that after losing the ASA account, CIGNA and Bene-Marc distributed brochures and other sales literature at ASA's annual meeting, offering an accident and liability insurance program. The brochures showed a comparison of CIGNA's rates alongside the ASA 1999 premiums. ASA's 1999 rates were exactly what Bollinger communicated to CIGNA during the 1999 bidding process. The new ASA rates had not yet been been made public, according to court papers.

A 1994 agency agreement with Bollinger gave CIGNA the right, during audits and at other times, to review Bollinger's proprietary and trade secret files and other information pertaining to ASA and other amateur sports clients. But the agreement barred CIGNA from using the confidential customer information in any way that is inimical to the interests of Bollinger, court papers said.

Bollinger said in the complaint that if CIGNA and Bene-Marc "are successful in stealing these teams away from the ASA insurance program, then the teams will no longer be motivated to purchase membership with ASA, and this will have a devastating financial impact on Bollinger."

Judge R. Benjamin Cohen of the Superior Court of New Jersey in Newark issued the injunction, effective Feb. 3. It also bans CIGNA and Bene-Marc from disclosing or communicating any of Bollinger's confidential and proprietary business information and trade secrets and orders the companies to identify and return to Bollinger any and all of its proprietary and trade secret information.

"CIGNA has, in this case, accepted a book of business from an insurance agency, obtained that agency's proprietary and trade secret information, and has profited as a result of the long-term relationship. And then, when faced with the loss of the business, appears to have ignored certain of its contractual obligations and gone into competition against that agency in the same book of business. And, more to the point, done so using what appears to the court to have been proprietary or trade secret information in doing so," the judge said.

The injunction pertains to: the Atlantic Employers Insurance Co.; Bankers Standard Insurance Co.; Century Indemnity Co.; CIGNA Fire Underwriters Insurance Co.; CIGNA Insurance Co.; CIGNA Property & Casualty Insurance Co.; Indemnity Insurance Co. of North America; Insurance Co. of North America; and Fort Worth, Texas-based agency Bene-Marc.

The judge was expected to sign the injunction last week, but a further hearing will be scheduled to determine the length of the injunction. Litigation is still pending in the case.

Bollinger is pleased with the judge's decision.

"We pride ourselves on the relationships with our clients," said Alex Crispo, Bollinger's general counsel. "We do our best to cement those relationships and try to preserve them through the dealings with insurance companies. This is a situation where an insurance company tried to take advantage of a 35-year-old relationship and push us out of the way."

Thomas Martin, with Putney, Twombly, Hall & Hirson in Iselin, N.J., who represents both CIGNA and Bene-Marc, declined to comment due to pending litigation. BI

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Cantor & Co.

9100 Wilshire Blvd., Suite 445 E,
Beverly Hills, Calif. 90212;
310-859-7277; fax: 310-859-7415
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Benefit systems since: 1982.
Total clients: 117
Corporate benefit clients 55

▶ MOMS PLUS

PC operating system: DOS; Windows 3.1 or higher.
Single user or multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1991.
Total benefit installations: 55.
Benefits managed/communicated: pension plans, disability plans, leaves of absence, Social Security benefits, group health plans, life insurance, workers comp.
System standard features: utilization review, claims administration, medical case management, disability management.
System optional features: medical coding/unbundling, claims management, health care utilization review, case management, disability duration monitoring, reinsurance liability, ad hoc data analysis and reporting of claims, utilization, case-quality management activity.
Communication standard features: claims status, managed care network information.
Generates reports via: printer attached to computer or kiosk.
User support: user groups/meetings, online support, onsite training, telephone assistance, access to custom modules developed by other users at no extra charge through Mentor Program.

▶ RISKMAP

Price:
Purchased: $2,200 to $5,500.
PC operating system: DOS; Windows.
Other types: Novell Netware.
Single user or multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1983.
Total benefit installations: 55.
Benefits managed/communicated: pension plans, disability plans, leaves of absence, Social Security benefits, group health plans, life insurance, workers comp, forecasting of frequency, severity and total benefit cost; paid, reserve and incurred loss development; multiple risk financing modules for discounted after/tax cash flow and budgeting analysis, trends, letter processing, modules/templates for incident reporting and claims management, scanning.
Communication standard features: benefit modeling/projections.
Generates reports via: printer attached to computer or kiosk.
User support: user groups/meetings, online support, onsite training, telephone assistance, access to custom modules developed by other users at no extra charge through 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: 1989.

▶ Connection Server

PC operating system: Windows NT.
Interactive requirements: interactive voice response system.
Multiple user.
Customization optional.
First installation: 1997.
Total benefit installations: 22.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, Connection Server offers the flexibility to communicate all types of information.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
Officers: Vigdis Austad, president; Frank Joicy, vp.
Contact: Janice Franke, marketing associate.

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Ceridian Employer Services

8100 34th Ave. South,
Bloomington, Minn. 55425;
800-729-7655; fax: 800-295-0570
www.ces.ceridian.com

Parent company: Ceridian Corp.
Total 1998 revenues: $1,500,000.

▶ Ceridian Source 500 HR/Payroll

PC operating system: Windows 95.
Single user or multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1998.
Benefits managed/communicated: savings/investment plans, flexible spending accounts, disability plans, leaves of absence, group health plans, medical savings accounts, life insurance.
System optional features: recordkeeping, plan enrollment, utilization review, coordination of benefits, discrimination testing, generates participant letters, eligibility verification, premium deductions, savings plan loan administration, government reporting.
Communication optional features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, Internet/intranet site.
Officers: Carl Keil, president; Robert Digby, vp-marketing; Karen Berkwith, CFO/treasurer.

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: 200

▶ Fast Benefits Administration System

Price:
Purchased: $35,000 to $50,000.
PC operating system: DOS; Windows 9x, NT.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1984.
Total benefit installations: 3,000.
Benefits managed/communicated: flexible spending accounts, disability plans, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System standard features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, accounting, discrimination testing, generates participant letters, eligibility verification, COBRA billing, premium deductions, government reporting.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice.
Generates reports via: printer attached to computer or kiosk, computer diskette, mailed hard copy.

▶ Fastchoice Enrollment System

Interactive benefit communication system
Price:
Purchased: $12,000 to $15,000.
PC operating system: Windows 9x, NT.
Interactive requirements: Internet/intranet; computer kiosks.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1995.
Total benefit installations: 120.
Interactive communications dependent on : Fast Benefits Administration System.
Benefits managed/communicated: flexible spending accounts, disability plans, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System standard features: plan enrollment, generates participant letters.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, mailed hard copy.

▶ Vital Objects

Price:
Purchased: $300,000.
PC operating system: Windows NT, 4x.
Interactive requirements: Internet/intranet, electronic mail.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization required.
First installation: 1999.
Benefits managed/communicated: flexible spending accounts, disability plans, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System standard features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, accounting, discrimination testing, generates participant letters, eligibility verification, COBRA billing, premium deductions, government reporting.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
Officers: E.G. Robinson, president; K. Formosa, vp.
Contact: Keith Formosa, 416-620-1704.

Corbel

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

Benefit systems since: 1974.
Parent company: SunGard Employee Benefit Systems.
Total clients: 1,000

▶ Quantech

Interactive benefit communication system
PC operating system: Windows 95, 98.
Single user.
Provides: Internet/intranet access available.
Customization optional.
First installation: 1990.
Total benefit installations: 1,000.
Benefits managed/communicated: savings/investment plans, pension plans.
System standard features: recordkeeping, retirement plan distributions, discrimination testing, generates participant letters, eligibility verification, retirement planning/forecasting.
System optional features: government reporting, electronic census import/export, voice response.
Communication standard features: direct plan enrollment, benefit options selection/adjustment, personalized benefit information, benefit modeling/projections, benefit option information/advice, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, online support, onsite training, telephone assistance, bulletin board.
Officers: Don Mackanos, president; Jom Smith, vp/general manager; Tom Makeever, Quantech sales vp.

Corporate Systems

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

Benefit systems since: 1967.
Total clients: 5
Corporate benefit clients 2
Total 1998 revenues: $46,000,000

▶ Disability Claims Management Systems

Price:
Service bureau basis: $25,000.
PC operating system: Windows 95, NT.
Interactive requirements: Internet/intranet.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1987.
Benefits managed/communicated: disability plans, workers compensation administration.
System standard features: recordkeeping, check writing, claims administration, eligibility verification, disability management, government reporting.
System optional features: medical coding/unbundling, provider contract management, medical case management, government reporting.
Communication standard features: claims status, managed care network information.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: online support, telephone assistance.
Officers: Johnny Mize, president/CEO; Mike Unruh, vp/CFO; John Champlin, vp/COO.
Contact: Carolena Cogdill, 806-337-3554.

D

DATAIR Employee Benefit Systems Inc.

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

Benefit systems since: 1967.
Total clients: 1150
Corporate benefit clients 66
Total 1998 revenues: $3,000,000
EBIS revenues $2,800,000

▶ FlexPlus Cafeteria/ Section 125 System

Price:
Purchased: $1,750.
Leased: $109 per month, two-year lease.
PC operating system: DOS; Windows 95, 98.
Interactive requirements: interactive voice response system.
Multiple user.
Provides: Internet/intranet access available.
Customization optional.
First installation: 1987.
Total benefit installations: 208.
Benefits managed/communicated: flexible spending accounts, section 125 flexible benefit plans.
System standard features: recordkeeping, plan enrollment, accounting, check writing, discrimination testing, claims administration, generates participant letters, eligibility verification, premium deductions.
System optional features: government reporting, Paperless checks via direct deposit, interactive voice response, plan and trust documents and SPDs; government reporting of form 5500, schedule F.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice.
Communication optional features: interactive voice option includes FSA accounts, claims paid and pending; checks written, benefits enrollment.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy.
User support: user groups/meetings, online support, onsite training, telephone assistance.

▶ Retirement and/or Cafeteria Plan Documents Systems

Price:
Purchased: $1,250 to $5,000.
Leased: $136 per month, three-year lease.
PC operating system: DOS; Windows 95, 98.
Multiple user.
Provides: Internet/intranet access available.
Customization optional.
First installation: 1989.
Total benefit installations: 571.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, Social Security benefits, section 125 flexible benefit plans.
System standard features: coordination of benefits, generates participant letters, Provides summary plan descriptions, applications for benefits, loans.
Communication standard features: benefit plan descriptions, personalized benefit information.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy.
User support: user groups/meetings, online support, telephone assistance.

▶ Defined Contribution/ 401(k) System

Price:
Purchased: $1,999 to $3,750.
Leased: $136 per month, three-year lease.
PC operating system: DOS; Windows 95, 98.
Interactive requirements: interactive voice response system.
Multiple user.
Provides: Internet/intranet access available.
Customization optional.
First installation: 1984.
Total benefit installations: 756.
Benefits managed/communicated: savings/investment plans, pension plans, Social Security benefits, 401(k); 457; 403(b) and all other name conventional retirement plans.
System standard features: recordkeeping, plan enrollment, retirement plan distributions, discrimination testing, eligibility verification, premium deductions, savings plan loan administration, government reporting.
System optional features: accounting, retirement plan distributions, generates participant letters, government reporting, retirement planning/forecasting.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, savings plan investment transfers, retirement savings modeling.
Communication optional features:
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy.
User support: user groups/meetings.
Officers: Aaron Venouziou, president/CEO; Andrew Hoskins, senior vp-systems/development; William Lilliquist, vp-sales/marketing.

DORN Technology Group Inc.

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

Benefit systems since: 1982.
Total 1998 revenues: $12,000,000.

▶ RISKMASTER

PC operating system: Windows 95, 98, NT.
Midrange/mainframe system: midrange system: Pentium.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1982.
Benefits managed/communicated: disability plans, leaves of absence, group health plans, workers comp.
System standard features: recordkeeping, accounting, check writing, claims administration, generates participant letters, medical case management, government reporting.
System optional features: utilization review, medical coding/unbundling, coordination of benefits, provider contract management, eligibility verification, disability management, stop-loss reinsurance management, premium deductions.
Communication standard features: claims status, managed care network information.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, online support, onsite training, telephone assistance, in-house training.
Officers: Mark Dorn, CEO/president; Steven Dorn, vp-sales; Paul Hafeli, CFO.

E

Erisco Managed Care Technologies Inc.

1700 Broadway,
New York, N.Y. 10019;
212-765-8500; fax: 212-582-8030
www.erisco.imshealth.com

Benefit systems since: 1968.
Parent company: IMS Health.

▶ Facets

PC operating system: Windows 3x, 95, NT.
Midrange/mainframe system: mainframe system: HP 9000, IBM RS6000.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1994.
Benefits managed/communicated: group health plans.
System standard features: recordkeeping, plan enrollment, utilization review, coordination of benefits, provider contract management, accounting, check writing, claims administration, generates participant letters, eligibility verification, medical case management, COBRA billing, premium deductions. Depends on initial license agreement—some license all modules at the onset, some license only the base system and add

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on additional modules as necessary.
User support: user groups/meetings, online support, onsite training, telephone assistance.
Officers: Anthony Bellomo, president; Joseph Posluszny, CFO; John Jordan, vp-sales.
Contact: Nina Castro, 800-537-4726.

F

401k Forum L.L.C.

625 Third St.,
San Francisco, Calif. 94107;
415-547-1120; fax:415-547-1160
www.401kforum.com

Benefit systems since: 1997.
Parent Company: Emergent Advisors.

▶ www.401kforum.com

Interactive benefit communication system
Price:
Purchased: $20 to $50.
Service bureau basis: contract basis.
Other types: Internet connection via system network or ISP.
Interactive requirements: Internet/intranet.
Multiple user.
Provides:online processing capabilities, Internet/intranet access available.
Customization required.
First installation: 1997.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, all DC, OB and retirement plan information.
System standard features: retirement planning/forecasting, fund-specific advice, interactive education and customized retirement plan information to plan participants.
Communication standard features: savings plan investment selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, savings plan investment transfers, retirement savings modeling.
Communication optional features: benefit plan descriptions.
Generates reports via: Internet/intranet site, daily on-line balances, participant marketing via print and e-mail, immediate investment option information updates, plan change information online.
User support: user groups/meetings, online support, onsite training, telephone assistance, e-mail.
Officers: E. Drake Mosier, CEO; Steve Deschenes, president; Scott Lummer, chief information officer.
Contact: Melissa Callison.

FACTS Services Inc.

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

Benefit systems since: 1980.
Total 1998 revenues: $5,500,000
EBIS revenues $5,500,000

▶ FACTS CLAIMS & ENCOUNTERS

PC operating system: DOS; Windows.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
Benefits managed/communicated: flexible spending accounts, disability plans, group health plans, COBRA, life insurance, workers comp.
System standard features: utilization review, coordination of benefits, claims administration, generates participant letters, government reporting.
System optional features: accounting, electronic claim workflow distribution, primary care physician profiling and credentialing, interactive voice response.

▶ FACTS MANAGED CARE SUITE

Interactive requirements: interactive voice response system.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
Benefits managed/communicated: group health plans, section 125 flexible benefit plans, workers comp.
System standard features: utilization review, medical coding/unbundling, generates participant letters.
System optional features: accounting, claims administration, electronic claim workflow distribution, interactive voice response.

▶ FACTS ADMIN

Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
Benefits managed/communicated: disability plans, group health plans, section 125 flexible benefit plans, COBRA, life insurance, workers comp.
System standard features: recordkeeping, utilization review, coordination of benefits, accounting, generates participant letters, COBRA billing.
System optional features: medical coding/unbundling, eligibility verification, multiple life options, commissions, primary care physician profiling and credentialing, electronic claim workflow distribution, managed care network information, interactive voice response.

▶ FACTS COMP with Integrated Managed Care

Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
Benefits managed/communicated: group health plans, section 125 flexible benefit plans, workers comp.
System standard features: recordkeeping, utilization review, claims administration, generates participant letters, disability management.
System optional features: medical coding/unbundling, lump-sum settlements, experience modifiers, lost time tracking, procedure fee schedules, electronic claim workflow distribution, primary physician profiling and credentialing.
Officers: Robert S. Graham Jr., president; David L. Graham, vp.
Contact: Jane Whitelock, marketing manager.

Fringe Benefits Management Co.

1720 S. Gadsden St.,
Tallahassee, Fla. 32301;
850-425-6200; fax: 850-425-6220
www.fbmc-benefit.com

Benefit systems since: 1989.
Total clients: 20
Total 1998 revenues: $14,800,000
EBIS revenues $1,200,000

▶ Benefits Educator

Interactive benefit communication system.
Price:
Purchased: $1,900.
PC operating system: Windows 95.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1989.
Total benefit installations: 26.
Benefits managed/communicated: flexible spending accounts, disability plans, Social Security benefits, group health plans, section 125 flexible benefit plans, life insurance, retirement benefits.
System standard features: plan enrollment, generates participant letters.
Communication standard features: benefit plan descriptions, direct plan enrollment, flexible spending account information, flex plan selection, benefit option information/advice. managed care network information.
Generates reports via: printer attached to computer or kiosk, computer diskette.
Officers: Mike Sheridan, chairman of the board; Lorraine Ritch, president/CEO; Debra Tougas, CFO.
Contact: Darryl Beacher, 800-872-0345, ext. 201.

G

Genesys Software Systems Inc.

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

Benefit systems since: 1981.
Total clients: 50

▶ Genesys Flexible Benefits System

PC operating system: Windows 3.1 or higher.
Midrange/mainframe system: midrange system, NT based mainframe system, MVS/VSE based.
Interactive requirements: Internet/intranet: electronic mail; computer kiosks; interactive voice response system.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1998.
Total benefit installations: 50.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, open-ended for additional user-defined plans.
System standard features: recordkeeping, plan enrollment, utilization review, medical coding/unbundling, coordination of benefits, provider contract management, accounting, retirement plan distributions, discrimination testing, claims administration, generates participant letters, eligibility verification, medical case management, COBRA billing, disability management, premium deductions, savings plan loan administration, government reporting, retirement planning/forecasting, allows extension and customization without programming to provide user-defined additional features.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, savings plan investment transfers, medical savings account information, retirement savings modeling.
Communication optional features: claims status, managed care network information, savings plan investment transfers,
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site, supports Genesys self-serve kiosk and web-serve modules for interactive access by employees and others.
Officers: Lawrence Munini, president; Robert Pomerleau, senior vp-finance/treasurer; Ruth Ladner, senior vp-sales/marketing
Contact: Sales department.

GenSource Corp.

25572 Avenue Stanford,
Valencia, Calif. 91355;
805-294-1300; fax: 805-294-1310
www.gensourcecorp.com

Benefit systems since: 1977

▶ GenMed

Price:
Purchased: $82,500.
PC operating system: DOS; Windows 3.1, 95.
Midrange/mainframe system: midrange system: IBM RS/6,000, Windows NT server.
Interactive requirements: Internet/intranet: electronic mail.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1980.
Total benefit installations: Five.
Benefits managed/communicated: disability plans, group health plans, COBRA, life insurance, workers comp.
System standard features: plan enrollment, coordination of benefits, check writing, claims administration, generates participant letters, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, government reporting.
Communication standard features: benefit plan descriptions, benefit options selection/adjustment, claims status, personalized benefit information, benefit option information/advice, managed care network information.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training.
Officers: Eric Hoffberg, president; Nora Kenner, vp-consulting services; Jerry Buckley, director-strategic planning.
Contact: John M. Carolan, director-sales.

H

HCIA Inc.

300 E. Lombard St.,
Baltimore, Md. 21202;
800-568-3282; fax: 410-783-0575

Benefit systems since: 1989.
Total clients: 60
Corporate benefit clients 60
Total 1998 revenues: $62,000,000

▶ CHAMP

PC operating system: Windows 95, 98, NT.
Multiple user.
Provides: online processing capabilities.
Customization optional.
First installation: 1989.
Total benefit installations: 60.
Benefits managed/communicated: disability plans, group health plans, section 125 flexible benefit plans, COBRA, workers comp.
System standard features: plan enrollment, utilization review, coordination of benefits, provider contract management, accounting, medical case management, stop-loss reinsurance management.
System optional features: medical coding/unbundling, health plan financial management, physician prolonging disease management, demand management, episode of care analysis, hedis measures, network management, quality of care/outcomes management, benefit modeling, graphics.
User support: user groups/meetings, online support, onsite training, telephone assistance.
Officers: George Pillari, chairman; Don Good, president; Barry Offutt, senior vp-finance.
Contact: Tony Likovich, senior director, 805-484-1601.

Hay Group Inc.

100 Penn Square East,
Philadelphia, Pa. 19107;
215-861-2569; fax: 215-861-2601
www.haygroup.com

Benefit systems since: 1981.
Total clients: 12
Corporate benefit clients 10

▶ Pension Calculation Language (PCL)

Interactive benefit communication system
Price:
Purchased: $150,000.
PC operating system: Windows 95, NT.
Interactive requirements: Internet/intranet.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization required.
First installation: 1991.
Total benefit installations: 12.
Benefits managed/communicated: pension plans.
System standard features: retirement plan distributions, generates participant letters, retirement planning/forecasting.
System optional features: plan enrollment, discrimination testing, eligibility verification.
Communication standard features: benefit options selection/adjustment, personalized benefit information, benefit modeling/projections, benefit option information/advice, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk.
User support: user groups/meetings, online support, onsite training, telephone assistance.
Officers: Chris Matthews, CEO; Laurence Karsh, vp-North American operations; Murray Dalzial, general manager.
Contact: Kurt Fichthorn, general manager.

Healtheon Corp.

4600 Patrick Henry Drive,
Santa Clara, Calif. 95054;
408-876-5000; fax: 408-876-5010
www.healtheon.com

▶ Benefit Central

Interactive benefit communication system
PC operating system: Windows 3.1 or higher.
Other types: Mac, Unix.
Interactive requirements: Internet/intranet; interactive voice response system.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1996.
Total benefit installations: 50.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, life insurance.
System standard features: recordkeeping, plan enrollment, medical coding/unbundling, coordination of benefits, accounting.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, flexible spending account information, flex plan selection, personalized benefit information, benefit option information/advice, managed care network information, medical savings account information.
Generates reports via: printer attached to computer or kiosk, Internet/intranet site.
User support: user groups/meetings, online support, onsite training, telephone assistance.
Officers: Jim Clark, chairman; Mike Long, CEO; Jack Dennison, general counsel.
Contact: Sarah Cross, 888-486-9498.

Hewitt Associates L.L.C.

100 Half Day Road,
Lincolnshire, Ill. 60069;
847-295-5000; fax: 847-883-9019
www.hewitt.com

Benefit systems since: 1974.
Total clients: 49
Total 1998 revenues: $880,400,000

▶ Future$aver

Interactive benefit communication system
Price:
Purchased: $25,000.
PC operating system: Windows.
Interactive requirements: Internet/intranet.
Single user or multiple user.
Provides: Internet/intranet access available.
Customization required.
First installation: 1989.
Total benefit installations: 49.
Benefits managed/communicated: savings/investment plans, pension plans, optional: stock options, nonqualified plans.
Communication standard features: benefit modeling/projections.
Communication optional features: benefit plan descriptions.
Generates reports via: printer attached to computer or kiosk.

▶ Integrated Health Information System (IHIS)

PC operating system: DOS; Windows 3.1 or higher.
Multiple user.
Provides: online processing capabilities.
Customization required.
Benefits managed/communicated: disability plans, group health plans, section 125 flexible benefit plans, workers comp.
System standard features: plan enrollment, eligibility verification, Enrollment and eligibility analysis; vendor analysis and management of claims payment performance; network provider analysis and performance profiling; chronic illness analysis and performance monitor; lifestyle and preventable illness analysis.
User support: user groups/meetings, online support, onsite training, telephone assistance, all software update training and installation.
Officers: Dale L. Gifford, CEO; Gerald I. Wilson, chairman-executive committee; James J. Rushin, director-business development.
Contact: George Wilmes.

Human Resources Consulting Group Inc.

1202 E. Dover,
Provo, Utah 84604;
801-765-4417; fax: 801-765-4418
www.expert-market.com or
www.hrconsultinggroup.com

Benefit systems since: 1983.
Total clients: 600
Corporate benefit clients 15
Total 1998 revenues: $5,800,000

▶ Employee Self Service

Interactive benefit communication system
Price:
Purchased: $15,500.
Service bureau basis: $1 per employee per month.
PC operating system: Windows.
Interactive requirements: Internet/intranet.
Single user or multiple user.
Provides: online processing capabilities.
Customization optional.
First installation: 1998.
Total benefit installations: Six.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System standard features: recordkeeping, plan enrollment, utilization review, coordination of benefits, check writing, retirement plan distributions, discrimination testing, claims administration, generates participant letters, eligibility verification, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, government reporting, retirement planning/forecasting.
System optional features: medical coding/unbundling, provider contract management, accounting, medical case management.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, onsite training, telephone assistance.

▶ Taxdemo Enrollment

Interactive benefit communication system
Price:
Purchased: $3,500.
Leased: $300 per month.
Service bureau basis: $1 per employee per month.
PC operating system: DOS; Windows.
Interactive requirements: Internet/intranet.
Single user or multiple user.
Provides: online processing capabilities.
Customization optional.
First installation: 1983.
Total benefit installations: 5,750.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System standard features: recordkeeping, plan enrollment, utilization review, coordination of benefits, check writing, retirement plan distributions, discrimination testing, claims administration, generates participant letters, eligibility verification, COBRA billing, disability management,

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stop-loss reinsurance management, premium deductions, savings plan loan administration, government reporting, retirement planning/forecasting.

System optional features: medical coding/unbundling, provider contract management, accounting, medical case management.

Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection.

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

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

▶ Interactive Video Employee Self Service

Interactive benefit communication system

Price:

Purchased: $25,000.

Service bureau basis: $2 per employee per month.

PC operating system: DOS; Windows.

Interactive requirements: Internet/intranet.

Single user or multiple user.

Provides: online processing capabilities.

Customization optional.

First installation: 1989.

Total benefit installations: 2.

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

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

System optional features: medical coding/unbundling, provider contract management, accounting, medical case management.

Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection.

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

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

▶ TouchScreen Employee Self Service

Interactive benefit communication system

Price:

Purchased: $15,000.

PC operating system: DOS; Windows.

Interactive requirements: Internet/intranet.

Single user or multiple user.

Provides: online processing capabilities.

Customization optional.

Total benefit installations: 5.

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

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

System optional features: medical coding/unbundling, provider contract management, accounting, medical case management.

Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection.

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

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

▶ IVR Response Plus

Interactive benefit communication system

Price:

Purchased: $5,500.

Leased: $500 per month.

Service bureau basis: $3 per phone call.

PC operating system: DOS; Windows.

Other types: OS2.

Interactive requirements: Internet/intranet.

Single user or multiple user.

Provides: online processing capabilities.

Customization optional.

First installation: 1989.

Total benefit installations: 27.

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

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

System optional features: medical coding/unbundling, provider contract management, accounting, medical case management.

Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection.

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

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

▶ Simple Self Service

Interactive benefit communication system

Price:

Purchased: $500.

Service bureau basis: $1 per employee per month.

PC operating system: DOS; Windows.

Interactive requirements: Internet/intranet.

Single user or multiple user.

Provides: online processing capabilities.

Customization optional.

First installation: 1982.

Total benefit installations: 150.

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

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

System optional features: medical coding/unbundling, provider contract management, accounting, medical case management.

Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection.

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

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

▶ Benefits Statements

Interactive benefit communication system

Price:

Purchased: $1,800.

Leased: $150 per month.

Service bureau basis: $3 per statement.

PC operating system: DOS; Windows.

Interactive requirements: Internet/intranet.

Single user or multiple user.

Provides: online processing capabilities.

Customization optional.

First installation: 1993.

Total benefit installations: 15

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

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

System optional features: medical coding/unbundling, provider contract management, accounting, medical case management.

Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection.

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

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

Officers: Richard D. Pelton, CEO; Richard Packham, senior vp; Bill Wunderlich, vp.

Contact: Rob J. Thurston, vp-marketing.

I

IQ+ Systems

2113 1/2 Ripley Ave.,
Redondo Beach, Calif. 90278;
800-777-5311; fax: 310-937-6568

Benefit systems since: 1990.
Total clients: 8
Total 1998 revenues: $300,000
EBIS revenues $300,000

▶ IQ + Administration

PC operating system: DOS; Windows.

Midrange/mainframe system: midrange system: AS400; mainframe system: IBM.

Multiple user.

Customization optional.

First installation: 1990.

Total benefit installations: 8.

Benefits managed/communicated: pension plans, disability plans, group health plans, COBRA, workers comp.

System standard features: recordkeeping, plan enrollment, utilization review, coordination of benefits, provider contract management, check writing, retirement plan distributions, claims administration, generates participant letters, eligibility verification, COBRA billing, stop-loss reinsurance management, premium deductions, government reporting, retirement planning/forecasting.

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

Officers: J. Patrick Broman, president; Edna Buttery, vp-sales.

Contact: J. Patrick Broman.

Information Products Inc.

17 Connecticut South Drive,
P.O. Box 558,
East Granby, Conn. 06026;
800-477-7822; fax: 860-653-0255
www.ipi-ivr.com

Benefit systems since: 1978
Total clients: 100
Corporate benefit clients 100

▶ Quick Enroll

Interactive benefit communication system

Price:

Purchased: $50,000.

Leased: $1,100 per month.

Service bureau basis: $50,000 enrollment.

PC operating system: DOS.

Midrange/mainframe system: midrange system: network servers, industrial PCs; mainframe system: all mainframe systems.

Interactive requirements: interactive voice response system.

Single user or multiple user.

Provides: online processing capabilities, Internet/intranet access available.

Customization optional.

First installation: 1992.

Total benefit installations: 100.

Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, provider networks, claims status, severance payments, eligibility, prescription drug fulfillment, vision care.

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

System optional features: check writing, COBRA billing, management reports, call utilization reports, enrollment reports, auto fax-back, voice recognition and text to speech.

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

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

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

Officers: Roger Hernsdorf, president; Bryce Hernsdorf, vp; Florence Bishoff, chief administrative officer.

Contact: Bill Glueck, director-business development, 860-653-7822.

▶ Verify

Interactive benefit communication system

Price:

Purchased: $45,000.

Leased: $1,000 per month.

Service bureau basis: $1,000 per month.

PC operating system: DOS.

Midrange/mainframe system: midrange system: network servers, industrial PCs; mainframe system: all mainframe systems.

Interactive requirements: interactive voice response system.

Single user or multiple user.

Provides: online processing capabilities, Internet/intranet access available.

Customization optional.

First installation: 1992.

Total benefit installations: 100.

Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, provider networks, claims status, severance payments, eligibility, prescription drug fulfillment, vision care.

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

System optional features: check writing, COBRA billing, management reports, call utilization reports, enrollment reports, auto fax-back, voice recognition and text to speech.

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

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

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

▶ Provider Locator

Interactive benefit communication system

Price:

Purchased: $45,000.

Leased: $1,000 per month.

Service bureau basis: $1,000 per month.

PC operating system: DOS.

Midrange/mainframe system: midrange system: network servers, industrial PCs; mainframe system: all mainframe systems.

Interactive requirements: interactive voice response system.

Single user or multiple user.

Provides: online processing capabilities, Internet/intranet access available.

Customization optional.

First installation: 1992.

Total benefit installations: 100.

Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, provider networks, claims status, severance payments, eligibility, prescription drug fulfillment, vision care.

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

System optional features: check writing, COBRA billing, management reports, call utilization reports, enrollment reports, auto fax-back, voice recognition and text to speech.

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

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

▶ Tele-Script

Interactive benefit communication system

Price:

Purchased: $75,000.

Leased: $1,500 per month.

Service bureau basis: $1,500 per month.

PC operating system: DOS.

Midrange/mainframe system: midrange system: network servers, industrial PCs; mainframe system: all mainframe systems.

Interactive requirements: interactive voice response system.

Single user or multiple user.

Provides: online processing capabilities, Internet/intranet access available.

Customization optional.

First installation: 1992.

Total benefit installations: 100.

Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, provider networks, claims status, severance payments, eligibility, prescription drug fulfillment, vision care.

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

System optional features: check writing, COBRA billing, management reports, call utilization reports, enrollment reports, auto fax-back, voice recognition and text to speech.

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

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

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

▶ MD Enroll

Interactive benefit communication system

Price:

Purchased: $50,000.

Leased: $1,100 per month.

Service bureau basis: $1,100 per month.

PC operating system: DOS.

Midrange/mainframe system: midrange system: network servers, industrial PCs; mainframe system: all mainframe systems.

Interactive requirements: interactive voice response system.

Single user or multiple user.

Provides: online processing capabilities, Internet/intranet access available.

Customization optional.

First installation: 1992.

Total benefit installations: 100.

Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, provider networks, claims status, severance payments, eligibility, prescription drug fulfillment, vision care.

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

System optional features: check writing, COBRA billing, management reports, call utilization reports, enrollment reports, auto fax-back, voice recognition and text to speech.

Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection, person-

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alized benefit information, benefit modeling/projections, benefit option information/advice, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, online support, onsite training, telephone assistance.

▶ Pension Planner

Interactive benefit communication system.
Price:
Purchased: $45,000.
Leased: $1,000 per month.
Service bureau basis: $1,000 per month.
PC operating system: DOS.
Midrange/mainframe system: midrange system: network servers, industrial PCs; mainframe system: all mainframe systems.
Interactive requirements: interactive voice response system.
Single user or multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1992.
Total benefit installations: 100
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, provider networks, claims status, severance payments, eligibility, prescription drug fulfillment, vision care.
System standard features: recordkeeping, plan enrollment, utilization review, medical coding/unbundling, coordination of benefits, provider contract management, accounting, retirement plan distributions, discrimination testing, claims administration, generates participant letters, eligibility verification, medical case management, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, government reporting, retirement planning/forecasting.
System optional features: check writing, COBRA billing, management reports, call utilization reports, enrollment reports, auto fax-back, voice recognition and text-to-speech.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, online support, onsite training, telephone assistance.

▶ Allocator 401(k)

Interactive benefit communication system.
Price:
Purchased: $50,000.
Leased: $1,100 per month.
Service bureau basis: $1,100 per month.
PC operating system: DOS.
Midrange/mainframe system: midrange system: network servers, industrial PCs; mainframe system: all mainframe systems.
Interactive requirements: interactive voice response system.
Single user or multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1992.
Total benefit installations: 100
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, provider networks, claims status, severance payments, eligibility, prescription drug fulfillment, vision care.
System standard features: recordkeeping, plan enrollment, utilization review, medical coding/unbundling, coordination of benefits, provider contract management, accounting, retirement plan distributions, discrimination testing, claims administration, generates participant letters, eligibility verification, medical case management, disability management, stop-loss reinsurance management, premium deductions, savings plan loan administration, government reporting, retirement planning/forecasting.
System optional features: check writing, COBRA billing, management reports, call utilization reports, enrollment reports, auto fax-back, voice recognition and text to speech.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, claims status, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
User support: user groups/meetings, online support, onsite training, telephone assistance.

INSURDATA Inc.

5215 N. O'Connor Blvd., Suite 800,
Irving, Texas 75039;
972-443-5009; fax: 972-556-0572
www.insurdata.com

Benefit systems since: 1998.
Total clients: 4
Corporate benefit clients 1

▶ INSUR-ENROLL

Interactive benefit communication system.
Price:
Leased: $0.45 to $0.75 PEPM
PC operating system: Windows 95.
Other types: Internet Explorer 4.0 browser.
Interactive requirements: e-mail.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1998.
Total benefit installations: four.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance.
System standard features: recordkeeping, plan enrollment, eligibility verification.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, flexible spending account information, flex plan selection, personalized benefit information.
Communication optional features: claims status, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
Officers: Dennis Maloney, president; Doug Freeman, executive vp; Robert Weir, vp.
Contact: Nancy Mendoza; Bill Hendren, 301-365-5490

M

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

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

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

▶ Mercer's Global Database System

Price:
Purchased: $5,000.
PC operating system: Windows 3.1 or above.
Single user or multiple user.
Customization optional.
First installation: 1995.
Total benefit installations: 190.
Benefits managed/communicated: savings/investment plans; pension plans; disability plans; leaves of absence; Social Security benefits; group health plans; life insurance; perquisites; compensation policies; allows multinational companies to store info on their benefits and human resources practices including cross-country comparison reports, summary reports, updated typical practice and Social Security in applicable countries; legislative updates.
User support: user groups/meetings, telephone assistance.

▶ Pension Express for Windows

Price:
Purchased: $70,000 to $100,000.
PC operating system: Windows 95.
Multiple user.
Customization required.
First installation: 1994.
Total benefit installations: 41.
Benefits managed/communicated: pension plans.
System standard features: retirement plan distributions, retirement planning/forecasting.
System optional features: generates participant letters, eligibility verification, government reporting, defined benefit calculation results storage.
Communication optional features: benefit options selection/adjustment.
Generates reports via: computer diskette, mailed hard copy.
User support: online support.

▶ Data Reconciliation System (DRs)

Price:
Purchased: $8,000 to $15,000.
PC operating system: DOS.
Single user.
Customization required.
First installation: 1998.
Benefits managed/communicated: pension plans, reconciliation of yearly census data plus service fields and other data.
User support: online support, onsite training.

▶ Global Retirement System (GRs)

Price:
Purchased: $15,000 to $240,000.
PC operating system: DOS; Windows 95.
Multiple user.
Customization optional.
First installation: 1989.
Total benefit installations: 10.
Benefits managed/communicated: pension plans, Social Security benefits, group health plans, life insurance.
System optional features: retirement plan distributions, discrimination testing, government reporting, retirement planning/forecasting, provides modules for valuation and reporting on various kinds of retirement plans.
Communication optional features: benefit options selection/adjustment.
Generates reports via: computer diskette, mailed hard copy.
User support: online support.

▶ Mercer BeneCalc

Price:
Purchased: $100,000.
Service bureau basis: $30 to $50 per participant per year.
PC operating system: Windows 95/NT.
Single user or multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization required.
First installation: 1989.
Total benefit installations: 35.
Benefits managed/communicated: pension plans.
System standard features: recordkeeping, plan enrollment, retirement plan distributions, generates participant letters.
System optional features: retirement planning/forecasting.
Communication standard features: benefit options selection/adjustment, personalized benefit information, benefit modeling/projections, benefit option information/advice.
Communication optional features: benefit plan descriptions, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, planning, fax, mailed hard copy, Internet/intranet site.
User support: online support.

▶ SSCalc for Windows

Price:
Purchased: $4,500.
PC operating system: Windows 95.
Multiple user.
Provides: Internet/intranet access available.
Customization optional.
First installation: 1999.
Total benefit installations: 8.
Benefits managed/communicated: Social Security benefits.
Generates reports via: computer diskette, mailed hard copy.
User support: online support.
Officers: Peter Coster, president; David Barford, Peter Felton, Timothy Lynch, Vikesh Mahendroo, Daniel McCaw, executive vps.
Contact: Edward R. Angel, 1417 Lake Cook Road, Deerfield, Ill. 60015, 847-317-7508

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3800,
Seattle, Wash. 98101;
206-624-7940; fax: 206-340-1380
www.milliman.com

Benefit systems since: 1993
Total clients: 20
Corporate benefit clients 20
Total 1998 revenues: $66,000,000
EBIS revenues $660,000

▶ Milliman & Robertson Communication (MARC)

Interactive benefit communication system.
Price:
Leased: $3,000.
PC operating system: Windows.
Multiple user.
Customization optional.
First installation: 1993.
Total benefit installations: 20.
Benefits managed/communicated: savings/investment plans, pension plans, Social Security benefits.
System standard features: retirement plan distributions, generates participant letters, retirement planning/forecasting, performs estimated and final pension benefit calculations, includes retirement database.
Communication standard features: personalized benefit information, benefit modeling/projections, benefit option information/advice.
Generates reports via: printer attached to computer or kiosk, computer diskette.
User support: onsite training, telephone assistance.

▶ Plan Ahead for Retirement

Interactive benefit communication system.
Price:
Purchased: $5,000.
PC operating system: Windows 3.1.
Single user.
Customization required.
First installation: 1995.
Benefits managed/communicated: savings/investment plans, pension plans, Social Security benefits.
System standard features: retirement planning/forecasting.
Communication standard features: personalized benefit information, benefit modeling/projections, retirement savings modeling.
Communication optional features: savings plan investment selection.
Generates reports via: printer attached to computer or kiosk.
Officers: Dan McCarthy, chairman; Bob Collett, president/CEO.
Contact: Lee Straate, 414-784-2250; Tim Bowen.

N

NaviSys

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

Parent Company: GenAmerica Corp.
Total clients: 83
Corporate benefit clients 14
Total 1998 revenues: $76,600,000
EBIS revenues $10,200,000

▶ Benefit Administration Plus

Midrange/mainframe system: midrange system: AS/400e with OS/400 operating system.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1986.
Total benefit installations: 14.
Benefits managed/communicated: disability plans, group health plans, COBRA, life insurance, workers comp, accidental death & dismemberment.
System standard features: plan enrollment, utilization review, accounting, check writing, generates participant letters, eligibility verification, COBRA billing, stop-loss reinsurance management. Supports premium billing and collection, commission processing and agent licensing, and new business support.
User support: user groups/meetings, online support, onsite training, telephone assistance, documentation/implementation support.
Officers: E. Christopher Simonds, president/CEO; Marla P. Zimmerman, vp/CFO; Michael A. Roe, president-Enterprise Solutions division.
Contact: sales support hotline, 800-983-8114.

▶ Health Claims Plus

Midrange/mainframe system: midrange system: AS/400e with OS/400 operating system.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1985.
Total benefit installations: 14.
Benefits managed/communicated: disability plans, group health plans, COBRA, life insurance, accidental death & dismemberment, dental.
System standard features: plan enrollment; utilization review; medical coding/unbundling; coordination of benefits; provider contract management; accounting; check writing; generates participant letters; adjudicates and administers medical, dental, disability, vision, prescription drug, group life and AD & D claims for a wide range of plans including managed care plans.
Communication standard features: personalized benefit information. unbundling interface, EDI/automatic claim adjudication interface available, source code available.
User support: user groups/meetings, online support, onsite training, telephone assistance, documentation/implementation support.

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Near North National Group

875 N. Michigan Ave.,
Chicago, Ill. 60611;
800-859-6719; fax: 312-280-5650
www.bfinet.com

Benefit systems since: 1995.
Corporate benefit clients 12

▶ Benefits & Financial Insurance Net

Interactive benefit communication system
PC operating system: Windows 95.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization required.
First installation: 1995.
Total benefit installations: 12.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp, supplemental benefits.
System standard features: plan enrollment, generates participant letters, premium deductions.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, flexible spending account information, flex plan selection, personalized benefit information, benefit modeling/projections, benefit option information/advice, managed care network information, medical savings account information.
Communication optional features: claims status, savings plan investment selection, savings plan investment transfers, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, fax, mailed hard copy, Internet/intranet site.
Officers: Michael Segal, chairman/CEO; Jim Meyer, senior vp; Dennis Stone, vp.
Contact: Dennis Stone, 312-280-5651.

Network Management Inc.

5500 Wayzata Blvd, Suite 500,
Minneapolis, Minn. 55416;
612-525-2700; fax: 612-525-2701
www.networkmanagementinc.com

Total clients: 49
Corporate benefit clients 33
Total 1998 revenues: $10,000,000
EBIS revenues $7,500,000

▶ BEN-NET

Price:
Service bureau basis: varies.
Interactive requirements: Internet/intranet: electronic mail; computer kiosks; interactive voice response system.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization required.
First installation: 1993.
Total benefit installations: One.
Benefits managed/communicated: group health plans, COBRA.
System standard features: recordkeeping, plan enrollment, provider contract management, retirement plan distributions, generates participant letters, eligibility verification, COBRA billing.
Communication standard features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, personalized benefit information, managed care network information.
Generates reports via: printer attached to computer or kiosk, e-mail, mailed hard copy, Internet/intranet site.
Officers: Mark Tierney, CEO; Mike Bingham, president; Scott Halstead, CFO.
Contact: Steve Olson, director-marketing.

P&W Software Inc.

5655 Linderro Canyon Road,
Suite 403,
Westlake Village, Calif. 91362;
818-747-7690; fax: 818-707-9097
www.pwsoftware.com

Benefit systems since: 1987.
Total clients: 350
Corporate benefit clients 220

▶ Powerplus

Interactive benefit communication system
Price:
Purchased: $8,000 to $30,000.
PC operating system: Windows 3.1 or higher.
Interactive requirements: Internet/intranet; interactive voice response system.
Single user or multiple user.
Provides: Internet/intranet access available.
Customization optional.
First installation: 1987.
Total benefit installations: 220.
Benefits managed/communicated: flexible spending accounts, section 125 flexible benefit plans, monitor eligibility participation, deductions and billing for all benefits found in Section125 plans.
System standard features: plan enrollment, check writing, discrimination testing, claims administration, generates participant letters, eligibility verification, government reporting.
Communication standard features: direct plan enrollment, benefit options selection/adjustment, flexible spending account information, flex plan selection, personalized benefit information.
Generates reports via: printer attached to computer or kiosk, mailed hard copy, Internet/intranet site.
User support: newsletters, websites.
Officers: Tom Philipp, president; Mike Wilson, vp; John Tefft, director-sales/marketing.
Contact: Bud Bockoven.

Parsons, McKee, Somers & Co.

2001 Crocker Road, Suite 300,
Westlake, Ohio 44145;
440-871-8611; fax: 440-871-7485
www.pmsco.com

Benefit systems since: 1982
Total clients: 100
Corporate benefit clients 100
Total 1998 revenues: $3,700,000
EBIS revenues $300,000

▶ InQuiry

Interactive benefit communication system
Price:
Purchased: $80,000 to $120,000.
Service bureau basis: $2 to $8 per participant per month.
PC operating system: Windows 95.
Interactive requirements: Internet/intranet; interactive voice response system.
Multiple user.
Provides: Internet/intranet access available.
Customization required.
First installation: 1990.
Total benefit installations: 100.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, Social Security benefits, section 125 flexible benefit plans, SPD, managed care provider directory, health risk appraisal.
System standard features: recordkeeping, retirement plan distributions, generates participant letters, retirement planning/forecasting.
System optional features: plan enrollment, generates participant letters, retirement planning/forecasting.
Communication optional features: benefit plan descriptions, direct plan enrollment, benefit options selection/adjustment, savings plan investment selection, managed care network information, savings plan investment transfers, medical savings account information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, E-mail, fax, mailed hard copy, Internet/intranet site.
User support: onsite training, telephone assistance.
Officers: John R. Parsons, chairman; Mark S. Sommers, president; Richard S. Wargo, senior vp/managing actuary.
Contact: John R. Parsons.

PerfectSoftware

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

Benefit systems since: 1989.
Total clients: 20

▶ hrWindows

PC operating system: Windows 95.
Single user or multiple user.
Provides: Internet/intranet access available.
Customization optional.
First installation: 1989.
Total benefit installations: 500.
Benefits managed/communicated: savings/investment plans, pension plans, flexible spending accounts, disability plans, leaves of absence, Social Security benefits, group health plans, section 125 flexible benefit plans, medical savings accounts, COBRA, life insurance, workers comp.
System standard features: recordkeeping, plan enrollment, utilization review, medical coding/unbundling, coordination of benefits, retirement plan distributions, generates participant letters, eligibility verification, medical case management, COBRA billing, disability management, premium deductions, government reporting, retirement planning/forecasting.
System optional features: provider contract management.
Communication standard features: benefit plan descriptions, benefit options selection/adjustment, claims status, personalized benefit information, benefit modeling/projections, managed care network information, retirement savings modeling.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail.
Officers: Michael Gabriele, president/CEO.
Contact: Steven Freedman, director-sales/marketing.

Pyramid Services Inc.

39 Old Ridgebury Road, Suite P-4,
Danbury, Conn. 06810;
203-743-6000; fax: 203-743-6003
www.pyramidservices.com

Benefit systems since: 1997.
Parent Company: Kemper Insurance.
Total 1998 revenues: $11,000,000
EBIS revenues $500,000

▶ Non-Occupational Disability System

PC operating system: Windows 3.1.
Multiple user.
Provides: online processing capabilities.
Customization optional.
First installation: 1997.
Total benefit installations: Six.
Benefits managed/communicated: disability plans, leaves of absence.
System standard features: coordination of benefits, check writing, claims administration, generates participant letters, medical case management, disability management.
Generates reports via: printer attached to computer or kiosk, computer diskette, e-mail, mailed hard copy.
Officers: Bill Kuebler, CEO; Bill Chesley, COO; Jim Hatch, chief technical officer.
Contact: Bill Kuebler.

R

Resource Information Management Systems Inc. (RIMS)

500 Technology Drive,
Naperville, Ill. 60566;
630-369-5300; fax: 630-369-4133
www.rims.com

Benefit systems since: 1981.
Total clients: 325
Total 1998 revenues: $37,000,000

▶ QicClaim 2, Managed Care Administration System

Interactive requirements: Internet/intranet.
Multiple user.
Provides: online processing capabilities, Internet/intranet access available.
Customization optional.
First installation: 1981.
Total benefit installations: 400.
Benefits managed/communicated: group health plans.
System standard features: claims administration, eligibility verification, medical case management, COBRA billing, disability management, stop-loss reinsurance management, premium deductions, government reporting.
System optional features: recordkeeping, plan enrollment, utilization review, check writing, generates participant letters.
Communication standard features: managed care network information.
Generates reports via: e-mail, fax, mailed hard copy, Internet/intranet site.
Officers: Tom Heimsoth, chairman/CEO; Terry Kirch, president; Jerry Horwitz, CFO.
Contact: Ellen Rich, director-marketing communications.

S

SBPA Systems Inc.

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

Benefit systems since: 1975.
Total clients: 3
Total 1998 revenues: $4,500,000

▶ GBAS (Group Benefit Administration System)

Midrange/mainframe system: midrange system: DEC ALPHAmainframe system: DEC ALPHA.
Multiple user.
Provides: online processing capabilities.
Customization optional.
First installation: 1975.
Total benefit installations: Seven.
Benefits managed/communicated: flexible spending accounts, group health plans, section 125 flexible benefit plans, COBRA, disability (short term only).
System standard features: plan enrollment, coordination of benefits, provider contract management, check writing, claims administration, generates participant letters, eligibility verification, COBRA billing, stop-loss reinsurance management, premium deductions.
System optional features: utilization review, medical coding/unbundling.
User support: user groups/meetings, online support, onsite training, telephone assistance, user seminar owner/principal meeting.
Officers: Arnold Heinrich, chairman; Tim Stunz, president; Donna Smith, senior vp-sales; Jeff Newbauer, senior vp-corporate development.
Contact: Donna Smith, 800-444-1189.

The SSI Group, HMT Division

3687 Mt. Diablo Blvd., Suite 200,
Lafayette, Calif. 94549;
925-299-7000; fax: 925-299-7010
www.HMTretum.com

Benefit systems since: 1988.
Parent Company: The SSI Group.

▶ Retum For Occupational/ Employee Health

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Forum

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new technology goes against the idea of convergence and the one-stop-shopping concept," he added. "What we see in Europe is more and more channels into the market. It's telephones, Internet, agents, brokers, whatever."

Aon's Mr. Ryan agreed that the distribution model is expanding.

"I think what's happening—and it's a good thing—is that everybody now is looking at channels in the plural. They're saying, 'How do I access the market? Do I access the market via the Internet? Telephonically? On a direct basis? On a broker basis? Through a tied-agency? Or in all of those ways?' " he said.

The panelists also discussed the adequacy of pricing in the commercial insurance marketplace.

"We all agree that rates of return on insurers and reinsurers are inadequate," said Mr. Chookaszian. "If we can't sustain rates of return, money will move to other industries," he said.

The problem, he said, is that there is too much competition to attain the necessary return on premiums.

"It's just too competitive and we keep cutting prices," he said.

"We can really improve our returns by focusing on excessive expenses and extravagant expense ratios," said Mr. Blondeau. "We are not going to convince our customers to pay higher rates."

Mr. Chookaszian agreed that controlling costs will help and added that he wasn't necessarily calling for rates to be increased, but instead to put and end to "unrealistic, aggressive slashing of rates."

Mr. Ryan stressed, however, that rates are not entirely lowered in a vacuum. "A lot of good risk management has contributed to lower pricing," he said.

Mr. Taylor agreed, adding that risk management techniques have improved greatly.

Although he said it is "unavoidable" that events will occur that offset good claims experience, the insurer's role is to provide protection against such volatility. "We can't lose sight of the need for underwriting and intelligent approaches to risk," Mr. Taylor noted. "Heaven help us if the insurance industry becomes risk-averse." BI

Bermuda will grow as insurers expand

By GAVIN SOUTER

SOUTHAMPTON, Bermuda—Insurers and reinsurers in Bermuda are well-placed to flourish in a rapidly changing insurance environment, but the island does have certain limitations, a panel of Bermudian executives says.

The regulations in Bermuda make it an ideal place to develop new coverages that link capital markets to insurance coverage, they said.

But the geographic and population limitations of the domicile also limit the growth of insurers and reinsurers that remain solely in Bermuda, they said.

Successful insurers and reinsurers in the future will have to offer coverages for risks that normally are not covered by insurance, and Bermuda is an ideal place to develop those coverages, said Paul Hellmers, president and chief executive officer of Centre Solutions (Bermuda) Ltd.

"In a couple of years. . .people will be referring to the markets of 1998 and 1999 as 'the good old days,' " he said at a session of the World Insurance Forum last month.

By the time of the next scheduled World Insurance Forum in 2001, there will be more competition and capital in the traditional insurance market, Mr. Hellmers said.

So, in order to grow, insurers will have to expand the coverages they offer outside the traditional market and "bridge the gap between equity and debt markets," he said. Such products would include those that cover non-traditional risks such as residual value insurance, which guarantees the value of a leased property and can be used to help the property owner borrow money, Mr. Hellmers said.

Insurers that offer such products are "operating at the nexus of the debt and equity markets," he said.

Insurers in Bermuda will have an advantage over those elsewhere because Bermuda has a relatively uncomplicated regulatory structure that will not hamper the development of the new products, Mr. Hellmers said.

However, the new products will demand expertise that is not readily available in Bermuda, so people with backgrounds in financial markets will have to be brought in, he said.

Regulations in Bermuda do allow the development of creative insurance products more readily than the more onerous regulations in other domiciles, agreed Brian Duperreault, chairman, president and chief executive officer of ACE Ltd. in Hamilton, Bermuda.

"The efficiency of Bermuda's regulatory system fosters innovation. . .dealing with one authority is efficient and effective," he said.

Although there is still much



more talk than action in the convergence of insurance and capital markets, deals are being struck in Bermuda, Mr. Duperreault said.

The absence of corporate income taxes in Bermuda also benefits companies based there. But even if that were to change, ACE would remain in Bermuda, Mr. Dupereault said.

"If it changed, we would have to adjust," he said.

However, it is unlikely to change in the near future. In an interview at the World Insurance Forum, Bermuda's Premier, Jennifer Smith, said the new government will not impose new taxes on international businesses in Bermuda.

Bermuda's track record of offering new and innovative products should help it thrive in the changing insurance market, said John Kessock Jr., the Philadelphia-based president of Mutual Risk Management Ltd., in Hamilton, Bermuda.

Bermuda made its name as a domicile for captives, and now it is offering finite risk coverage, integrated risk programs and 24-hour health care coverages, he said.

And as the traditional market increasingly offers more off-the-shelf products differentiated only by price, the alternative market products offered by many insurers in Bermuda will grow in popularity, Mr. Kessock said.

Currently, the alternative market accounts for more than 40% of the total insurance market, but in the future its share will grow to 70%, he predicted.

Insurers and reinsurers in Bermuda have been successful in the past, but new pressures mean that companies there will have to expand outside of the island to grow substantially, said Henry C.V. Keeling, president and CEO of XL Mid Ocean Reinsurance Co. Ltd.

Bermuda historically has been a broker-based market, but as the traditional line between direct and broker reinsurers blurs, with more reinsurers using both distribution routes, reinsurers in Bermuda will need to adjust, he said.

Insurers in Bermuda also will need to compete with competitors such as banks as financial services industries converge, Mr. Keeling said.

And insurance brokers themselves will likely develop into competitors with insurers, he said.

"How are they going to achieve the growth that they say is essential? If they have nowhere else to go, (brokers) will very shortly start to assume risk that they transfer at the moment," Mr. Keeling said.

In order to compete in the changing market, insurers in Bermuda need to grow outside the island so they can access more business, he said.

Peter Rackley, chairman of Western General Insurance Ltd. in Hamilton, Bermuda, moderated the session. BI

Control helps captives retain popularity

By PAUL D. WINSTON

SOUTHAMPTON, Bermuda—Captive insurers continue to play a vital role in corporate risk financing programs, in spite of the soft insurance market, captive owners and an adviser agree.

Captives provide companies with more control of their insurance protection while also serving as vehicles for underwriting non-traditional risks and obtaining tax benefits, they say.

Cotter & Co., a Chicago-based cooperative owned by TrueValue Hardware Stores, formed a captive mutual insurer in Bermuda for the stores in 1981.

"Our goal was to increase the level of service and save money" for the stores, said Bill Voss, president and chief executive officer of Member Insurance Co. Ltd., which has since been spun off from Cotter & Co.

In addition to forming a captive insurer, Cotter also formed a captive agency to market the voluntary program to TrueValue stores. The company had been unhappy with the service and marketing of its previous insurance program for stores, Mr. Voss explained.

"The key was having our own system to call on stores and market the program to TrueValue members," he said. Another advantage of the captive agency was that it gave the company control of its clients, rather than risk an outside agent or broker taking the TrueValue members to another insurer, he added.

"We formed a captive for better service and coverage, not pricing issues. So while the soft market has impacted us, it has not been a big issue," Mr. Voss said.

Another captive owner said the soft market may actually make it easier to set up a captive program.

"We found it easier to get companies involved and interested in participating in captive insurance programs during a soft, competitive market," said Oyvind Sohus, corporate risk manager for Petroleum Geo Services A.S.A. of Lysaker, Norway.

PGS, formed in 1991, conducts seismic surveys for the petrochemical industry and has hundreds of millions of dollars in ships and unique and fragile equipment to protect, he explained. The company set up a Bermuda captive insurer, Seahouse Insurance Ltd., to underwrite coverage for its equipment when the traditional market's quotes were too high.

"Underwriters demanded a high price for covering this risk, but we though that our control of these risks deserved better pricing," Mr. Sohus said.

Having a captive not only puts PGS in control of its program but also has sped up claims handling, he said.

Interest in captives during the soft market will continue as their uses expand, other panelists said.

Captive insurers increasingly will serve as vehicles for companies to accelerate the deductibility of balance sheet liabilities, said Mark Anderson, a partner with KPMG L.L.P. in Atlanta.

"There are a host of risks that appear as liabilities on balance sheets, but they have not been dealt with in such a way that tax deductibility is an option," he said. "As a broader use of captives occurs, non-traditional risks can be insured and, therefore, tax benefits occur."

Mr. Anderson explained that the key is to "monetize" these liabilities, to turn them into risks that can be insured by a captive. That allows a company to earn a tax deduction today for the premiums it pays for coverage of these risks, rather than wait for the liabilities to develop into losses that are deducted in the future, he said. "You get the value of that money sooner."

Mr. Anderson also noted that interest in captives may grow as a result of a recent clarification by the Internal Revenue Service of its policy.

An IRS Field Service Advice issued Feb. 1 acknowledges that captive tax cases are difficult for the agency to win in court. Unless it is a unique case, Mr. Anderson said, the IRS is unlikely to challenge the tax deductibility of captive premiums in court.

At the same time, he added, the IRS still may challenge the deductibility in audits, so companies must be prepared to defend their programs.

Consolidation hasn't changed tough market

By GAVIN SOUTER

SOUTHAMPTON, Bermuda—The heated consolidation that has reshaped the reinsurance industry over the past several years has been driven by the poor business environment for reinsurers, a panel of reinsurers said.

And, despite the consolidation, there is little sign that that poor environment will change.

So, for reinsurers to thrive, they will have to sell new products to new customers outside the insurance industry or search for the few reasonably profitable niches within the traditional insurance market, they say.

Either way, it won't be easy.

Reinsurers have been driven to consolidate in recent years for several reasons, said Graham Pewter, president and chief executive officer of Commercial Risk Partners Ltd. of Hamilton, Bermuda.

The flight to quality among primary insurers, which has forced reinsurers to grow larger; shareholder pressures to increase returns; the need to attain geographic spread; an inability to achieve organic growth; overcapitalization of the industry as a whole; and an absence of large catastrophe losses all have driven consolidation, Mr. Pewter said at a session of the World Insurance Forum held here last month.

In particular, the inability to grow organically has hit reinsurers, and there is no sign that that will change, said Donald Kramer, vice chairman of ACE Ltd. of Hamilton.

Gross domestic product and inflation are flat in most advanced

See **Growth** *on next page*

Growth

Continued from previous page

countries; an increase in those indicators normally coincides with increased profitability for insurers and reinsurers, he said. Increased GDP leads to more demand for insurance, and increased inflation leads to higher interest rates, so investment returns are greater, Mr. Kramer explained.

"The good old days were the 1970s," he said.

As a result, reinsurers now have to buy rivals in order to grow, Mr. Kramer said.

Reinsurers are operating in a mature market, agreed Jacques Blondeau, chairman and CEO of the Paris-based SCOR Group. But there is the potential for growth in a few areas, he said.

The demand for long-term care coverage and pensions is increasing with the aging population in advanced countries, he said. And increasing consumerism and legal disputes lead to an increase in the demand for liability insurance, Mr. Blondeau said.

Additionally, there is some potential for growth in emerging markets. But many reinsurers are focusing on those markets, so there is already harsh competition for a relatively small amount of business, he said.

"So what do we do next? Well, pull back from the mature segments of the market and focus on the growing segments," Mr. Blondeau said.

But, beyond the limited growth that can be achieved through that strategy, reinsurers need to look for new sources of business, he said. "We should stop considering insurers as being our sole source of business in the future," Mr. Blondeau said.

For example, he said, reinsurers could develop derivative coverages for risks that are normally hedged in financial markets, such as credit risks.

SCOR's overall objective is, in 10 years time, to have 50% of its book of business made up of new products and new markets, Mr. Blondeau said.

The role of traditional reinsurance will shrink in the future, but there are still opportunities to thrive, said Gerald Radke, chairman, president and CEO of PXRE Corp. in Edison, N.J.

The purpose of reinsurance always has been to reduce financial volatility for cedents, and investors still punish volatility by fleeing from volatile earnings, he said.

And while insurers are growing in size and are more able to retain more risk, they still need access to well-capitalized reinsurers for the higher levels of risk, Mr. Radke said.

Already, insurers are choosing more often to buy excess-of-loss reinsurance rather than proportional coverage, and the next move will be to retain more of what is now the working layer reinsurance and purchase only high-layer coverage, he said.

As a result of this, PXRE has positioned itself at the high end of the reinsurance market, specializing in retrocessional reinsurance, Mr. Radke said.

However, specialist reinsurers will increasingly find it difficult to compete with large reinsurers, which are able to write both mainstream and specialist reinsurance, said Mr. Blondeau of SCOR.

"Big companies can move fast and enter any area of the market they want. There are no sleeping giants anymore," he said.

Mr. Pewter moderated the session. BI

Cat models reshape industry

Technology changes business

SOUTHAMPTON, Bermuda—Catastrophe modeling has changed the way insurers and reinsurers do business.

The sophisticated software tools have not only given underwriters a better picture of their exposure to natural disaster losses but also have allowed companies to expand their capacity for regions found not to be at risk, modeling proponents say.



Cat models also give rating agencies a better picture of the security of insurers, an analyst says.

Cat modeling attempts to maximize an underwriter's use of capital while minimizing its exposure to volatility, according to William J. Ashley, executive vp of E.W. Blanch Co. Inc. in Minneapolis and head of the broker's technology and risk management business unit.

By analyzing the probable maximum loss, or PML, to premiums written in specific geographic areas, an insurer or reinsurer can know in advance how much it can write and where, Mr. Ashley explained. "In other words," he said, "avoid surprises."

Using cat models to analyze areas at risk actually can allow companies to increase their premium volumes significantly without a correspondingly large increase in their PMLs, Mr. Ashley said. A cat model that conducts an analysis of catastrophe risk and premium volume by ZIP code not only will find areas where a company's exposure is high but also areas where the risk may be lower and premium volume can be increased.

Such an analysis also permits an insurer to purchase catastrophe reinsurance with retentions varying on a ZIP-code-by-ZIP-code basis, he added.

Sean Ringsted, senior vp and chief actuary for Tempest Reinsurance Co. in Bermuda, said cat models may also help companies manage other exposures.

One must look at all the risks an organization faces, taking an enterprise risk management approach, he said.

Tempest Re, for example, could provide a reinsurance contract with dual coverage triggers in case a major catastrophe loss also triggers significant stock market losses.

"Companies can try to address only their hurricane losses but still have surplus exposed to a stock market crash," Mr. Ringsted noted. "A dual-trigger catastrophe policy might be a more effective way to protect investment income as well as insured risks," he said.

William Riker, president and chief operating officer of Renaissance Reinsurance Ltd. of Bermuda and the panel's moderator, noted that cat modeling software also will play a big role in developing data on risks that could be hedged by capital markets.

However, Mr. Riker added, while models have a great deal of data on earthquake and windstorm exposures, "there is absolutely no data on the correlation between asset and liability markets," though such a correlation may exist should a large cat event occur.

As cat modeling software and analysis grows more widespread, the A.M. Best Co. is seeking to expand its information on the U.S. insurance industry's exposures.

Best factors an insurer's cat model analysis into its rating of insurance companies, as well as a company's overall catastrophe risk management strategies, noted Robin Albanese, an assistant vp of the Oldwick, N.J.-based rating agency. In fact, she noted, an insurer must have a cat model to earn a "secure" rating of B+ or higher.

However, as each cat model is different and many are proprietary, the results may not be comparable for some exposures.

To gain a better picture of the U.S. insurance industry's catastrophe exposure, Best is planning to request that insurance companies voluntarily supply their cat modeling data to the agency, which will contract with a modeling company to provide comprehensive data on loss exposures, Ms. Albanese said.

The effort will create industry-wide cat benchmarks by region and state, which Best will use to provide a more-level analysis of cat exposures, she explained.

—By Paul D. Winston

ADR should be considered to settle claims: Attorneys

By PAUL D. WINSTON

SOUTHAMPTON, Bermuda—Alternative dispute resolution procedures can be a less confrontational and quicker way to settle coverage disputes, several attorneys agree.

Using ADR, where appropriate, may be one way that insurers can provide better service to customers. ADR also offers the parties confidentiality, flexibility, industry knowledge and experience, and a better chance to preserve business relationships, attorneys say.

However, not all coverage disputes are candidates for ADR, and there exist situations in which an insurer may prefer to litigate a dispute, they note.

"Doing better at handling claims is a key way for insurers to boost quality. Everything else is academic," said Harold Moskowitz, a partner with Wilson, Elser, Moskowitz, Edelman & Dicker L.L.P. in New York and moderator of a panel during the World Insurance Forum last month in Bermuda on managing coverage disputes.

"A clear and unambiguous exchange of information is the best approach to minimizing any misunderstandings of coverage," he said.

However, in situations where there are questions of coverage and where some basis for disagreement exists, there is a need to consider different tools for resolving the dispute, Mr. Moskowitz said. "The correct choice of what method to employ is not just confusing but a strategic consideration impacting both the claim and business concerns," he noted in a paper presented at the session.

A policyholder attorney said the industry's course to improve quality is clear.

"If the question is 'What can the industry do better?' the answer is pay claims," said Joel B. Kleinman, a partner with Dickstein, Shapiro, Morin & Oshinsky L.L.P. in Washington.

Mr. Kleinman said policyholders are facing a huge increase in lawsuits, creating a need for better claims response from insurers.

"Trial lawyers are driving a huge increase in mass tort suits," he said, pointing to seminars on litigation strategy for Fen-Phen diet drugs, HMO liability, lead paint liability and Year 2000 computer bug liability, among others.

"These conferences provide blueprints for arguing these types of cases," from scripts for opening and closing arguments to names of expert witnesses, he noted.

In spite of a surge in mass tort litigation, Mr. Kleinman said there does not appear to be a significant increase in the volume of coverage disputes in the courts. Even so, he argued that policyholders and insurers are becoming much more adversarial in how they approach these disputes.

"The reality is that very few coverage cases are going to go to trial. So we need to create an atmosphere that will allow us to settle our disputes," Mr. Kleinman said.

To settle claims successfully, he said, policyholders need to:

- Intervene early. "Sit down with carriers and get some early indication of coverage," he said.
- Educate insurers. "We need to better explain the issues behind (third-party) claims as they start to ramp up," he said.
- Use an experienced mediator. The parties need someone who specializes in the early resolution of a dispute, rather than a judge who comes to a decision only at the end of long litigation, he said.
- Involve all parties in the process. Mr. Kleinman recommended getting brokers and underwriters involved in discussions, because they were involved in covering the risk, rather than dealing solely with claims representatives.

A claims manager for a Lloyd's of London underwriter agreed that better communication is needed to avoid disputes.

"My job is actually to pay claims; I don't get a bonus for finding novel ways to deny coverage," said Paul Bennett, claims manager for Wellington Underwriting P.L.C. of London.

Nevertheless, he said, problems arise due to a lack of communication. This is especially true in Lloyd's, where there may be a substantial number of intermediaries between the client and underwriter.

When coverage disputes arise, mediation can be less costly, more efficient and faster than litigation, Mr. Bennett said. It also may preserve long-term relationships better than would a protracted legal battle in the courts, he added.

And mediation allows companies to share information in a confidential forum, he noted.

Mr. Bennett also said finding the right mediator is critical. "The effective mediator is the person who can tease information from the parties that will allow them to reflect on their position," he said.

Another popular form of ADR is arbitration, which is mandated under some insurance contracts as a means of resolving disputes.

"You have to divide the players into those who want to arbitrate vs. those who have to arbitrate," observed Frank Lattal, senior vp and claims counsel for ACE Insurance Co. Ltd. in Hamilton, Bermuda.

See **ADR** *on next page*



ADR

Continued from previous page

"Those who want to and can agree on a method have a means to reach a non-binding resolution of their dispute," akin to a mock trial of the case, he said.

For policyholders forced to arbitrate under an insurance policy, they must look to that arbitration agreement for the who, what, when, where, why and how of the process, Mr. Lattal said.

One benefit of arbitration, he said, is confidentiality. "You don't have to worry about setting bad precedent."

Another benefit is that arbitrators often have experience relevant to the dispute; that is not always the case in the courts, he said.

Although ADR techniques such as arbitration and mediation have gained widespread use, insurers may not find them appropriate for all coverage disputes, an insurer claims manager says.

ADR "leaves little room for review if you don't like the result. As a result, many cases rely on litigation in the courtroom," said J. Donald Tierney, manager of claims litigation for American Insurance Group Inc. in New York.

ADR may not be appropriate, Mr. Tierney said, in cases where:

- The dispute can be determined by a judicial precedent. "If you think you can get a summary dismissal, why not try it?" he asked.
- The dispute involves a point of law for which a party may wish to establish a judicial precedent. This was a reason behind the litigation over asbestos and environmental claims, and it is likely to drive coverage litigation over Y2K claims, he said.
- A party feels it has a strong legal and factual position and seeks a judgment in its favor without compromise.
- For strategic reasons, such as the impact a settlement may have on encouraging new claims, a party does not wish to settle.

However, Mr. Tierney said: "I'm not an advocate of the stance to not settle a case because someone else will then sue you. If you decide to try a case and lose, see what happens." BI

Integrated programs offer savings, protection: Panel

By GAVIN SOUTER



SOUTHAMPTON, Bermuda—Integrated risk insurance programs that cover risks outside the scope of traditional insurance have not yet proven popular, a panel of experts says.

The soft market and the complexity of the products offered have deterred most policyholders from buying the much-touted new coverages.

But those few buyers that do purchase integrated and enterprise risk coverages can obtain significant cost savings and can ensure that their companies are better protected from financial calamities, the experts say.

Very few integrated risk or enterprise risk insurance programs have been bought by policyholders, said David N. Fields, senior vp at AIG Risk Finance, a New York unit of American International Group Inc.

Most of the programs that have been put together are single aggregate multiline insurance coverages that offer few cost savings except where they leave gaps in coverage, Mr. Fields said at a session of the World Insurance Forum last month. "At the end of the day, the insurance carrier has to charge for the losses," he said.

However, if a policyholder goes a step further and buys an integrated program with a dual trigger, the policyholder can realize significant savings, Mr. Fields said.

For example, a theme park owner might be able to cope with a reduction in revenue due to poor weather or an increase in costs due to a rise in electricity rates. But if both events happened at the same time, the owner might be crippled financially, he said.

So an insurance policy could be written that would kick in only when both events occurred simultaneously. It would cost significantly less than buying insurance coverage for both risks or hedging against both risks in the financial markets, Mr. Fields said.

In an example of more-conventional insurance coverages, a company may be able to cope with higher-than-expected losses from workers compensation risk or general liability risks, but not both in the same year.

By combining the coverage so it responds only when both lines exceed expected losses, a company can significantly reduce its premiums, he said.

The list of unrelated enterprise risks that can be combined with traditional insurance risks includes foreign exchange, weather, commodity prices and interest rates, Mr. Fields said.

Policyholders can expect savings of between 10% and 20% of their total cost of risk by integrating their traditional and enterprise risks, he said.

Few integrated insurance programs that cover enterprise risks have been put together, agreed Tom McCarthy, senior vp at CIGNA Risk Solutions. However, the programs could provide policyholders with significant advantages, he said.

First, they simplify insurance programs by reducing the number of policies necessary. Second, they are more efficient because they stretch one limit over several coverages. And because these typically are multiyear programs, they offer predictable prices and capacity. Third, they are flexible and offer policyholders a platform to cover numerous financial risks that are not normally covered by insurance, Mr. McCarthy said.

Insurers sometimes can offer coverage for financial risks for a longer period of time than is possible in the financial markets where they usually are hedged, he said.

"We are more comfortable holding the risk," Mr. McCarthy said.

For example, a buyer of commodities might be able to formulate long-term insurance coverage that would kick in if the price of the commodities increased, or fell outside of an agreed-upon cost band, instead of setting up short-term financial hedges to cover the risk, he said.

But policyholders that want to purchase integrated risk and enterprise risk coverages should be prepared for a long buying process, said Scott M. Sanderson, senior vp-global risk financing and consulting at J&H Marsh & McLennan Inc. in Minneapolis.

"They require a tremendous amount of upfront work," he said.

A program typically takes a year to put together, said Mr. Sanderson, who was involved in the integrated risk program Honeywell Corp. bought in 1997. It combined traditional insurance risks with currency risks.

Normally, a team of 10 or more people from different departments at the company seeking the coverage needs to be involved, he said. Crucially, someone from the audit department must be included to ensure that the program still qualifies as insurance for tax purposes, Mr. Sanderson said.

But the end result of all the work is worth it, as the programs can provide better protection for a company's profit-and-loss statement, he said. "Risk is risk. If it hits the P&L, it doesn't matter what caused it. . . .If you can lay off the volatility, you should be able to increase loss predictability," Mr. Sanderson said.

The integrated products should become easier to set up as risk managers' jobs change, said Mr. McCarthy of CIGNA. Many risk managers no longer think of themselves primarily as buyers of insurance, he said.

"They have to reduce costs and increase the effectiveness of risk management," Mr. McCarthy said. Consequently, they are taking a much broader view of risk, he said.

Companies are requiring risk managers to do much more than buy insurance, agreed Jennifer B. Cartmell, general manager of the risk management department at Texaco Inc. and president and chief executive officer of Heddington Insurance Ltd., Texaco's Bermuda-based captive.

"My job is not about buying insurance; it is about being an effective part of a team that has a clear mission to effectively manage our capital for shareholder return relative to our peer group and the market in general,"Ms. Cartmell said.

In 1997, Texaco bought an integrated policy to cover directors and officers liability, fiduciary liability and outside directors liability, she said.

The program reduced the combined insurance premium for those coverages by 40%, she said. But it is difficult to assess the true savings, as prices for those separate coverages also were greatly reduced from the traditional placement in the previous year due to the soft market, she added.

Ms. Cartmell is exploring the possibility of placing more-traditional property and casualty coverages into the program, as well as covering non-traditional risks such as foreign exchange, she said.

However, it is a difficult process, largely due to the formal management hierarchies of large companies like Texaco, Ms. Cartmell said.

"It is very difficult to go to another professional and admit that you have no clue what they do and don't understand their language," she said.

Also, managers of other departments affected may be unwilling to cooperate for fear that they may become redundant if an insurance program is put together to cover a risk normally dealt with in other ways, Ms. Cartmell said.

Another deterrent to the development of the programs is the current soft market, she said. Risk managers currently can take advantage of falling insurance rates to reduce their costs without dealing with integrated products that they do not yet understand, Ms. Cartmell said.

"It takes a very brave risk manager to go into an unknown world, particularly when you can say to your boss, 'Look what I did!' anyway," she said.

The panel was moderated by Joseph C. Peiser, senior vp at J&H Marsh & McLennan Global Broking (Bermuda) Ltd. BI

Growth predicted in securitization

By GAVIN SOUTER

SOUTHAMPTON, Bermuda—The securitization of insurance risks currently is a costly and time-consuming process, but it is the wave of the future, an insurance executive says.

The few securitized and integrated risk deals completed in 1998 are sure to be followed by more, as buyers and sellers grow more accustomed to the new products, said Clive Tobin, senior vp at XL Capital Products Ltd., a unit of the newly named XL Capital Ltd. in Hamilton, Bermuda.

But as insurers and reinsurers grow more comfortable with the products, there is arisk that they will rush to offer them before they are fully prepared in an attempt to find new revenues in the soft market, he warned.

"We are headed for real exciting times but also dangerous times," Mr. Tobin said at a panel on securitization at the World Insurance Forum last month.

But, despite the risks, policyholders should be able to use the new products to find coverage for risks the conventional insurance market is unwilling to take on, another panelist said.

And by accessing capital market coverages, policyholders will eliminate many of their credit risks, another added.

1998 was a watershed year for securitized and integrated insurance coverages, said Mr. Tobin. A few of the deals completed last year showed the way that new deals will be formed in the future, he said.

XL Mid Ocean Ltd., another unit of XL Capital, took part in one such deal when it bought $200 million in high-layer retrocessional coverage from the capital markets and the alternative risk transfer insurance market (*BI*, Aug. 17, 1998). In another instance, British Aerospace P.L.C. bought a $2.4 billion, 15-year program to cover actual and contingent liabilities (*BI*, Dec. 14, 1998).

The XL Mid Ocean product enabled the company to buy high-level coverage quickly, Mr. Tobin said. The only problem was the expense. Fees paid to modeling companies, brokers, lawyers and rating agencies; the cost of the road show for potential investors; and the cost of setting up a special-purpose vehicle for the transaction totaled between $2.5 million and $3 million, he said. "That really raises the rate on line."

Despite the current high costs, the innovative coverages are sure to become more commonplace in the future, Mr. Tobin said. And as more deals are put together, some of the costs should be reduced, he said.

More insurance and reinsurance buyers are realizing that the new structures are flexible and enable buyers to package a lot of different risks, Mr. Tobin said. And those risk packages can be hedged in the financial markets, he added.

He cautioned that the soft market might prompt insurers and reinsurers to offer such products prematurely. "The risk is that there's an enormous amount of excess capacity (in the insurance market), and people might rush into it," he said. Insurers and reinsurers who want to offer securitized products need to employ people with financial backgrounds outside of insurance to help develop them, Mr. Tobin said.

Securitization deals also can eliminate some of the business risks that are associated with traditional insurance and reinsurance coverages, said John C. Nicholson, a managing director at Lehman Bros. Inc. in New York.

Most of the deals involve bond-type structures where the capital is collected from the investors, placed in a special-purpose vehicle and repaid if there are no losses. "You don't have to worry about the reinsurance company being around to pay the losses, because you already have the collateral there," Mr. Nicholson said.

Securitized deals are most obviously useful as a way to cover risks that traditional insurers and reinsurers are not prepared to take on, said David E. Govrin, vp in the risk markets group at Goldman Sachs & Co. in New York.

"If a company has a significant concentration of risk or risks that are difficult for the traditional market to handle, then securitization becomes more attractive," he said.

For example, a large company with most of its operations built near the San Andreas fault might find capital markets-based coverage more attractive than coverage offered by insurers, Mr. Govrin said.

However, some areas of coverage that have been difficult to place in the past might not find a ready alternative in the capital markets, he said. Environmental liabilities, for example, would be difficult to place in the capital markets, as there are no modeling programs to give investors a firm estimate of a potential loss, Mr. Govrin said.

Thomas Heise, president of The Bermuda Commodities Exchange, also spoke at the session.

Daniel V. Malloy, president and chief executive officer of Stockton Reinsurance Ltd. in Bermuda, moderated the session. BI

Forum draws 538

SOUTHAMPTON, Bermuda—The World Insurance Forum attracted 538 delegates, speakers and guests to the Southampton Princess Hotel Feb. 16-19.

The sessions covered diverse subjects, including captives, consolidation, securitization, coverage disputes and excess liability.

Integrated and enterprise risk coverages were themes that pervaded many of the sessions, as executives speculated on possible areas for premium growth.

The first day of the conference included a golf tournament, which featured a clinic by star golf coach David Leadbetter.

The next World Insurance Forum, also known as the Bermuda Insurance Symposium, will be held in February 2001 at the Southampton Princess.

For more information, contact Suzie McKeegan, Bermuda Insurance Symposium, The Whitfield Building, 61 Front St., Penthouse, P.O. Box HM 2550, Hamilton HM KX, Bermuda; 441-292-6386; fax: 441-292-6990.

INTERNATIONAL

Global Briefs

Allianz A.G. Holding's profits for fiscal 1998 rose nearly 30%, to 3.5 billion deutsche marks ($1.97 billion). Gross premium volume for the Munich, Germany-based insurer increased 19%, to 90.6 billion deutsche marks ($50.95 billion). The insurance giant attributed the improvement in results to partial consolidation of Paris-based Assurances Generales de France, which Allianz acquired last year (*BI*, Jan. 5, 1998). Allianz expects further growth in premiums and profits for 1999. . . .**Munich Reinsurance Co.** has opened an office in Warsaw, Poland, saying the expansion is in response to the growing importance of the Polish insurance market. The new unit, Munich Re Polska Services, will offer Munich Re's complete range of insurance services. . . .**Lloyd's of London** has completed an update of its nearly 2,000 desktop computer terminals, making them Year 2000 compliant. All the PCs now adhere to a higher standard using Microsoft Windows 95 or Windows NT, with Internet browsers installed . . . .**Copenhagen Reinsurance Co. (UK) Ltd.** has named Robert Johnston as managing director. Mr. Johnston, formerly executive director of Liberty Re Ltd., which withdrew from the London market earlier this year (*BI*, Jan. 11), replaces Matthew Petzold, who has left to form a new venture. . . .**Cox Insurance Holdings P.L.C.** has acquired for £6.75 million ($10.8 million) the insurance product marketing and guarantee division of John Holman & Sons Ltd. JHS, which will be renamed Holman Marketing Ltd., will continue to act as an intermediary between regional brokers and Lloyd's syndicates and insurance companies. . . .London-based **Steel Burrill Jones Group P.L.C.** has appointed Charles Waterlow to the newly created post of deputy chief executive of SBJ Employment & Safety Services Ltd., its Coventry, England-based employment and health and safety risk management consulting company. Mr. Waterlow was previously a director of SBJ ESS. . . .Standard & Poor's Ltd. has upgraded its insurer financial strength rating of **Swiss Re Italia SpA** to AAA from AA. S&P also rated another Swiss Reinsurance Co. subsidiary, Swiss Re Life & Health Australia, AAA. S&P said the ratings were based on the two organizations' "core positions" within the Swiss Re group, and reflected the group's globally dominant business position, clear operational focus, superior capitalization and strong profitability. . . .S&P has also assigned its AAA rating to **Great Lakes Reinsurance (UK) Ltd.**, a London subsidiary of Munich Reinsurance Co. . . .Moody's Investors Service has assigned its Aaa insurance financial strength rating to **Bayerische Ruckversicherung A.G.** It said the rating is based on Bavarian Re's "excellent client relationships, its conservative underwriting culture and profitable track record, its strong reserving and substantial asset revaluation reserves and its superior capitalization."

New Scandinavian alliance

By MARIA KIELMAS

OSLO, Norway—Seven and a half years after Norwegian insurer Storebrand Skadeforsikring A/S failed in its hostile takeover bid for Sweden's Skandia Insurance Co., the two Nordic insurers are merging their property and casualty operations in the Scandinavian market.

The new non-life insurer, launched Feb. 22, will be one of Scandinavia's largest commercial insurance companies. Skandia will own 56%, with Storebrand owning 44%, but the two companies will have equal voting rights.

Scandinavian risk managers say they generally are adopting a wait-and-see attitude toward the new operation, though some have expressed concern about diminished choice for buyers.

Although Skandia's non-life business operations are larger in terms of premium volume than Storebrand's, Storebrand's non-life business has performed better than Skandia's, said Christian Storm, chief financial officer at Storebrand in Oslo, Norway. That is why both companies have equal voting rights, despite the difference in ownership, he explained. The new insurer does not yet have a name.

Mr. Storm said Storebrand had talked about finding another Scandinavian partner for some time.

"It is difficult for us to make acquisitions in Norway, where we hold 50% of the market," he said. Discussions had been under way with Skandia for "some months," but the negotiations to create the new company took place only in the last two weeks, Mr. Storm said.

No negotiations are under way with any other potential partners. "But we will invite in Finnish and Danish insurers," Mr. Storm said.

The aim is to attract other Scandinavian partners into the company, senior executives from the two companies said in a joint statement and later at news conferences and in meetings with investment analysts.

Executives from Finland's largest insurer, Helsinki-based Pohjola Insurance Co., already have made public their interest in joining the group.

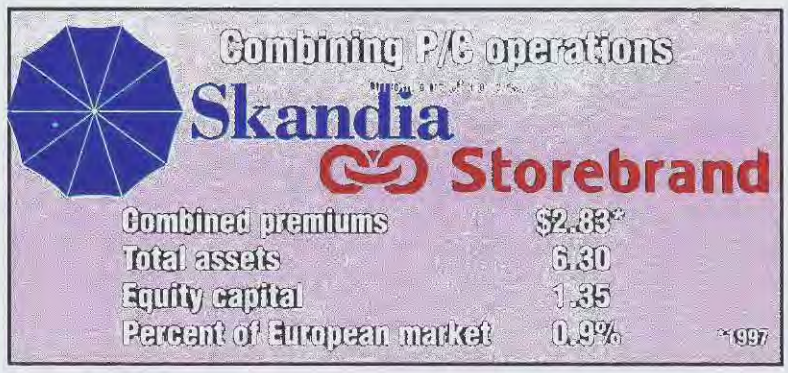
In January, Skandia bought the entire Pohjola shareholding of the Swedish banking group MeritaNordbanken. That increased Skandia's stake in the Finnish insurer to 32.5% of voting rights and 23.6% of the capital.

Skandia and Storebrand will seek a stock market listing for the new insurer. A decision as to whether to list in the new European single currency, the euro, still has to be made, as does the precise stock exchange or exchanges, Mr. Storm said.

"We are talking about the year 2001, and we don't know how many stock exchanges there will be in Europe then," Mr. Storm said.

Neither Norway nor Sweden has adopted the euro.

See **Merger** *on next page*



Lawyer says rash of Y2K suits unlikely in U.K.

By SARAH GODDARD

LONDON—Directors of U.K. companies are unlikely to find themselves facing shareholder lawsuits as a result of Year 2000 failures, according to a leading litigation lawyer.



Speaking at AIG Europe (UK) Ltd.'s second Corporate Governance Seminar in London earlier this year, Iain Roxborough said the chain of events he thinks is necessary to spark a suit against company directors was unlikely to take place, particularly because a suit generally could be triggered only by a full business collapse and subsequent action against auditors.

Mr. Roxborough, a litigation partner with the London law firm of Clifford Chance, pointed out to seminar delegates that, to date, there has been no litigation related to the Y2K problem in the United Kingdom. This contrasts with the United States, where class-action suits are frequently brought against software suppliers, primarily because they have not provided customers with free upgrades to smooth out Y2K bugs, he said.

In addition, U.S. shareholders are bringing claims against company managers for falls in stock prices that result from organizations not being fully Y2K-compliant, Mr. Roxborough said.

U.K. customers are taking a more pragmatic stance, he said. They prefer to obtain software upgrades to correct potential problems rather than start litigation. "It is very rare that software disputes go to litigation" in the United Kingdom, said Mr. Roxborough. U.K. software companies "want to maintain customers and their reputations."

He warned, however, that not every software system has a current supplier, so upgrades—either free or paid for—may not be available, and there may be no one to pass the buck to if a system fails as a result of a Y2K problem.

See **Y2K** *on next page*

Some German insurers reworking operations

By DON LEWIS KIRK

COLOGNE, Germany—As a result of deregulation and heightened competition, some of Germany's top insurers are restructuring and planning to write more direct coverage to better serve commercial clients.

Among the insurers revamping their industrial risk operations are Allianz A.G. Holding, Gerling Holding A.G. and AXA Colonia A.G. Each recently announced plans to revamp commercial and industrial business with "dedicated structures" to service commercial clients. Specialized units will take the initiative in offering solutions—directly and through brokers—to all commercial risks.

Market leader Allianz has announced plans to merge domestic marine, aviation and cargo insurance business, including marine and aviation liability, into one unit. Allianz already has segmented industrial business, with separate units targeting commercial clients with revenues of less than 1 billion deutsche marks ($562.8 million) and those with higher revenues.

The insurer is looking to better coordinate lines of business, bundle capacity and integrate know-how for commercial risk financing solutions. Allianz is getting into non-traditional programs, such as capital markets products.

Gerling A.G. also is in the process of overhaul. Juergen Zech, Gerling Holding A.G.'s chief executive officer, said dedicated structures will help the company decentralize decision-making, speed up service and heighten product flexibility. Winning large industrial and commercial clients is vital to Gerling, which earns most of its revenues with German industry.

The battle for commercial clients has been heated by deregulation, globalization and cross-border benefits of the euro. The result is an increase of foreign insurer strength in Germany. The most recent example is the French AXA Group, which by acquiring Hamburg-based Albingia A.G. became Germany's second-largest property insurer, behind Allianz.

Claas Kleybold, chairman of Cologne, Germany-based AXA Colonia Holding A.G., the group's German arm, contends mergers and acquisitions are driven by "synergy potential" outside product lines and national borders. "Consolidation, convergence and globalization are dictating the rules," he said. "Brand names transcend language and cultural differences. They link countries under a single philosophy."

AXA Colonia is revamping its structure around a new company, AXA Global Risk, a Paris-based international network created to

See **Germany** *on next page*

CGU to push for more rate hikes

LONDON—U.K. multiline insurer CGU P.L.C. said last week when reporting weaker results for 1998 that one of its key objectives this year is to push for more rate increases in major markets.

CGU Group Chief Executive Bob Scott made that statement as he reported a fall in pretax operating profit to £768 million ($1.29 billion) from a restated profit in 1997 of £1.24 billion ($2.08 billion). Global underwriting losses more than doubled to £857 million ($1.44 billion) from 1997, led by a 150% rise in U.K. underwriting losses to £390 million ($656.4 million) and a 72% rise in U.S. underwriting losses to £248 million ($417.4 million).

The fall in operating profit all came from non-life insurance operations, where pretax profits more than halved to £504 million ($820.2 million) from 1997. Mr. Scott blamed the deterioration largely on price competition and increased weather claims, mainly in the United Kingdom and the United States. Total weather claims rose to £348 million ($585.7 million) last year from £169 million ($283.8 million) in 1997.

He said CGU is now leading the drive for rate increases in the United Kingdom, particularly in auto, where CGU raised rates 10% to 11% during 1998, and in employment practices liability, where the insurer wants a 5% rate hike in 1999.

Mr. Scott said the merger that formed CGU, completed in June 1998, is making "excellent" progress and contributed £72 million ($121.2 million) of cost savings in 1998. However, last year's results included a £260 million ($437.6 million) exceptional charge representing the cost of merging the companies. CGU also added £350 million ($589.1 million) to its U.S. asbestos and environmental pollution reserves, making total A&E reserves £678 million ($1.14 billion).

—By Edwin Unsworth

Merger

Continued from previous page

The new entity will have combined insurance premiums of 22.9 billion Swedish kronor ($2.83 billion), based on 1997 premium volumes, which were the most recent figures available.

The new company's total assets will be 51 billion Swedish kronor ($6.30 billion), and it will have an equity capital of 10.9 billion Swedish kronor ($1.35 billion). These final two figures were based on third-quarter 1998 figures from both companies, according to the information issued. The new company will have about 0.9% of the entire European market based on a total gross premium of 2.39 trillion Swedish kronor ($32.62 billion). The corresponding Nordic market share will be 19% based on a gross premium volume of about 110 billion Swedish kronor ($13.6 billion).

The new insurer will be domiciled in Sweden. A Private Division for personal lines will be managed from Oslo, while an Industrial Division will be managed from Stockholm. The Marine & Energy Division also will be managed from Oslo.

The combined entity will control between 55% and 58% of the Norwegian non-life market. The two companies said in their joint statement that they would discuss their Norwegian share with the authorities. The deal still requires regulatory approval. Stock market analysts speculate that Skandia's 100%-owned Norwegian subsidiary, Vesta Insurance Co., will eventually be sold, but this has not been confirmed by Skandia or Storebrand.

Such a merger reduces choice for corporate insurance buyers, said Paul Broderick, manager of Dublin, Ireland-based Ericsson Insurance Services, the insurance division of Stockholm-based telecommunications company Telefon AB L.M. Ericsson.

"We have to wait and see what they (Skandia and Storebrand) deliver, as we don't know yet what they will do. As an international company, we choose our insurance on a case-by-case basis," Mr. Broderick said.

The deal will have a huge effect on the Scandinavian market in terms of limiting choice, said Per Sjolander, risk manager at Stockholm, Sweden-based paper and packaging manufacturer Assi Doman AB.

However, he also noted that the deal may have a positive effect for corporate buyers, in that there will be good security available in Scandinavia for larger risks. "But the disadvantages are bigger," he said.

Mr. Sjolander noted that the real winners in the consolidation will be international brokers and possibly the London market. "The alternatives for (insurance buyers) are either to use brokers more or to go to the London market," he said.

Peka Loikkonen, risk manager for Helsinki-based telecommunications company Nokia Group, agreed that the deal will reduce choice.

"Everyone knows that the fewer players in the market, the smaller the competition. But I think that it will not have much impact in Finland, since the industrial market is so small compared with Sweden."

Mr. Loikkonen said that smaller and medium-sized companies in the Scandinavian region could benefit from improved service through the insurer. It also may act as a vehicle for expansion into the Baltic states of Estonia, Latvia and Lithuania, Mr. Loikkonen explained. BI

Germany

Continued from previous page

serve large multinational companies.

AXA focuses on industry sector solutions. One manager is responsible for each sector, such as transport or amusement parks. AXA Global Risk will market directly to large companies. A spokesman for AXA Colonia pointed out, however, that German insurers have a long tradition of direct contact with captive brokers of large German companies.

Risk managers in Germany generally are pleased by the moves toward segmentation and more direct contact.

"We've wanted this for a long time," says Peter Ramb, risk manager of Frankfurt-based chemical giant Hoechst A.G. "The market needs a segmentation into commercial, industrial and large industrial risk. The moves make the insurers "more in tune with the needs of the 20 to 30 largest German corporations," he said.

Mr. Ramb sees several benefits, including better insurance products. "The old structures simply could not handle complex solutions," he says. "Integrated solutions deal with high deductibles and financial risk. That is too big a job for a local liability insurance branch."

Another primary benefit of dealing directly with large insurers, regardless of what risk is being discussed, is cost, admits Mr. Ramb.

"I don't mean to say we don't need brokers. But it is important to deal directly with the insurer. After all, they are the ones carrying the risk. We know the market. We know what we want. We still need the broker for advice and as support for risk management efforts. But in many cases direct contact (with insurers) is better."

Brokers are not particularly happy with efforts to circumvent them.

"Brokers are potentially threatened by these new structures, but no more or less than in the past," contends Ralf Geck von Kaenel, managing director of German broker Aon Jauch & Huebener in Muelheim. "In some cases, our standing will in fact improve. Gerling's new structure is two-tracked. One track is for the broker and the other for direct contacts." He said that insurers are cooperating more with independent brokers and giving them new avenues for income. For example, brokers now are doing risk assessment work for insurers. "We now have more room for additional (consulting and risk management) business." Still, the threat to brokers is real, as insurers who work directly with clients will be competing with the brokers.

"The threat to brokers may be more imagined than real," said Guenter Schlicht, head of VDS, the Bonn-based German risk managers association. "We shouldn't forget restructuring follows a trend to larger mergers and acquisitions, which is placing power in the hands of a few. In AXA's case, for example, two mid-sized insurers were swallowed by a large insurer. Buyers want more choices," Mr. Schlict said.

Alois Markmeier, risk manager of Gutersloh-based publishing giant Bertelsmann A.G., said the measure likely will help the insurance companies more than the buyers. Restructuring will help insurers reduce their costs, "but it remains to be seen if it helps the client," he said.

"What I want is a good product," Mr. Markmeier said. "I want to see the costs involved. We will have to see if these (restructuring) measures actually help. I fear it is more a cost-cutting measure for insurers. In any case, the independent broker is essential for the market and provides the overview. If my (main) insurer can't give me everything I want, I rely on the broker."

In some cases, German insurers have agreements that brokers do risk assessment work for them in a fiduciary capacity. German insurers have a long tradition of direct contacts with industrial clients. Leading corporations, such as Hoechst, BASF, Volkswagen and BMW, have captive brokerages that earn commissions for business with insurers. But they also deal with independent brokers, like Aon Jauch & Huebener, which has expertise in risk management and foreign markets that profits both insurer and corporate client.

Mr. Geck sees less obvious—and for brokers less dangerous—motives in segmentation. "I believe the main thrust comes from shareholders and regulators, looking to curtail cross-subsidizing of business lines," he says. "Shareholders are increasingly unhappy with the transfer of revenues from profitable private lines—private health insurance—to subsidize others."

Market analysts agree. "Growing pressures on profitability make the weakness in cross subsidies apparent," said Frankfurt insurance analyst Michael Drepper. Mr. Drepper believes segmentation will make underwriting losses more visible to the buyer, with loss statistics being more segment-specific.

Mr. Geck said insurers could soon use "clean statistics," or loss figures broken out by segment, to push for higher commercial insurance rates.

The bottom line for brokers is that clients will continue to seek an "overview" of an increasingly "oligopolistic" market, said Mr. Geck. "The need of alternatives will overweigh other considerations. Behind it all is the desire to have independent advice."

Mr. Geck said he doubts that buyers really trust the advice of insurers, because they provide the capital. "Those who provide the capital are not good consultants," he said.

Of course, brokers must be consultants for both sides, he says. "You have to be better—more innovative, reliable and simple—faster and cheaper than the other guy." It's a view insurers share and want to emulate. BI

Y2K

Continued from previous page

In addition, in the United Kingdom, a six-year statute of limitation begins at the point at which a company should have been aware of a potential problem. This may be exceeded if an organization waits until the damage has occurred, and "everyone's waiting until damage occurs," he said. "So far, it's relatively quiet on the litigation scene."

Mr. Roxborough said he is confident that company directors in the United Kingdom will not face the scenario of shareholder suits that some have been predicting. Mr. Roxborough identified a series of events that may collectively trigger a directors and officers liability claim:

- The company's core production machinery fails.
- The business collapses.
- The company goes into liquidation.
- Investors and liquidators sue the auditors and directors.
- Auditors are named as third parties to the lawsuit.

However, it is unlikely many businesses would collapse if their production machinery were out of action for a while, Mr. Roxborough pointed out. Even if investors were to sue negligent parties over failing to identify Y2K problems, investors would prefer to pursue claims against "deep pockets," such as large auditing firms, said Mr. Roxborough.

"The reality in the U.K. scene is that directors are not sued regularly, so the risk is low, even in relation to Y2K," he said.

Nevertheless, prevention is better than cure, said Mr. Roxborough, and a director can mitigate potential liability by having a well-developed plan. "It's harder to claim if the plaintiff knows a careful plan was in place," he pointed out. As a result, company directors should implement and oversee compliance plans. "The route to liability against directors is to focus on the compliance project," he said. "A plan will put off a prospective plaintiff."

Choosing the right project manager for the compliance plan is of paramount importance, he added. This was spotlighted in the ongoing review of misleading pension sales, in which a number of insurance companies have been penalized for not taking reasonable care in their choice of project managers, he said.

Another essential step in proving that directors are not being negligent in their handling of Y2K-related exposures is to ensure that there are both adequate resources to carry out the compliance arrangements and board-level communication, said Mr. Roxborough.

The final protection is to call in external advisers. Mr. Roxborough, quoting an executive of an international financial services company, said: "When it comes to compliance matters, a CEO may not be entitled to rely on his management team, however experienced and competent they are believed to be at the time . . . .Only by calling in external advisers will a CEO be protected from the risk of censure by the regulator, even though they may be in no better position" to identify issues.

In particular, Mr. Roxborough advises using a team of legal advisers rather than consultants.

Attorney/client privilege exempts legal advisers from providing information during the discovery process should there be subsequent litigation. Any other type of consultant "could be a smoking gun" in litigation, he warned.

Within the compliance project itself, Mr. Roxborough suggested that any concerns be stated orally rather than put into writing, because minutes and records could be used as evidence in future litigation. Nevertheless, the company must be sure to make true reports to its auditors, he said. "There is the possibility of a criminal offense if (a director) makes a misleading statement to the auditors," he cautioned.

At the same time, clients who ask for Y2K compliance certificates should be reminded of a recent statement issued by the Bank of England, he said. The statement reads, "It is not normal business practice to give a general certification of total reliability or availability, and it would be unrealistic to expect one to be given, in a meaningful way, in relation to Year 2000 compliance. The problem is so extensive and pervasive, and its impact in some cases so difficult to identify, that Year 2000 compliance can really be confirmed only on a 'best efforts' basis."

Mr. Roxborough described this as a "defendants' charter for future litigation. . . .It is endorsing the situation, that there is no guarantee." The point, he said, is that the situation is very difficult.

And as long as the company is trying its best, Mr. Roxborough said, that's all that is necessary. BI

Services Guide

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PHOTO: AFP

The former Sea Empress, now called Sea Spirit, is in a Belfast shipyard for work in this 1997 photo. The Norwegian oil tanker ran aground in 1996 off Milford Haven. The final liability bill could be as high as $65 million.

Sea empress liability could hit $65 million

By EDWIN UNSWORTH

OSLO, Norway—The final liability bill for the 1996 Sea Empress oil tanker accident could reach $65 million, according to the protection and indemnity club that insured the ship.

Oslo, Norway-based Assuranceforeningen Skuld said total liability claims "probably will be in the range of $50 million to $65 million." In a statement three years after the incident, the insurance mutual said that, while the cost of environmental damage was much less than expected, the cost of cleanup makes up by far the largest category of the claim, at about $33 million.

Some of the claims are being paid by the International Oil Pollution Compensation Fund, a London-based fund that compensates member countries for damages suffered from oil spills. Members contribute to the fund in proportion to the amount of oil they import.

Skuld said that, so far, $24 million in claims has been paid as a result of the Sea Empress accident, $11 million by the club and $13 million by the IOPC. It added that final settlements have been reached with the "great majority of claimants," but that, because there have been more than 1,000 claimants, this has not been possible in all cases. Among the outstanding claims is one for $18.5 million for cleanup costs from the U.K. government, which has agreed to be paid after other claimants.

Feb. 15 marked the third anniversary of the incident and the cutoff date for filing claims.

The Sea Empress ran aground while attempting to berth at Milford Haven, in the south of Wales. It was under the control of a port-employed pilot when the grounding occurred (*BI*, Feb. 26, 1996). Earlier this year in Cardiff Crown Court, the Milford Haven Port Authority admitted liability for the accident, which resulted in the spill of 72,000 metric tons of crude oil (*BI*, Jan. 25).

Both Skuld and the Sea Empress' hull insurer, UNI Storebrand A/S of Oslo, said after the court case that they would consider legal action against the port authority to recover insurance money they had paid following the accident. A spokesman for Skuld said last week that the club is still consulting its lawyers on this matter and that a decision is still many weeks off.

UNI Storebrand has not disclosed what it paid as hull insurer, but repair costs of the Sea Empress, which has since been resold, are estimated to have been about $30 million. BI

U.K. ruling favors buyers

By CAROLYN ALDRED

LONDON—Failure to comply with a loss prevention condition in one section of an inclusive combined commercial insurance policy does not invalidate insurance coverage under other sections of the policy, the Court of Appeal has ruled in a judgment that will be welcomed by commercial policyholders.

Dismissing an appeal brought by AGF Insurance Ltd., based in Milton Keynes, England, the appeal court judges ruled that the Leeds, England-based printing company Printpak did not invalidate its fire insurance coverage by failing to ensure that a burglar alarm was fully operational when its premises were closed.

Printpak, now defunct as a result of a fire at its premises on April 16, 1995, is claiming a total property loss in excess of £1 million ($1.6 million), as well as a substantial claim for the loss of business and stock, according to Sarah Fox, a lawyer with the Manchester, England, office of the law firm Eversheds. Eversheds represented Printpak in the case.

AGF denied the claim, alleging that the fire was caused by arson and that the policy was invalidated because the burglar alarm was not in operation due to building work.

However, ruling on the issue of whether the entire policy can be invalidated because of a breach of a loss prevention condition, the appeal judges dismissed the insurer's argument that the policy was a single contract. The policy, they noted, dealt with each different risk in a separate section. For example, section A dealt with fire and other damage to property; section B, theft; section H, employers liability, and so on.

The judges ruled that, because the burglar alarm condition was written as an endorsement in section B only, the insurer could not be discharged from any liabilities stemming from a fire loss, which is covered under section A.

Since the January 29 ruling, Paris & Co., the law firm that acted for AGF, has received a number of calls from insurance law firms that are handling cases involving the same issue.

"This will continue to be a live issue, and, no doubt, some insurance companies' concerns have been crystallized by this ruling," said Victoria Pickavance, a lawyer with the Warwick, England-based Paris & Co.

Insurers' concerns have involved "the application of warranties in circumstances where combined policies are issued and, as such, are divided into sections. Clearly, much depends upon the policy wording, but in many such policies—even where the warranty is intended to apply to more than the section to which it is attached—the wording, when analyzed, prevents this," according to Ms. Pickavance.

"It is clear that, to achieve the desired underwriting result, such policies may need to be examined and redrafted," she pointed out in a statement prepared on behalf of AGF.

Ms. Fox of Eversheds agreed that there has been "some interest in the case," as breach of warranty is "quite a common way for insurance companies to deny a claim and avoid liability."

She also agreed with Ms. Pickavance that the ruling will make insurers look carefully at the way they word their policies, and she warned risk managers to look out for changed wordings in future policies as a result of the ruling.

A spokesman from the Assn. of British Insurers said insurers "should be cautious in drawing up contracts."

The ABI has a statement of policy for personal lines policyholders that reads, "An insurer will not repudiate liability to indemnify a policyholder on grounds of a breach of warranty or condition where the circumstances of the loss are unconnected with the breach, unless fraud is involved."

But there is no such policy statement for commercial policyholders, as they are thought to be more discerning in insurance matters, said the ABI spokesman.

"The Court of Appeal would appear to have come down on the side of good sense," said Mark Butterworth, deputy chairman of the Assn. of Risk Managers in Industry & Commerce. "It is very clear in my mind, an insurer has the opportunity to apply general conditions across all sections and did not in this case." BI

Two U.K. insurers revamping

By EDWIN UNSWORTH

LONDON—Two U.K. insurers have announced consolidations of their U.K. commercial insurance operations.

Royal & SunAlliance Insurance Group P.L.C. has started merging four divisions—London market and multinational, U.K. regions, engineering, and marine—into a single U.K. commercial business. The new unit also will be divided into four geographic areas, covering the North, the South, the Midlands and London.

RSA U.K. Chief Executive Officer Paul Spencer said the new structure supports the insurer's plans for a global organization that provides local solutions to customers.

He said that since the formation of RSA three years ago through the merger of two leading U.K. insurance companies, the new company is "still not sufficiently responsive" to customers' needs.

"The strategy we are about to put in place will improve customer focus, improve efficiency and reduce costs, by removing duplication and by improved processes," said Mr. Spencer.

Meanwhile, in a similar move aimed at expanding its commercial insurance operations, London-based Cornhill Insurance P.L.C., owned by Allianz A.G. Holding of Germany, is introducing a new corporate structure designed to improve relations with commercial lines brokers.

Effective April 6, Cornhill is merging its U.K. Branch Division, Allianz Cornhill International Division and Allianz Cornhill Engineering into two divisions.

One of the new divisions will be Allianz Cornhill Regions, which will be structured mainly to provide brokers with locally based expertise in U.K. commercial lines business. The other, Allianz Cornhill International, will deal largely with risk management and inspection services, marine, energy and international industrial business. It will provide the link with the Allianz A.G. Holding worldwide network and will focus on "enhancing relationships with the major brokering houses for commercial lines business," according to a Cornhill statement.

Cornhill CEO Ray Treen said the restructuring has been designed to clarify for brokers where they should place their business with Cornhill.

Both companies said the changes would result in an unspecified number of job losses. BI

Australia consolidation not a worry for risk managers

By MATTHEW MacDERMOTT

SYDNEY, Australia—The wave of acquisitions in Australia's insurance market is expected to continue, but Australian risk managers say they are not worried about the ongoing consolidation.

Chris Woodward, risk and insurance manager for Shell Australia Ltd. of Melbourne, said most large Australian corporate insurance buyers tap into international markets, and there are still plenty of choices available.

"I can't see too many adverse points (to Australian market consolidation)," he said.

Mr. Woodward said that while a reduced number of local underwriters always is "some concern," consolidation is creating stronger Australian insurers that offer a broader range of insurance classes.

"Australian insurers have historically written special classes," he said. "But underwriters are now becoming more sophisticated and secure providers. So larger is not necessarily a deterrent (for buyers)," he added.

Bruce Ferguson, group risk manager for Sydney Water Corp. Ltd. in Sydney, agreed that the recent acquisitions will not severely restrict the choices of Australian corporate insurance buyers.

"It doesn't worry me as much as the (consolidation) of the insurance broking industry, where it is important to have local brokers," he said. "On the underwriting side, we (buyers) can still go to international markets."

Sydney, Australia-based AMP Ltd. in January gained 57.2% control of fellow Sydney insurer GIO Australia Holdings Ltd., following a hostile five-month $3.02 billion Australian ($1.90 billion) takeover battle (*BI*, Sept. 21, Aug. 31, 1998).

AMP Ltd. reported gross premiums of about $8 billion Australian ($5.20 billion) for 1997, the most recent full-year result. AMP's non-life operation, AMP General, is ranked No. 11 among Australian non-life insurers. The combination of AMP General and GIO will make AMP the third-largest non-life insurer and the largest commercial insurer in Australia, according to an AMP spokesman. GIO reported gross premium volume of $1.67 billion Australian ($1.03 billion) for the fiscal year ended June 30, 1998.

The spokesman said AMP and GIO currently are being run as two separate organizations, and it is up to the two boards of directors to decide the future direction of both companies.

However, AMP now controls the GIO board, having ousted five of the 10 GIO board members and replaced Chairman David Mortimer, who remains a director.

AMP also has replaced GIO Chief Executive Officer Nick Steffey with AMP General Managing Director Peter Corrigan, who said his immediate focus will be on developing opportunities for commercial alliances, synergies and savings at GIO.

The AMP spokesman said no decision has yet been made on the future of GIO's reinsurance division, which suffered a $189 million Australian ($119 million) pretax loss in the last fiscal year (*BI*, Aug. 31, 1998).

Meanwhile, Sydney-based HIH Insurance Ltd. has gained 90% control of FAI Insurances Ltd., also of Sydney.

HIH's takeover of FAI was complete on Jan. 22. HIH is now moving to compulsorily acquire any remaining FAI shares. The merged group becomes Australia's second-largest non-life insurer. HIH had 1997 gross premiums of $1.41 billion Australian ($916.9 million), and FAI posted gross non-life premiums of $637.6 million Australian ($394.9 million).

A spokesman for HIH said the FAI brand will continue in personal lines, but its commercial operations will merge with HIH.

He said further mergers within the Australian insurance industry are inevitable.

Shell's Mr. Woodward agreed that more consolidation in the Australian insurance industry is likely. "There is probably too much underwriting capacity in Australia," so there could be more consolidation, he said.

Mr. Ferguson, vp of the Assn. of Risk & Insurance Managers of Australasia Ltd., agreed. As larger companies continue to increase their market share, more mid-sized and smaller companies will cease to be viable, he said.

Mr. Ferguson also said reduced competition in the Australian market show up in the form of higher rates. However, international competition likely will prevent dramatic premium increases, he added.

Mr. Woodward said one positive result for buyers of market consolidation is that larger Australian insurers are becoming more regional in their outlook. "They are looking beyond Australia into Asia and the Pacific," he said. BI

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IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No: 007734 of 1994

In the matter of
SCAN RE INSURANCE COMPANY LIMITED
and
in the matter of the Companies Act 1985

NOTICE IS HEREBY GIVEN THAT following consultation with the creditors committee the "payment percentage" under the scheme of arrangement between Scan Re Insurance Company Limited and its Scheme Creditors (as defined in the scheme of arrangement) has been increased from 12.5% to 20% with immediate effect.

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BN1 1NH

February 1999

Gareth Howard Hughes and Nigel James Hamilton
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Ernst & Young
Rolls House
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All inquires for additional information regarding the Invitation For Bid are to be directed, in writing, to **Robert Mazzaro, Senior Vice President, Sedgwick of New York, Inc. at the aforementioned address/phone.**

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★ *Source Business/Occupational breakdown of qualified circulation, May 25, 1998 Issue, as submitted to BPA for June 1998 BPA Publisher's Statement*

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FTR FOR THE RECORD

Power company may face suits

BUENOS AIRES, Argentina—Business customers have threatened to sue utility provider Empresa Distribuidora y Comercializadora Sur S.A. for more than $700 million after a power outage caused economic disruption for more than a week in Argentina's capital.

Government regulators levied fines totaling $60 million against the utility, known as Edesur, which serves 2.1 million customers. But Edesur is fighting the fines, claiming that a government concession for it to distribute electricity limits fines to $10 million, a company spokesman said.

The company has not yet been presented with demands for the $700 million nor has it been served with a lawsuit, the spokesman said last week. The spokesman declined to say whether the company has insurance coverage for such suits. But Standard & Poor's Corp. has placed Edesur's bond ratings on CreditWatch with negative implications because of the government fines and threatened lawsuits. Initially, 150,000 customers were affected by the disruption, caused by a power station fire.

Refinery covered in explosion

AVON, Calif.—Four workers were killed and one other was injured last week as a result of an explosion and fire at an refinery operated by Stamford, Conn.-based Tosco Corp.

Company spokesmen said Tosco, which is investigating the accident, has property/casualty insurance that will provide coverage, but they would not provide further details.



AP/ WIDE WORLD PHOTOS

This was the latest of several incidents that have occurred at the refinery. On Jan. 21, 1997, one employee died and 46 other workers were injured by an explosion at the refinery, according to a spokesman for the California Occupational Safety and Health agency, which is also investigating last week's explosion.

That led to a $277,750 fine by CalOSHA. At the time, the fine was the largest penalty ever imposed against a petrochemical manufacturer in the state, though it was later reduced on appeal to $136,500. It also led to now-pending litigation in federal court against Tosco, said Alan R. Freedman, a Santa Monica attorney who represents workers that have filed one of several lawsuits in the case.

Viagra suit allowed to proceed

SAN FRANCISCO—A federal district judge in California has permitted a proposed class-action suit to continue against Aetna Inc. units over the company's refusal to cover Viagra prescriptions.

The suit, *John Roe vs. Aetna Life Insurance Co. et al.*, was filed last June and requests a declaration that policies written by Aetna Life Insurance Co. and Aetna U.S. Healthcare of California cover the costs of Viagra. Filed by an unidentified man who was prescribed the drug for his sexual dysfunction caused from prostate cancer, the suit requests class-action status.

In response to the suit, Aetna agreed to cover the man's costs for Viagra "as long as plaintiff remains covered by an Aetna policy with the same policy terms as those under which he brought suit," the Feb. 16 opinion by U.S. District Judge Susan Illston states.

Aetna then tried to have the suit dismissed by asserting that no controversy exists as the man was being reimbursed.

The court, however, rejected Aetna's argument and instead held that, because Aetna had not changed its policy on coverage but instead simply issued this man an exemption, "Roe's request for declaratory relief continues to present a real and substantial controversy, notwithstanding Aetna's attempt to 'pick off' Roe," the opinion states.

The court also said it was denying Aetna request because Aetna was trying to change its prescription plan to exclude Viagra coverage, which would negate its agreement to cover the man's prescriptions.

Comings & Goings: Industry

Chan W. Galbato has been named president and chief executive officer of Coregis Group, the Chicago-based public entity insurance affiliate of Financial Guaranty Insurance Co. of New York. Mr. Galbato, who most recently was general manager of service marketing for GE Medical Systems of Milwaukee, replaced **Courtney Smith** as Coregis president and CEO effective Feb 16. . . **Bernard Friemann** has joined Reliance National of New York as president of the company's financial risk management division. Mr. Friemann, who previously was vp-operations analysis at St. Paul Fire & Marine Insurance Co. of St. Paul, Minn., will be involved in marketing Reliance National's Enterprise Earnings Protection Insurance and the development of other products that combine insurance with financially engineered strategies for managing risk. . . **Peter Holland** has been promoted to senior vp and chief procurement officer of The Hartford Financial Services Group Inc. of Hartford, Conn. Mr. Holland, who joined The Hartford in 1985, had been acting head of the company's centralized procurement organization since the department was created last fall.

Information in brief

ACE Bermuda Insurance Ltd., a subsidiary of ACE Ltd., has agreed to invest $75 million in New York-based financial guarantee reinsurer Capital Re Corp. through a common stock purchase. However, the investment is contingent on Capital Re's ability to maintain its AAA rating from rating agency Moody's Investors Service Inc., among other conditions. That rating is now under review (*BI*, Feb. 22).



AP/ WIDE WORLD PHOTOS

Five people died and 13 others were injured in a Feb. 19 explosion in an industrial park (above) in Hanover Township, Pa. Eleven buildings sustained damage from the explosion, which occurred on the premises of Concept Science Inc. In addition, 26 businesses had their operations disrupted from the blast, according to a spokeswoman for the Lehigh County Emergency Management Agency. State officials still are investigating the cause of the blast. The spokeswoman said she did not know of any damage estimates.

EBC Call for Entries

The Employee Benefits Communication Awards acknowledge excellence in communicating employee benefit programs.

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The deadline for completed entries is June 11.

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For a copy of our 1999 EBC rules and entry form, contact:

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Pensions

Continued from page 1
this session are high, some Washington benefit experts say.

"Without question, there has been a resurrection of congressional interest in retirement savings plan issues. I think—especially if support develops around one bill—the chance of legislation passing becomes very good," said Stuart J. Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

"This is one of the most bipartisan issues in the last 30 years," said Mark Ugoretz, president of the ERISA Industry Committee, an employee benefits lobbying organization in Washington.

The upcoming bills, with their emphasis on higher contribution limits and administrative simplicity, build on measures Congress approved in 1996 and 1997 that modestly cut red tape.

And the new proposals are a sea change from measures passed in the 1980s and early 1990s, which not only cut back benefits that qualified plans could offer, but also added layers of complex rules.

Congress' change of direction on pension legislation is being driven by several factors. Perhaps the most important is the booming economy, which has led to big budget surpluses.

With the government awash in black ink, legislators are more amenable to proposals, such as those allowing employers and employees to boost tax-deductible pension contributions, which cost the government revenue.

"When Congress began to clamp down on benefits in the early 1980s, there were budget deficits as large as the eye could see. Now, the reverse is true. The fiscal situation has turned around 180 degrees and there is a lot more room in the budget to do things," said Frank McArdle, a consultant in the Washington office of Hewitt Associates L.L.C.

Despite somewhat different approaches, the three proposals all include provisions that would boost maximum pension contributions.

For example, the bills to be introduced by Sen. Roth and Reps. Cardin and Portman would raise to $15,000, from the current $10,000, the limit on annual salary deferrals that employees can make to 401(k) plans.

In addition, the Grassley-Graham bill is expected to include a measure that would modify a tax code provision that limits employers' and employees' combined contributions. That limit on combined contributions to a defined contribution plan currently is $30,000 or 25% of an employee's compensation, whichever is less. Under the legislation, the new limit would be 100% of an employee's compensation or $30,000, whichever is less.

While the robust economy makes higher contribution limits more affordable, benefit experts say interest in the higher limits is being fueled by a growing awareness that the Baby Boom generation will need more income when that huge segment of the population reaches retirement age.

"The limits have not kept pace to ensure adequate retirement income," said James Delaplane, vp-retirement policy at the Assn. of Private Pension & Welfare Plans in Washington.

Aside from higher benefit and contribution limits, a central element in the reform bills expected to be introduced in the coming weeks is reducing pension plan administration costs.

For example, the Grassley-Graham bill is expected to include a provision that would allow employers to run the same non-discrimination test on 401(k) deferrals, aftertax contributions and employer matching contributions. That simplified testing procedure would replace a multistep testing procedure that has complicated non-discrimination testing of savings plans.

Other administrative relief provisions also are expected to be in the Grassley-Graham measure. These include making it easier for employers to automatically remove from their pension rolls terminating employees with small account balances, and eliminating certain fees the Internal Revenue Service charges for pension determination letters.

Both the Cardin-Portman and Grassley-Graham measures are expected to include provisions to cut down on administrative hassles for employees, such as allowing employees moving between the private and non-profit sectors to transfer account balances between 401(k) and 403(b) plans and vice versa. That would allow employees to consolidate accounts and would eliminate the need for separate savings plan accounts when moving from a non-profit employer, such as a university, to a private employer.

The upcoming bills also are expected to include provisions that target women's pension needs. For example, benefit experts expect that both the Roth and Cardin-Portman bills will have provisions allowing employees age 50 and older to make extra contributions to their savings plans. That feature would address a complaint of women's groups that because women often leave the workforce for years to raise families, they need the opportunity—to help ensure they have adequate retirement income—to make additional contributions when they return to the workforce. BI

AAHP

Continued from page 2
be made by qualified independent medical experts rather than government officials, lawyers or those affiliated with health plans and physician associations, the AAHP states.

The reviews should adhere to reasonable time frames and be expedited when a patient's health warrants, the AAHP states.

Additionally, "entities making medical necessity determinations and physicians should not be penalized for following independent reviewers' decisions. Reviewers also should not be exposed to liability," the AAHP states.

The AAHP board is considering whether to make independent external review systems mandatory for association membership. "The board made it very clear that they're urging plans to move forward," Ms. Ignagni said. However, some plans may wait to see what action their state legislature is taking on the issue, she said.

Twenty-two states now have some type of external review law, according to Blue Cross & Blue Shield Assn.'s 1998 survey of Blues plans (*BI*, Feb. 22). Twenty-five state legislatures are expected to consider external grievance procedures this year.

In addition to the state action, external review procedure provisions are included in federal patient protection bills reintroduced by both House and Senate Republicans earlier this year (*BI*, Feb. 8; Jan. 18). The House bill that passed last year died in the Senate over disagreement about rules for considering both the Republican bill and a measure backed by Democratic leadership.

The AAHP, which has not endorsed any external review bills, believes uniformity must be considered in drafting legislation. "It probably doesn't make sense to end up with 50 different procedures and processes," Ms. Ignagni said.

The association has designed a template to guide health plans in developing external review systems.

The independent external review recommendation is part of the board's broader "statement of health care principles" also released last week.

The nine principles include a call for accountability of all health care system participants, including indemnity plans, physicians and hospitals.

"Accountability is a very important goal we are far from today," Ms. Ignagni said, indicating that health plans are the only entities subject to accountability through such tools as quality report cards.

The AAHP said it was presenting these proposals as an "alternative vision" to the legislation introduced in Congress. BI

Quackenbush calls for hearing

SAN FRANCISCO—California Insurance Commissioner Charles Quackenbush has called a "cease and desist" hearing for March 16 in connection with his charge that San Francisco-based Old Republic Title Co. has used its customers' escrow deposits to earn more than $30 million for itself over the past 10 years.

Mr. Quackenbush also says the company, a unit of Chicago-based insurance holding company Old Republic International Corp., has failed to turn over $10 million in unclaimed accounts to the state. He said the title search company also has charged its customers for services it either did not perform or for which it had received some form of financial reimbursement from the banks where it kept customer escrow funds.

"This hearing will further the process of looking into the business practices of all title and escrow companies in the state and making sure that Californians are properly protected," said Mr. Quackenbush.

The city of San Francisco and its district attorney had filed a suit with similar charges last March, said Deputy City Attorney Matthew Davis, who noted the city had shared its information with the Insurance Department.

The suit, which is still pending, was the result of the district attorney's investigation of charges by Old Republic Title that Donald Barr, now its former chief financial officer, had embezzled more than $1 million from the company, said Mr. Davis. Mr. Barr pleaded guilty to tax evasion and was sentenced to 16 months in prison as part of an agreement with the district attorney to provide evidence about the company.

Spencer LeRoy, general counsel for the holding company, said it is that company's policy not to comment on pending litigation.

—By Judy Greenwald

Updates

Aetna deal draws scrutiny

HARTFORD, Conn.—The U.S. Department of Justice is asking for more information from Aetna Inc. in connection with its proposed $1 billion acquisition of Prudential HealthCare, while the Pennsylvania attorney general's office has launched an antitrust investigation of the deal.

A Justice Department spokeswoman would only say, "We're looking at it." A spokesman for the Pennsylvania attorney general's office said the investigation was started in response to complaints, but he would not provide details.

An Aetna U.S. Healthcare spokeswoman said the company believes the Justice Department is "conducting an appropriately proper review," and that Aetna is "cooperating fully" with the Pennsylvania investigation. Aetna "continues to believe this acquisition will close in the second quarter," she said.

The deal, which would make Aetna the nation's largest health insurer (*BI*, Dec. 14, 1998), is opposed by the American Medical Assn. This is the first time the physicians' organization has taken a stand on a pending health care merger.

In a discussion paper sent to the Justice Department earlier this year at the department's request, the AMA said the merger "raises issues of anti-competitive market concentration in certain markets as well as a myriad of patient concerns that federal and state regulators should address as they review the implications of this merger in the marketplace." The Aetna spokeswoman said she is not familiar with the paper and so could not comment.

Senators outline parity proposal

WASHINGTON—Sen. Pete Domenici, R-N.M., and Sen. Paul Wellstone, D-Minn., plan to introduce a bill this week aimed at providing full parity for coverage of mental illnesses under health insurance plans.

In a briefing last week for members of the Coalition for Fairness in Mental Illness Coverage, the senators indicated that their bill would, among other things, require group plans to cover inpatient hospital days and outpatient visits for mental treatment on the same basis as they cover physical illnesses.

According to the National Alliance for the Mentally Ill, a member of the coalition, the bill will require full insurance parity for schizophrenia; bipolar disorder; major depression; obsessive-compulsive and severe panic disorders; and other disabling mental disorders, such as severe anorexia, severe attention deficit disorder, and hyperactivity.

The proposed law would apply only to group health plans already providing mental health benefits and would exempt small businesses with 25 or fewer employees.

A 1996 law, sponsored by Sens. Domenici and Wellstone, bans discriminatory annual and lifetime dollar caps on mental health benefits.

Court lets provider law stand

WASHINGTON—The U.S. Supreme Court last week let stand a lower court's ruling upholding Washington state's "Every Category" law concerning health care providers.

A dozen of Washington's largest health insurers challenged the 1996 law, arguing that the Employee Retirement Income Security Act preempted the state from regulating employer health plans. Washington's "Every Category" law requires health insurers to provide coverage for visits to chiropractors, naturopaths, acupuncturists, massage therapists and other health care providers.

The 9th U.S. Circuit Court of Appeals in San Francisco had earlier ruled that the federal law did not prevent Washington from expanding coverage available to its residents.

Briefly noted

A.M. Best Co. has downgraded Birmingham, Ala.-based **Vesta Insurance Group Inc.** to B++ from A-. The downgrade reflects Vesta's "weakened capital strength, sizable surplus erosion and significant deterioration in operating performance," according to the rating agency statement. . . .The Virginia General Assembly gave its final approval to **commercial insurance deregulation** legislation last week. S.B. 1015 partially deregulates workers compensation for "large risks"—defined as those generating at least $250,000 in annual workers comp premiums—by allowing them more flexibility in their direct negotiation with insurers. The bill has been sent to Republican Gov. James Gilmore for his signature. . . .The Senate Special Committee on the Year 2000 Technology Committee plans to release a report this week discussing **Y2K preparedness** on an industry-by-industry basis. The report is expected to be critical of the Y2K-readiness of several industries, notably the health care industry, which the committee's chairman, Sen. Robert Bennett, R-Utah, had criticized last summer as being likely to experience Y2K- related failures (*BI*, July 20, 1998). . . .The U.S. Supreme Court will hear arguments today in a case involving the question of **punitive damage awards in employment discrimination cases.** Employers are following *Carole Kolstad vs. the American Dental Assn.* because of its potential to expand their exposure to punitive damages in employment discrimination brought under Title VII of the Civil Rights Act of 1964. . . .Bermuda-based reinsurer **New Cap Reinsurance Corp. Holdings Ltd.** has warned shareholders it will be reporting a worse-than-expected loss later this month. Recent deterioration on the 1997 year, which was its first underwriting year, the increase in catastrophes in 1998 and reserve strengthening mean losses likely will hit about $90 million, up from earlier estimates of $55 million. New Cap aims to issue final audited 1998 results by March 15. . . .**Liberty Mutual Insurance Co.** will appeal a $2.5 million bad-faith verdict awarded last month to workers compensation policyholder Westward Ho hotels in Palm Springs and Anaheim, Calif., by an Orange County, Calif., Superior Court jury last week. . . .A shareholder class action suit has been filed against **Intercargo Corp.** and its directors in the Delaware Court of Chancery. The suit alleges that the directors failed to explore adequately alternatives to Intercargo's merger with XL Capital Ltd.; the merger was announced late last year (*BI*, Dec. 7, 1998).

networks. The HMOs also are busy contacting employers that purchased coverage from HIP—HIP business, employers will almost certainly pay more for coverage from their new HMOs or to 10% range, employers that seek new coverage from indemnity plans rather than from HMOs tracted much of its business to PHP HealthCare Corp., a Reston, Va.-based health care manage- would not be possible to save HIP and announced it would be dissolved by March 31. BI

Health care

Continued from page 2

who would be liable for denied medical treatment, the group will make its positions known within the next two or so weeks. He said he would like to see a bill that the business community could live with.

The drafters of two bills that many in the business community don't think they can live with also spoke at the conference. Rep. Norwood, who introduced his Access to Quality Health Care Act of 1999, H.R. 216, early in the legislative session, predicted that some form of managed care regulation will become law in this Congress. Employers have feared that Rep. Norwood's approach to managed care reform—first seen in his Patient Access to Responsible Care Act in the last Congress—would subject them to new and onerous legal liabilities for medical decisions made by their health plans.

Rep. Norwood tried to assuage these fears by noting that if his bill becomes law, disputes over treatment would be subject to binding external review. He said it would be "pretty hard" for an employer to ignore a decision of the external review panel and then win a case in state or federal court if sued.

Although Rep. Norwood said he aimed his legislation primarily at insurers, he said self-administered, self-insured plans that make medical decisions would be covered as well. "If you are self-administering, then you are in fact playing doctor," said Rep. Norwood, himself a retired dentist.

Rep. Ganske, whose Managed Care Reform Act, H.R. 719, also has drawn critical reviews from employers, warned his audience not to dismiss stories of managed care abuses as mere "anecdotes." He then proceeded to tell the story of an infant whose parents' HMO would not cover emergency room treatment except at a hospital more than 50 miles from the child's home. The child, suffering from an extremely high fever, ultimately reached the designated hospital, but not before complications caused him to develop gangrene, which in turn required the amputation of both feet and hands.

"Am I making you uncomfortable? I hope I am," said Rep. Ganske, a plastic surgeon.

Both Reps. Norwood and Ganske said managed care regulation will come, with the question being whether it comes through legislation or through the courts. Rep. Norwood said he believes the legislative route is the better way, because laws could have safeguards for employers that judicial decisions could lack.

The Self-Insurance Institute of America is based in Santa Ana, Calif., and represents self-insured employers, third-party administrators and others involved in alternative financing of group health plans and workers compensation programs.

Meanwhile, nearly four out of 10 companies that responded to a survey of 1,000 members of the National Assn. of Manufacturers said they would drop health care coverage for employees if federal law were changed to "allow an employer to be sued for wrongful death and personal injury as a result of health plan decisions where an employer has any 'discretionary authority' over the plan."

Another 58% of the respondents said such a change would cause them "great concern." But only 4% of the respondents said they would drop coverage if plans were legally required to pay for any treatment or procedure a physician considered to be "medically necessary." BI

BI directory deadline near

Business Insurance will publish its annual Directory of Captive Managers in the April 12 issue.

The directory is published as an editorial service, and there is no charge to be included. Companies must simply submit a completed questionnaire by the extended deadline of March 15.

If your company provides captive insurance management services, manages an alternative risk financing facility or offers rent-a-captives and has not yet received a questionnaire, please request one by calling Assistant Directory Editor John Keagy at 312-649-5313. Questionnaires also can be downloaded from www.businessinsurance.com/magazine/directories.html

The Directory of Alternative Risk Financing Facilities will appear in the June 7 issue.

RRG

Continued from page 1

1996 and $8.2 million in 1995.

Based on premium volume, the RRG had ranked as Vermont's 14th-largest group captive in 1995 and its 18th-largest in 1996, though it dropped out of the list of the domicile's top-20 group captives in 1997.

Nonprofits' Mutual also had seen its number of policyholders decline, to approximately 2,000 policyholders in 1997 from 2,300 in 1996.

Nonprofits' Mutual provides its members general, auto, professional, directors and officers, and umbrella liability coverages, as well as coverage for liability arising from improper sexual contact.

The risk retention group's membership includes non-profit organizations with Internal Revenue Service 501(c)(3) or 501(c)(6) status that provide health or human services.

The RRG provides up to $2 million in primary coverage and $5 million per occurrence/$5 million aggregate excess of primary.

Nonprofits' Mutual wrote its first policy in November 1991.

Vermont has long prided itself on the quality of its regulation of captive insurance companies as well as risk retention groups.

The state's method of RRG oversight, under which it regulates them as captive insurance companies rather than as traditional insurers, was a key focus of a lengthy disagreement with the National Assn. of Insurance Commissioners during Vermont's ultimately successful bid for NAIC accreditation.

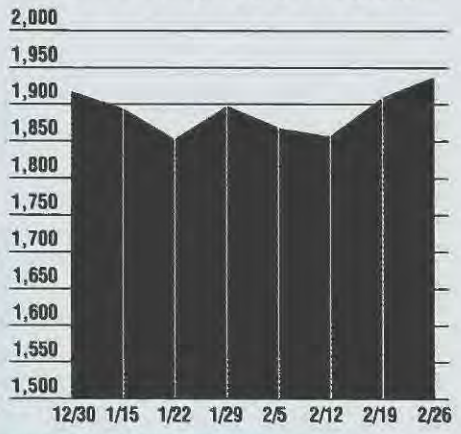
But, according to John L. Primmer of the Primmer & Piper P.C. law firm in St. Johnsbury, Vt., the Nonprofits' Mutual rehabilitation should not be seen as a reflection on Vermont's method of regulating risk retention groups.

Given the current competitive traditional insurance market, "a heck of a lot of risk retention groups are struggling in that environment," Mr. Primmer said. "The competition is fierce."

"I think the department has built in sufficient safeguards that (RRGs) shouldn't fail," Mr. Primmer said.

Nonprofits' Mutual "was slowly going down, and we were hoping we could salvage it," Mr. Crouse said. "We never like to see these things happen, but sometimes they do." BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: *Nordby International Inc.* (nordby.com) Boulder, Colo.

PCS catastrophe options

As of Feb. 26

Call spread	Price bid/ask
National Annual 1999	
40/60	12.0/16.0
60/80	6.0/12.0
80/100	4.0/8.0
150C	5.0/6.0
200/250	3.3/4.0
Southeastern September 1999	
40/60	2.8/—
60/80	2.1/3.0
80/100	2.0/2.4
Eastern September 1999	
40/60	3.0/—
California Annual 1999	
60/80	1.2/2.3
80/100	1.0/1.9
150C	0.5/2.5
Western Annual 1999	
80/100	0.5/2.2
Midwest June 1999	
10/20	1.2/1.4
Florida Sept./Dec. 1999	
100/150	2.6/—

Total volume: 2 Total open interest: 10,998

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Insurers					
Gdn Royal Exch	354	5.5	4.3	1.2	473-227
Legal & Gen	779	56.1	14.5	2.0	946-500
Royal & Sun	528	15.5	23.6	4.4	825-433
Brokers					
Lmbrt Fenchurch	74	9.3	4.2	7.0	121-74
JLT	170	10.3	10.5	7.7	236-152

Note: Prices are Feb. 26 closings; other numbers from Feb. 25.

Source: *Nordby International Inc.*(nordby.com) Boulder, Colo

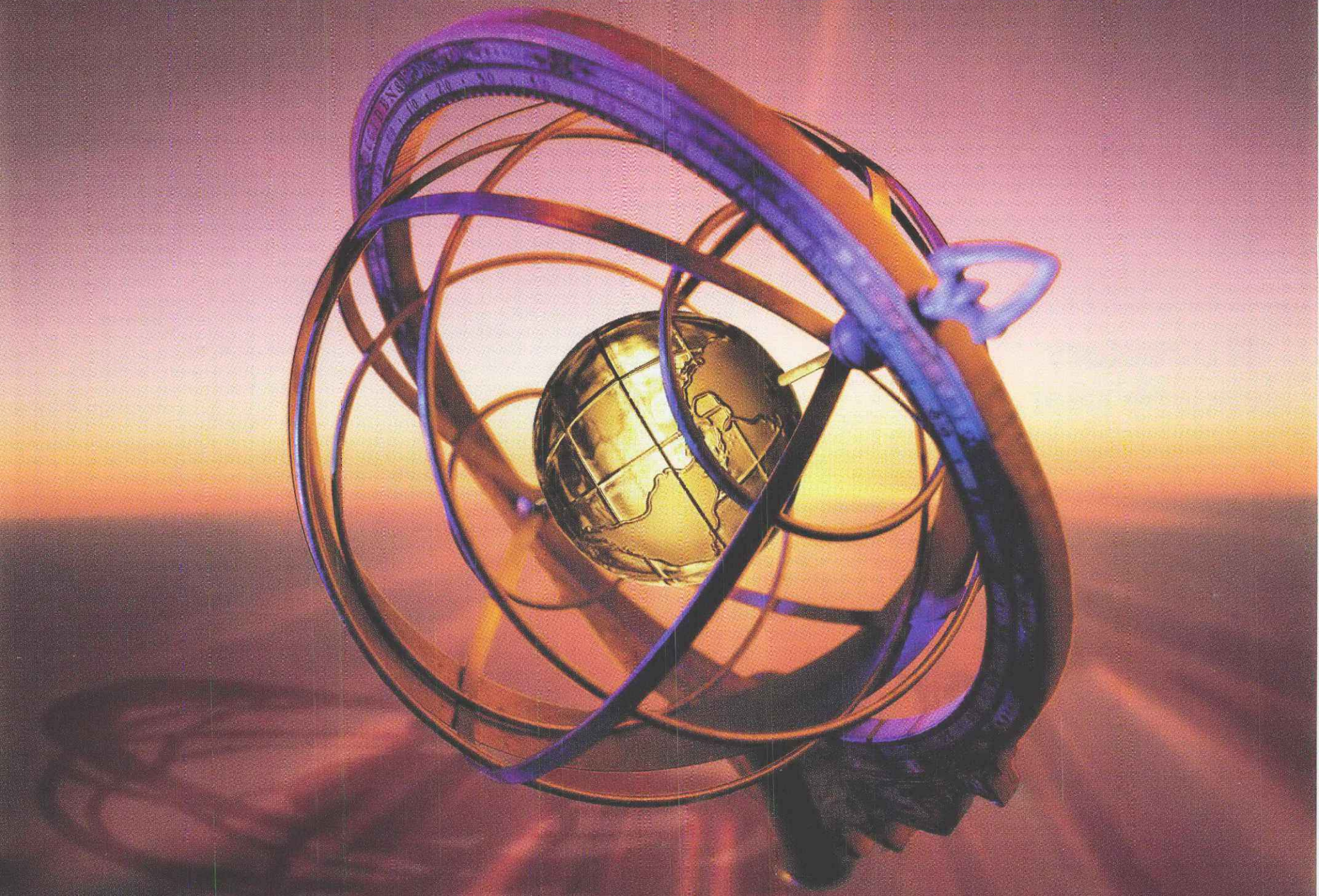
BI Industry Stock Report FEB. 22, 1999, THROUGH FEB. 26, 1999

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
Aon Corp.	NYS	58.94	1.29	5.13	75.56	48.25	1661
E.W. Blanch Holdings Inc.	NYS	55.50	0.23	16.88	60.00	34.69	350
Gallagher Arthur J. & Co.	NYS	47.75	3.80	9.14	50.63	34.88	166
Hilb, Rogal & Hamilton	NYS	17.31	1.09	-7.05	19.88	15.38	27
Kaye Group Inc.	NDQ	7.50	1.69	3.45	8.06	5.13	19
Marsh & McLennan	NYS	70.81	4.81	19.77	73.25	43.38	3824
Poe & Brown	NYS	32.44	2.17	-7.16	42.50	31.38	33
BROKERS	AVERAGE		2.30	6.17			
INSURERS/REINSURERS							
ACE Ltd.	NYS	27.25	-5.22	-15.63	43.00	24.38	2055
Accel International Corp.	NDQ	2.75	2.33	-8.33	3.50	2.13	43
Acceptance Insurance Cos.	NYS	17.13	-1.08	-13.84	25.63	16.00	213
AEGON N.V.	NYS	104.63	6.49	-14.20	130.13	56.19	1080
Aetna Life & Casualty	NYS	74.06	-3.81	-7.20	91.44	60.19	2850
AFLAC Inc.	NYS	44.13	-9.95	0.28	50.50	25.13	3485
Allmerica Financial Corp.	NYS	53.38	2.52	-5.74	75.25	38.38	811
Allstate Corp.	NYS	37.38	-0.66	-2.92	52.38	34.75	11819
AMBAC Indemnity Corp.	NYS	56.00	6.16	-6.57	65.94	40.88	1627
American Bankers Ins.	NDQ	48.00	0.52	0.52	66.06	30.13	1344
American Financial Group	NYS	36.94	4.97	-10.32	45.75	30.50	284
American General	NYS	73.25	2.09	-6.39	79.00	52.38	4414
American Heritage Life Ins.	NYS	22.00	4.76	-8.57	26.69	18.63	131
American Indemnity/Fin'l	NDQ	10.50	-20.75	-1.18	15.38	10.00	10
American International	NYS	113.94	-1.46	17.01	119.94	64.88	13773
American Safety Insurance	NDQ	8.38	-4.29	-11.84	15.06	6.75	44
Argonaut Group	NDQ	24.81	0.25	3.39	37.00	21.25	203
AXA-UAP Group	NYS	66.50	0.38	-7.07	80.25	38.25	179
Baldwin & Lyons Inc.	NDQ	20.94	1.52	-10.43	26.00	18.50	31
Berkley W.R. Corp.	NDQ	28.63	4.33	-15.19	49.88	24.63	907
Berkshire Hathaway Inc.	NYS	71100.00	-1.25	4.10	84000.00	55100.00	1
Capital RE Corporation	NYS	16.75	10.29	-14.38	38.69	11.94	1012
Capitol Transamerica Corp.	NAS	15.50	1.22	-12.37	22.75	14.50	27
Centris Group Inc.	NYS	11.38	6.43	21.33	14.81	7.94	165
Chartwell Re	NYS	21.63	-2.81	-6.99	34.56	20.63	40
Chubb Corp.	NYS	60.00	-2.83	-7.60	88.81	54.00	4349
CIGNA Corp.	NYS	78.50	1.95	0.96	86.44	57.19	3526
Cincinnati Financial Corp.	NAS	35.06	2.75	-1.75	45.38	30.50	1451
Citigroup	NYS	58.63	8.19	15.95	73.50	28.50	70276
CNA Financial Corp.	NYS	33.94	0.74	-13.67	53.25	33.00	519
CNA Surety	NYS	10.50	-3.45	-29.71	16.75	10.19	373
EMC Insurance Group Inc.	NDQ	11.00	-5.38	-13.73	15.88	9.00	37
ESG Re Limited	NDQ	16.94	2.65	-14.51	28.88	12.75	36
Enhance Financial Services	NYS	23.69	2.43	-21.69	37.56	17.31	654
Everest Reinsurance	NYS	33.19	4.12	-9.54	45.25	28.75	972
Executive Risk Inc.	NYS	70.25	-3.10	30.39	74.94	35.50	456
EXEL Ltd.	NYS	61.25	-0.91	-14.41	83.25	58.94	1873
Fremont General Corp.	NYS	19.75	1.94	-18.13	31.06	18.00	882
Frontier Insurance Group	NYS	13.13	-4.55	5.00	25.69	11.06	500
Gainsco Inc.	NYS	5.00	-4.76	-20.79	10.00	5.00	113
Harleysville Group	NDQ	20.50	7.54	-19.61	28.50	17.25	222
Hartford Steam Boiler	NYS	37.00	2.60	-7.93	59.56	34.75	382
HCC Insurance Holdings	NYS	17.38	0.00	2.58	23.94	16.00	709
ING Groep N.V.	NYS	55.94	2.99	-8.30	76.75	36.06	324
IPC Holdings Ltd.	NDQ	21.00	3.07	-7.69	33.25	19.00	449
Hartford Financial Services	NYS	54.06	3.59	-3.14	60.00	37.63	4244
LaSalle Re Holdings Ltd.	NYS	19.13	4.08	-7.27	42.94	17.25	78
Lincoln National	NYS	94.69	1.81	14.25	98.88	67.00	2238
MAIC Holdings Inc.	NYS	29.63	-5.20	-7.42	33.13	23.25	126
Markel Corp.	NYS	180.00	1.12	-0.14	187.00	132.00	14
MBIA Insurance Group	NYS	61.56	6.83	-7.16	80.94	46.06	3104
Meadowbrook Insur. Group	NYS	16.38	1.55	0.38	35.00	14.94	79
MMI Cos. Inc.	NYS	14.88	0.85	-10.86	25.31	13.75	253
Mutual Risk Mgmt. Ltd.	NYS	36.56	11.01	-3.62	39.94	25.38	580
NAC Re Corp.	NYS	54.06	0.12	15.80	55.88	43.69	1378
Navigators Group	NDQ	14.88	0.00	-2.46	20.75	13.25	41
NYMagic Inc.	NYS	14.81	0.42	-29.04	34.25	14.75	26
Ohio Casualty Corp.	NDQ	40.38	0.16	-1.82	51.75	33.75	705
Old Republic Int'l	NYS	18.81	-0.33	-12.24	32.25	17.94	1892
Orion Capital Corp.	NYS	33.06	6.65	-15.63	59.25	28.00	374
Partner Re Ltd.	NYS	43.25	0.00	-4.29	52.50	33.63	589
Penn-America Group Inc.	NYS	11.13	5.33	20.27	23.00	8.13	379
PMA Capital Corporation	NDQ	19.94	0.31	1.92	23.75	16.63	129
Philadelphia Cons. Holding	NDQ	21.50	8.18	1.18	24.50	18.63	210
PXRE Corp.	NYS	21.88	12.18	-13.37	32.88	19.25	126
Reliance Group Holdings	NYS	10.31	0.00	-20.29	19.81	9.31	2033
Reliastar Financial Corp.	NYS	45.06	-1.90	0.70	52.44	29.00	1938
RenaissanceRe Holdings Ltd.	NYS	34.00	-0.73	-5.88	50.75	31.50	270
Risk Capital Holdings	NDQ	19.00	4.83	-10.06	25.50	16.75	61
RLI Corp.	NYS	29.44	-8.19	-11.80	45.63	29.44	70
St. Paul Companies	NYS	32.38	0.19	-7.50	47.19	28.06	2051
SCOR	NYS	51.50	2.87	-20.77	72.75	50.06	24
SAFECO Corp.	NDQ	40.19	1.10	-5.44	56.00	36.69	2623
SCPIE Holdings Inc.	NYS	29.75	0.42	-1.04	38.38	26.63	NA
Seibels Bruce Group	NDQ	3.25	-3.70	-7.14	8.38	3.06	59
Selective Ins. Group	NDQ	18.22	0.52	-10.03	29.25	16.69	226
Terra Nova Insurance Co. Ltd.	NYS	23.88	8.52	-2.05	35.00	21.25	271
TIG Holdings	NYS	16.00	0.00	3.23	27.75	11.63	868
Tokio Marine & Fire	NDQ	53.63	-1.61	-8.92	61.38	39.00	93
Torchmark Corp.	NYS	33.13	-2.75	-4.68	49.81	30.69	1548
Transatlantic Holdings	NYS	74.69	-1.16	-1.24	94.50	73.50	165
Travelers Property Casualty	NYS	37.94	7.62	23.88	45.94	24.13	1923
Trenwick Group Inc.	NDQ	29.00	-7.20	-8.30	41.75	26.75	477
Unico American Corp.	NDQ	10.88	-9.38	-5.69	18.13	8.88	71
United Fire & Casualty	NDQ	28.88	-2.12	-13.24	44.50	28.63	21
Unitrin	NDQ	65.38	-2.61	-7.76	75.47	55.56	310
UNUM Corp.	NYS	44.75	-8.32	-25.34	62.50	41.75	6361
Vesta Insurance Co.	NYS	5.31	-19.81	-7.61	59.00	5.00	666
Zenith National Ins.	NYS	22.94	1.66	-0.81	30.50	20.31	259
INSURERS/REINSURERS	AVERAGE		0.46	-5.82			
HEALTH MAINTENANCE ORGANIZATIONS							
Foundation Health Systems Inc.	NYS	8.00	-4.48	-27.27	32.63	5.88	1884
Humana Inc.	NYS	17.50	1.45	-7.59	32.13	12.25	4538
Oxford Health Plans	NDQ	18.94	8.60	35.27	20.50	5.81	18658
Pacificare Health Sys.	NDQ	65.88	7.77	-7.87	88.88	53.75	206
Safeguard Health Enter.	NDQ	2.88	2.22	-19.30	10.50	2.75	14
Sierra Health Services	NYS	14.38	-5.74	-31.14	27.63	14.13	591
United Healthcare Corp.	NYS	49.31	4.92	10.66	73.94	29.56	6856
Wellpoint Health Networks	NYS	78.88	2.52	-8.15	87.88	50.50	1181
HMOs	AVERAGE		2.16	-6.92			
ALL COMPANIES	AVERAGE		1.64	-2.19			

Top advancing issues: PXRE Corp., Mutual Risk Mgmt. Ltd., Capital RE Corp. Leading decliners: American Indemnity/Fin'l, Vesta Insurance Co., AFLAC Inc. Most active issue: Citigroup. The *BI* Index gained 1.5%; the Dow Jones 30 Industrials decreased 0.4%; the S&P 500 declined 0.1% and the NYSE Composite fell 0.02%. Average P/E: Brokers, 19.2; Insurers/reinsurers, 23.4; HMOs, 17.9.

Source: *Nordby International Inc.* (nordby.com), Boulder, CO

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