

Business Insurance

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Reinsurers' combined ratio fell dramatically in 1993

WASHINGTON—U.S. reinsurers' combined ratio improved dramatically in 1993 to 106.9% from 119% in catastrophe-ridden 1992, according to the Reinsurance Assn. of America.

The RAA reports that premiums written for the 60 reinsurers and reinsurance departments of insurance companies surveyed increased 19.6% to \$15.09 billion last year from the \$12.61 billion written in 1992 by a comparable group (*BI*, March 15, 1993).

The reinsurers reported \$4.61 billion in
Continued on next page

Latest Superfund plan draws mixed reaction

By MARK A. HOFMANN

WASHINGTON—A Superfund reform proposal designed to bring insurers and their policyholders together is creating serious rifts in both camps.

The proposal, drafted under the auspices of the Coalition on Superfund, was unveiled Wednesday as a means to drastically reduce coverage litigation between insurers and policyholders.

Rather than sue their insurers, policyholders that could prove they had appropriate liability coverage before 1986 would be able to finance a portion of their

cleanup costs from a fund financed by taxes on property/casualty insurers.

The coalition estimates that the tax could amount to as much as \$8.1 billion over a 10-year period.

The Coalition on Superfund comprises large commercial insurers and corporate "potentially responsible parties" for Superfund cleanups (see story, page 49).

The proposal is the product of a compromise hammered out among the members last Monday after weeks of negotiations. But within hours of its release, the property/casualty insurance industry was divided over the notion of a new tax. And similar fractures within the PRP community were evident during a hearing last week on Superfund reform before a key House subcommittee.

The coalition's proposal builds upon the insurer-financed Environmental Insurance Resolution Fund proposed in H.R. 3800, the Clinton administration's Super-

fund reauthorization legislation (*BI*, Feb. 7).

Under both the administration's and the coalition's proposal, PRPs could seek partial payment from the fund if they do not sue their insurers for coverage of cleanup costs. The size of the recovery would be determined by, among other things, the location of the Superfund sites for which each PRP was responsible and whether courts in individual states have historically favored insurers or policyholders in Superfund coverage disputes.

Participation by PRPs would be voluntary under both proposals. However, the coalition's proposal would increase the penalties for PRPs that refuse settlements from the EIRF, then sue their insurers and receive less in court than they would have received from the fund. Under the coalition's proposal, such PRPs would have to pay up to 50% of their insurers'

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Health reform facing key test

By JERRY GEISEL

WASHINGTON—Health care reform legislation could clear its first major congressional hurdle this week when a House subcommittee is likely to vote on a proposal that, among other things, would require all employers to pay for a basic package of health care benefits.

With Republican efforts to gut the proposal falling short, most provisions in the bill remain intact:

- All employers would have to pay 80% of the premium for a basic benefit package similar to Medicare but including full hospitalization coverage and a prescription drug benefit.

- Employers with 100 or fewer employees could purchase coverage through Medicare.

- Only employers with more than 1,000 employees could self-insure.

- All employers would pay an 0.8% payroll tax to subsidize coverage for the uninsured.

Perhaps the most important action taken by the House Ways and Means Health Subcommittee occurred during the first hour of debate last week, when the panel voted 6-5 to defeat an amendment that would have removed the employer mandate from the bill

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Bulk of Deloitte settlement insured

Accounting firm to pay \$312 million to settle S&L claims

By MICHAEL SCHACHNER and STACY SHAPIRO

WASHINGTON—Insurance may cover up to 80% of the \$312 million that Deloitte & Touche has agreed to pay to settle government negligence suits related to audit work its predecessor firms did for failed savings and loans.

Contributing to the "global" settlement, the second-largest that the government has secured from accountants for failed thrifts, are a multitude of insurers that participated on Minet Group

P.L.C.'s accountants professional liability line slip from 1985 to 1987.

Those insurers may cover as much as 80% of the settlement, according to close observers of the Big Six accounting firms. They contend that at least two-thirds of the settlement would have to be insured for Deloitte's 1,444 partners to have agreed to it.

Sources in London, though, estimate that insurance will cover only about half of the \$312 million.

Wilton, Conn.-based Deloitte it-

self only would say that a "substantial but still undetermined" portion will be covered. There is some uncertainty about how much the firm will ultimately receive because some of its London underwriters are now in provisional liquidation or runoff.

Neither London underwriters nor Minet would comment on coverage.

While the settlement will be costly for insurers, it removes another major accounting firm from the list of those still facing huge S&L-related claims by the Reso-

lution Trust Corp., the Federal Deposit Insurance Corp. and the federal Office of Thrift Supervision.

Ernst & Young has already agreed to pay \$400 million, \$300 million of it insured, to settle S&L claims (*BI*, Nov. 30, 1992); Arthur Andersen & Co. agreed to pay about \$82 million (*BI*, Aug. 9, 1993); and Coopers & Lybrand agreed to pay \$20 million related to its work for one failed thrift.

With the Deloitte settlement, only KPMG Peat Marwick still faces large-scale RTC claims. A spokeswoman for the firm would

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Lloyd's gets closer look

U.S. policyholders, regulators reassess market security

By MEG FLETCHER

Lloyd's of London is undergoing unprecedented scrutiny by U.S. regulators and policyholders, some of whom wonder whether its ongoing internal problems will eventually damage its ability to pay U.S. claims.

Consider:

- Some policyholders say they are growing concerned and asking more specific questions about Lloyd's syndicates that underwrite their coverages. And, some

are no longer buying coverage at Lloyd's.

- Michigan insurance regulators are requiring a handful of financially insecure ceding insurers to demonstrate concrete security for reinsurance recoverable from Lloyd's.

- Other regulators are considering whether to require more financial data from Lloyd's syndicates, including data on incurred-but-not-reported reinsurance liabilities.

- Louisiana Insurance Commis-

sioner Jim Brown is calling for the National Assn. of Insurance Commissioners to increase its oversight by establishing a certification program for Lloyd's and other non-U.S. insurers. An NAIC subgroup is slated to consider that proposal later this year.

- A New York judge is holding her own inquiry into the adequacy of Lloyd's main U.S. trust fund, as part of an ongoing reinsurance dispute (see story, page 48).

Security concerns were one of
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Discouraging Superfund litigation



The Coalition on Superfund proposes a new system of financing cleanups designed to curb litigation over these costs.

- A new multibillion-dollar fund, financed by insurers, would administer and settle all cleanup claims.
- Potentially responsible parties would have to file claims with fund before they could sue insurers for coverage.
- Fund would offer to pay a percentage of a PRP's claim, based on likelihood of recovery in relevant state courts and site location.
- No payments would be made until 85% of PRPs agree to offers rather than litigation.
- PRPs that reject offer and then fail to win as much in court would have to pay part of insurers' legal fees.
- Fund could reject claims for pollution stemming from criminal activity and claims that have long laid dormant.

GRAPHIC BY MIKE GARVEY

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Updates

Reinsurers rebounded in 1993

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underwriting expenses in 1993 for a 30.5% expense ratio. Premiums earned totaled \$14.53 billion, while loss and loss adjustment expenses totaled \$11.1 billion, for a 76.4% loss ratio.

Policyholder surplus for the 54 reinsurers surveyed totaled \$16.76 billion, while net income totaled \$1.89 billion.

ERAS litigation settled

LONDON—A sealed settlement signed last week has ended 10 years of litigation in the United States and the United Kingdom stemming from an environmental impairment liability reinsurance pool managed in the early 1980s by Environmental Risk Assessment Service (International) Ltd.

Participating in the settlement of 13 separate actions are ERAS's parent, now part of Bain Clarkson Ltd.; units of Alexander & Alexander Services Inc. that placed business with the pool; International Insurance Co., the Talegen Holdings Inc. unit that issued the EIL policies; SCOR S.A., the pool's lead reinsurer; and Lloyd's underwriters, led by Robin Jackson (*BI*, Jan. 24; Dec. 16, 1991; Dec. 7, 1987).

Under the terms of the settlement, SCOR will run off the ERAS pool with undisclosed contributions from the parties.

The ERAS pool wrote \$40 million in EIL premiums paid by U.S.-based companies from 1977 to 1984. Sources estimate the pool's total losses exceed \$400 million.

Minnesota reform bogs down

MINNEAPOLIS—Minnesota's much-admired health care reform legislation is suffering as state lawmakers bicker over several amendments proposed by the bill's chief sponsor.

When it was introduced in 1993, the "MinnesotaCare" proposal was touted by some as a model for national health care reform. Proponents promised the plan would provide universal coverage by 1997 while containing costs.

But now the state Senate's version of the bill is in danger of dying as key lawmakers and other groups withdraw their support. State Sen. Duane Benson, an Independent-Republican from Lanesboro and one of the bill's chief authors, said he could no longer support MinnesotaCare. Recent amendments proposed by Sen. Linda Berglin, Democrat Farm Labor Party-Minneapolis, would placate special interests and undermine cost containment features, he said.

The amendments would allow non-medical providers—like chiropractors, optometrists and psychologists—to treat patients who join so-called integrated service networks.

ISNs would function like large health maintenance organizations and would deliver most health care services in the state, along with a regulated all-payer option for providers not linked to a network. The networks' ability to control costs would stem from their authority to funnel patients to the most cost-effective providers.

Critics say Sen. Berglin's amendments would limit ISNs' ability to manage providers and their access to large pools of patients.

Support from consumer and business groups also is waning because they are concerned about the extent of the state's control over health care. And, Mary Jo O'Brien, commissioner of the Minnesota Health Department, is calling for a delay in implementing the ISNs, which were to begin operating July 1, until revenues to fund the program can be found.

The Senate Commerce Committee passed the measure last week, and it is now before the Government Operations committee.

Aviation product liability bill

WASHINGTON—Product liability reform advocates won a major victory last Wednesday when the Senate approved a bill that gives light aircraft manufacturers some protection from product liability lawsuits.

S. 1458—the General Aviation Revitalization Act of 1994—sponsored by Sen. Nancy Kassebaum, R-Kan., would forbid product liability lawsuits in crashes involving planes at least 18 years old that seat fewer than 20 people. Despite charges by opponents that the limits would encourage manufacturers to hide defects, the Senate approved the bill by a 91-8 vote.

A similar measure, sponsored by Rep. Dan Glickman, D-Kan., is pending in a House committee.

Product liability reform got another boost last week when the Senate Judiciary Committee held its hearing on S. 687, the Product Liability Fairness Act (*BI*, April 5, 1993). The committee has no power to amend the bill, which will automatically return to the full Senate on April 11. Proponents hope the Senate will vote on the bill this spring.

Empire misdeeds alleged

NEW YORK—Empire Blue Cross & Blue Shield management from 1988 to 1992 participated in elaborate social functions, took more than \$1 million in bonuses and incentives despite massive losses, and later hampered an investigation of abuses at the insurer, the New York Insurance Department charges.

Major findings in the report issued last week for Empire's new management include: More than \$600,000 was spent on functions like seminars and holiday parties for Empire directors; despite net losses

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Errors & omissions

• Allendale Mutual Insurance Co. did not suffer a significant loss on Kauai as a result of Hurricane Iniki, as was asserted in the March 14 issue.

Baxter seeking coverage for HIV-tainted blood suits

By LOUISE KERTESZ

LOS ANGELES—Baxter International Inc. is suing more than 100 liability insurers, seeking coverage for millions of dollars of claims by hemophiliacs who claim they were infected by the AIDS virus after being treated with Baxter blood products.

About 45% to 50% of the approximately 20,000 Americans with hemophilia are infected with the human immunodeficiency virus, and about 2,000 have died of

acquired immune deficiency syndrome because they were treated with HIV-tainted blood-clotting products, says the National Hemophilia Foundation in New York.

In the suit filed last month, Baxter and its Baxter Healthcare Corp. unit are asking a Los Angeles Superior Court to order the insurers to defend and indemnify Baxter against claims by hemophiliacs.

Baxter Healthcare's Hyland Division, based in Glendale Calif., is

one of four U.S. makers of blood factor concentrates—called Factor VIII and Factor IX—used to treat hemophilia.

According to the National Hemophilia Foundation, the others are: Miles Laboratories of West Haven, Conn.; Armour Pharmaceuticals in Collegeville, Pa., a unit of Rhone-Poulenc-Rorer Inc.; and Alpha Therapeutic Corp. in Los Angeles.

According to a spokesman for Armour, 161 lawsuits are pending

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Old strains on new firm

Big policyholders opt out of Executive Life successor

By JOANNE WOJCIK

LOS ANGELES—Although only 8% of Executive Life Insurance Co.'s policyholders have opted out of a court-approved rehabilitation plan, that small percentage includes most institutional policyholders and accounts for a big chunk of ELIC's assets.

Those institutions hold guaranteed investment contracts that now are valued at more than \$1.7 billion—or about 25% of succes-

sor Aurora National Life Assurance Co.'s \$6.7 billion in assets. Of the 107 contracts, 92 bought by pension plans are valued at \$535 million and 15 bought by municipalities to back bond issues are worth \$1.2 billion.

Policyholders that opt out of the rehabilitation plan in favor of immediate cash will not receive the full value of their original contract, because the plan recalculated ELIC's obligations based on its statutory reserves at the time it

was seized.

In addition, policyholders representing about \$500 million in obligations will not be paid until a California court rules on an appeal by certain ELIC creditors that under state law the contracts should be assigned a lower claims payment priority than policies written for individuals.

One policyholder that opted out of the rehabilitation plan is the state of Alaska, which used the

Continued on page 50

Physicians National saga continues

Charges filed against officials

By DOUGLAS McLEOD

BATON ROUGE, La.—The Louisiana Insurance Department is suing four businessmen it charges siphoned millions of dollars from the now-defunct Physicians National Risk Retention Group Inc.

In the latest twist in the convoluted Physicians National insolvency, Louisiana regulators earlier this month leveled various

negligence and misrepresentation charges against the four officials, who took over Physicians National shortly before it entered conservation in August 1991.

The charges are contained in two separate petitions, one of which is an amendment of an earlier lawsuit the Louisiana department filed against more than three dozen companies and individuals involved with Physicians National.

Named in one or both of the latest complaints are: Michael H. O'Keefe Sr., a New Orleans lawyer and former state senator who served an 18-month prison term on unrelated federal fraud charges in the mid-1980s; Eric T. Schmidt, Mr. O'Keefe's son-in-law and a former president of Physicians National; John O'Brien, a former Physicians National officer; and Gary R. Ben-

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Workers eye reform savings

By CHRISTINE WOOLSEY

Employers that predict they will be "winners" under President Clinton's health care reform plan might find those gains eroded by employee expectations, a new survey indicates.

While American workers share employers' skepticism about some of the promises in the president's health care reform proposal, they expect their employers to share any rewards with them, a new Towers Perrin survey finds.

"The survey shows that when all the dust around health care reform settles, it would be naive for employers to think" monetary gains or other advantages from health system reform "will be bankable winnings," said Kathryn Abernethy, national health care practice leader for Towers Perrin in Washington.

An independent research firm that conducted the survey for New York-based Towers Perrin in December 1993 contacted 1,000 households nationwide to inter-

view people who work for companies with 1,000 or more workers.

It's clear those employees expect employers to be as generous with benefits and entitlements as they are now. "If an employer finds out it'll win big under Clinton's plan, it'll behoove that company to look at what its employees expect it to do with the savings," Ms. Abernethy said.

Thirty-five percent of the employees surveyed said if national health care reform reduces em-

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Inside

• States that engage in petty turf wars over insurance regulation make a good case for a federal solvency regulation, this week's editorial says. **PAGE 8**

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Benefits Administration

Employers integrating computer systems for optimum information

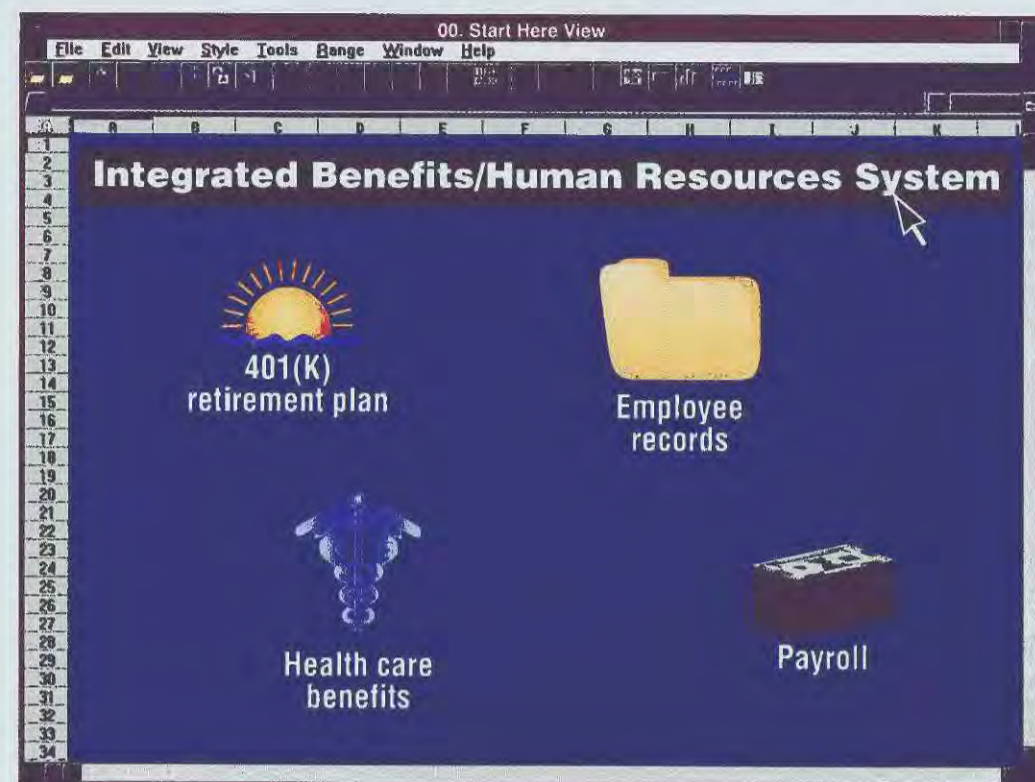
Putting benefits, human resources data on one screen

By JOANNE WOJCIK

More and more employers are integrating their employee benefits and human resource administration systems in an effort to streamline plan administration and enhance benefit communications.

A few employers have gone so far as to build their own integrated information systems from the ground up, though this may be too expensive for many employers.

Others are finding that contracting with outside vendors for some or all of their automated plan administration services can be a more



cost-effective alternative.

To facilitate this process, some employers are reprogramming their trusty old mainframe-based human resource information systems to serve as centralized "client servers" that tie together numerous benefit management functions. These central systems can also be accessed by outside vendors providing services like benefit plan enrollment and 401(k) plan investment advice.

Indeed, the client/server-based system, whether run on a personal computer network or a converted mainframe, appears to be the wave of the future in benefits administration.

The objective of systems integration is to provide more information to employees while collecting and managing that information as efficiently as possible, according to Bill Petrillo, practice leader for administrative systems with The Wyatt Co. in Wellesley Hills, Mass.

"The key is to keep things simple on an employee communications level" while eliminating redundancy on the technical level, he said.

For example, a fully integrated benefit administration and communications system would automatically transmit benefit plan elections made by employees to the appropriate departments within a company.

"Most large employers have dealt with benefit plans in a fragmented manner as opposed to an event-oriented manner," said Dick Kleinert, a principal with William M. Mercer Inc. in Los Angeles. "Employers have all kinds of systems with redundant data in them, so when an employee moves, they have to update all the systems."

For example, consider the paper trail that develops when an employee marries, divorces or has a baby: He or she must tell the payroll

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Ruling forces review of plan language

By DAVE LENCKUS

A late Christmas surprise from a federal appeals court in Philadelphia is creating a knotty problem nationwide for employers that have ever amended their health benefits packages.

A panel of the 3rd U.S. Circuit Court of Appeals in December unanimously ruled that simply reserving the right to amend health care benefit plans is not enough. Under the Employee Retirement Income Security Act of 1974, employers also must specify which company representatives are responsible for making amendments and what procedures they will follow, the panel ruled (*BI*, Jan. 10).

The ruling essentially says that plan amendments—like reduced benefits, greater copayments and new managed care features—are invalid without proper plan amendment language. And, most group health plans do not contain what the 3rd Circuit panel considers appropriate amendment language.

The decision is controlling law only in Pennsylvania, New Jersey and Delaware, but many experts fear that it will influence courts nationwide. Plaintiffs attorneys already have said they will cite the decision.

Consultants and attorneys are advising employers to adopt plan amendment language that meets the court's standard so past amendments will be safeguarded at least from that point in time. The language can be very simple.

But, many employers probably will have to establish formal plan documents before they can add the new amendment language to their plans.

An even tougher issue for employers will be how to communicate the changes in plan amendment language to employees and retirees without causing rancor and encouraging them to sue over past plan changes.

But, despite the 3rd Circuit's ruling, plaintiffs who challenge benefit plan changes based on the plan language in place cannot be certain of a court victory, some employer attorneys say.

The other good news for most employers is that while the 3rd Circuit's ruling applies to ERISA-qualified pension plans as well as health plans, most of the pension plans already con-

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Benefit system needs won't wait

Health reform no longer an obstacle to EBIS sales

By RODD ZOLKOS

The debate over a national health care policy may have put employers' benefit information system investments on ice for a time, but their purchasing is starting to warm up again as the health care debate drags on.

The thaw is attributable in part to a growing recognition that health care reform won't happen overnight. Equally significant is an awareness that whatever shape health care reform takes, certain elements are bound to be part of the final equation.

"It's definitely thawed," said Ellen J. Lockwald, manager of market development at Resource Information Management Systems Inc. in Naperville, Ill. "We're seeing a much greater interest."

Interest in EBIS systems started to pick up in the second half of 1993, she said. "I think people pretty much have a direction of the type of form that health care is going to take. Although you're

not sure what the final bill is going to be, you can pretty much be sure that managed care is going to be part of it."

Capturing data is essential if managed care is going to succeed, Ms. Lockwald said, and with employers knowing managed care will be part of a reformed health care delivery system, her company is seeing an increased demand for its managed care products.

According to Tony Bellomo, president of Erisco Inc., a New York-based EBIS vendor, many companies have come to recognize that they have to make the needed information system investments if they want to remain in business.

While there is still a group waiting to see what happens with health care reform, "I think what they're going to find is if you wait too long, it becomes hard to catch up," Mr. Bellomo said.

Even organizations with a managed care plan in place are realizing that their information infrastructure isn't keeping up with a growing, more complex market

with a broader spectrum of products, he said.

Carole Hess, sales and marketing manager for Magnus Software Corp. of Marietta, Ga., said that though the EBIS market still isn't "as strong as it could be," her company is slowly seeing activity increase on the health care side of benefit information systems.

"Probably in the early fall people began to realize that nothing was going to happen immediately, but there were patterns of what was going to occur," she said. As those patterns emerged, employers began to see what kind of functions they needed to address in benefits information systems.

"They know that there are certain things that, regardless of how this all comes out, they're going to have to have, so they're beginning to look along those lines," Ms. Hess said, noting managed care is definitely one of those areas.

Brentwood, Tenn.-based Alcoa Fujikura Ltd. is one of the companies that's upgraded information

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■ A new hybrid pension plan is being promoted with all the popular features of cash balance plans plus a new investment option. **Page 10.**

■ Many employers are giving employees incentives to have their prescriptions filled according to formularies or with generic equivalents. **Page 11.**

■ The drive to adopt uniform electronic claims standards in the health insurance industry continues to pick up speed, even though health reform may stall. **Page 18.**

■ Directory of employee benefit information systems. **Page 21.**

Amendments

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tain the appropriate amendment language.

Experts believe the appellate panel looked beyond reservation of rights issues, on which so many other courts had focused in previous challenges of benefit takeaways, because an unauthorized employee of the defendant amended the company's retiree health care plan. Under the amendment, retirees' coverage was terminated when the plant from which they retired closed.

The defendant, Lyndhurst, N.J.-based defense contractor Curtiss-Wright Corp., has asked the full appellate court to hear the case.

The 3rd Circuit panel vacated its original decision and issued a

nearly identical ruling on March 3. The new ruling corrects a minor technical error made in the original Dec. 28 decision.

Consultants and attorneys say that concerned—but not panicky—employers nationwide have been calling them for advice since the December decision.

"Probably 98% of the business I do is outside of the 3rd Circuit, and I can tell you the decision is a concern to everybody," said Peter Bennett, chairman of the employer/employee relations committee of the American Bar Assn.'s Tort and Insurance Practice Section. As a partner at Herbert H. Bennett & Associates P.A. of Portland, Maine, he mainly represents management in labor and employment law issues.

"I get three to four calls per week, particularly from larger employers," said Nancy G. Ross, a

partner with McDermott, Will & Emery in Chicago.

For now, most employers are just assessing their plan language.

For example, a large company located within the 3rd Circuit is studying what plan amendment

plans, but that group does not have to follow a standard amendment procedure.

Another large firm, Hershey, Pa.-based Hershey Foods Corp., which is located within the 3rd Circuit, is reviewing its plan lan-

Benefit experts agree there is no boilerplate language that employers can adopt to bring their plan documents into compliance with the 3rd U.S. Circuit Court of Appeals panel's standards on amending benefit plans.

language it should adopt. But, it will wait to see what other employers do before making any changes. The company's plan language identifies the officials who are responsible for amending

guage as part of an ongoing process, not because of the 3rd Circuit's decision, said Richard C. Dreyfuss, director of executive compensation and employee benefits.

Hershey's plan language identifies who is responsible for making plan amendments, but it also does not spell out the procedures they must follow, he said.

United Airlines is reviewing the five health plans that it sponsors for various employee groups and will amend those that do not meet the 3rd Circuit's standards, said a spokesman for the Elk Grove Village, Ill.-based unit of UAL Corp.

Experts agree there is no boilerplate language that employers can adopt to bring their plans into compliance with the appellate panel's standards.

Each company has—or should develop—its own procedure for amending its plan. And, many employers have charged different officials with the responsibility for amending plans. Employers simply have to spell out those procedures in straightforward language in plan documents.

"Frankly, I think it's a very individual thing," said Francesca Bruno, a managing consultant in Detroit for A. Foster Higgins & Co. Inc.

Benefit experts emphasize that the new language can be very simple.

For example, employers whose plan amendment responsibilities rest with benefits committees of senior management or board members could add plan language like: "The benefits committee is charged with the responsibility for the ongoing design of the benefits plan, and it is up to that group to change the plan," said John Hickey, a partner with consultant Kwasha Lipton of Fort Lee, N.J.

Linda Laarman, a principal in the Washington research group of consultant William M. Mercer Inc., suggested other language that some employers might want to use to increase their comfort level. That language, which assumes the board of directors is responsible for amending plans, is simple: "The board of directors may terminate or modify the plan by a formally approved resolution at a regularly constituted board meeting held in accordance with the established process of the board."

But, despite corporation laws in most states that define "the company" as the board of directors, employers should not use "the company" in their new plan amendment language because the appellate panel was troubled by that term.

Employers also should be careful to clearly note when one group or individual is not responsible for all plan changes, which is common at large companies, pointed out John D. Piro Jr., an attorney with consultant Hewitt Associates in Rowayton, Conn.

Just as important as spelling out the procedures is following them to the letter when benefits actually are amended.

Referring to Curtiss-Wright, Mercer's Ms. Laarman said: "That's one of the ways they really screwed up."

At the same time employers are revising their plan amendment language, they should resolve another fundamental problem: where to incorporate the language.

The 3rd Circuit ruled the language must be part of plan documents. But, most plan sponsors do not have formal plan documents, which is another ERISA violation.

What many sponsors consider plan documents don't technically qualify as such under ERISA because they lack provisions—like

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A Light Sometimes Rises.

It's a natural occurrence, really. Common sense meets the needs of the day.

Getting up early to watch a sunrise is a lot like encountering a new idea. It's totally black at first, an unknown. But slowly things clarify and soon, a light arises to brighten the way.

In our early years when we were founding the stop-loss business, we discovered that the one thing our clients were looking for was a solution. We could have promoted a ton of products and promises, but one ounce of solution always tipped the scales. Nothing has changed 13 years later.

Today we are the largest company of our kind in the insurance industry, with a coast-to-coast capability, but still with a small town, can-do, attitude about solutions and service. Now, after 13 years of innovation, expansion, and ever-increasing capability when one of our clients says, "Thank goodness you've never changed," we know exactly what they mean.

Call us in the morning. We get the job done.



The view from historic Fort Sewall looking across Marblehead Harbor, about a two minute stroll from our corporate offices.

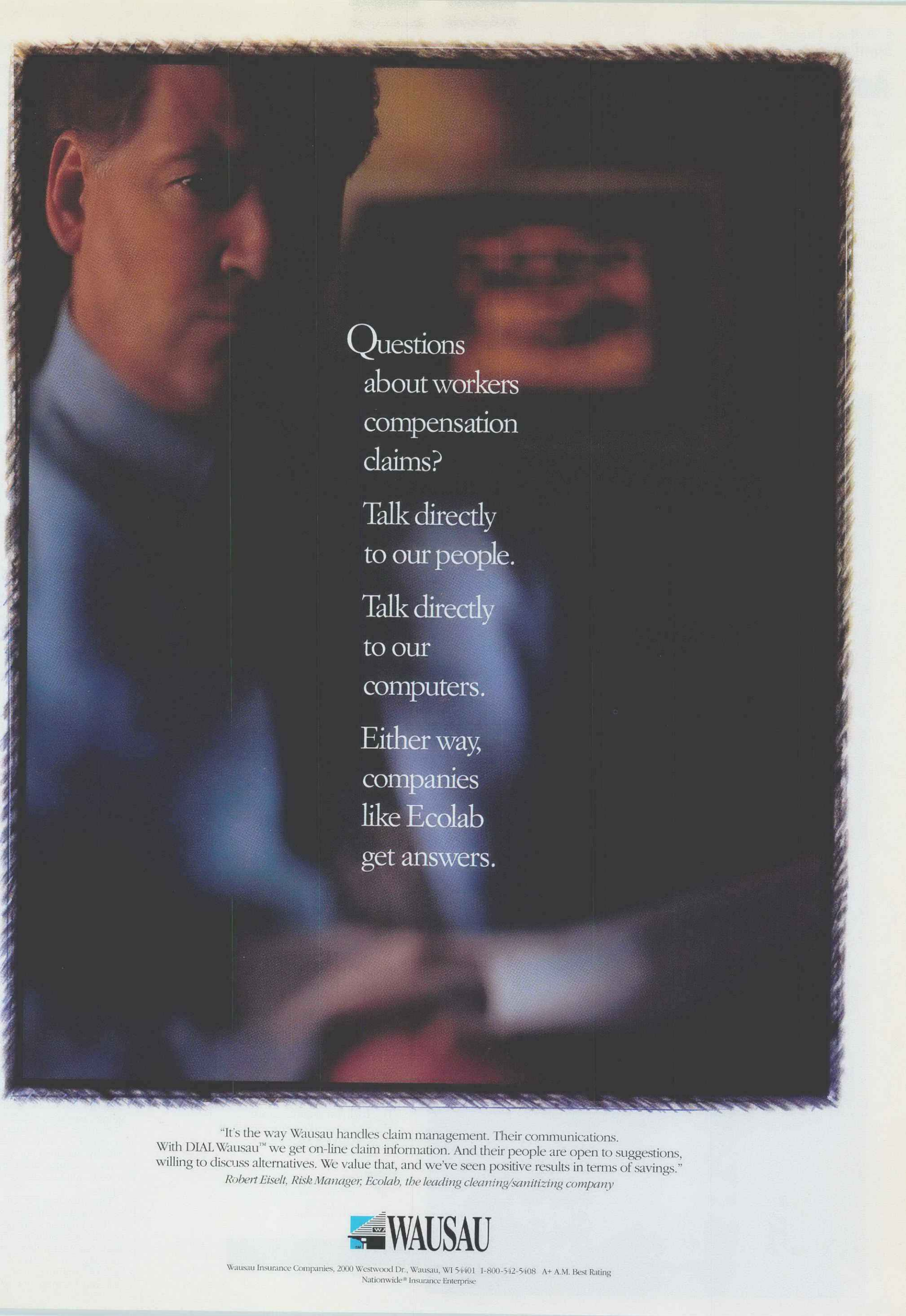
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Talk directly
to our people.

Talk directly
to our
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Either way,
companies
like Ecolab
get answers.

"It's the way Wausau handles claim management. Their communications. With DIAL Wausau™ we get on-line claim information. And their people are open to suggestions, willing to discuss alternatives. We value that, and we've seen positive results in terms of savings."

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Amendments

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one identifying a plan funding procedure—that ERISA requires, said Brian McDermott, a principal with Foster Higgins in New York.

Insurance contracts are not considered formal plan documents under ERISA, either.

Attorneys and consultants are helping employers establish formal plan documents by putting together wrap-around documents. Those documents consist of all plan materials—like summary plan documents and insurer and health maintenance organization contracts—plus any additional provisions that have to be developed to create a formal plan document under ERISA.

Employers also should include language in their plan materials

that states that plan documents control when there is any conflicting language in SPDs and other paperwork, said Ms. Ross, the employer attorney.

Ms. Ross noted that courts have been divided in other ERISA plan cases involving which materials take precedent when provisions in the different materials are at odds.

A thorny issue for employers will be how to communicate the new amendment language.

"I think that's one of the biggest issues on the table right now as a result of Curtiss-Wright," Ms. Ross said.

Not all agree on employers' communication responsibilities.

ERISA requires employers to communicate only material changes in their plans, Mercer's Ms. Laarman said.

"If you conclude that" the plan

amendments constitute a material change—"though I don't think it does—disclose it with other material changes during the year" in SPDs or in a summary of material modifications, she said.

Hewitt's Mr. Piro recommends adding the new plan amendment language to SPDs or other employee and retiree communications.

"It's an employee relations matter," he said. "Let them know what is happening so there is no misunderstanding."

However, he does not recommend highlighting the change.

"You're not obligated to take employees by the hand and force them to read it," agreed Foster Higgins' Ms. Bruno.

Others agree with Ms. Laarman that such communication may be unnecessary under ERISA.

However, employer attorney

Jerry K. Fellows of McDermott, Will & Emery recommends including the change in SPDs if other plan changes are made so the plan document and the SPD is consistent.

Many insist, though, that quietly adding the plan amendment language change is not duplicative.

"We're not saying what we did before was wrong, but what we did was undocumented," said Foster Higgins' Mr. McDermott.

The communication issue is murkier when dealing with unionized employees.

A plan amendment can constitute "a term and condition of employment and therefore has to be bargained with the union, in certain circumstances" the ABA's Mr. Bennett said. The exceptions would be if the collective bargaining agreement allows the em-

ployer to make such a change, he said.

"To most unions, this would be a non-issue—certainly nothing to hang negotiations over," he said. However, "it certainly provides another weapon in the union's arsenal."

However, Foster Higgins' Mr. McDermott said: "The actual execution of plan documents is just the employer's responsibility. The union's only concern is that you abide by the terms of the union's agreement. So, I don't know if there's a communication issue."

There's one thing on which benefit experts agree: Employers with plan amendment language that does not meet the 3rd Circuit's standards cannot do anything to bring their plans into compliance retroactively.

The likelihood of employee or retiree lawsuits over past plan changes probably will depend on whether benefits were taken away "pursuant to arbitrary procedures, not communicated and not documented," Hewitt's Mr. Piro said.

But, there may be some rays of hope for employers facing the risk of such lawsuits.

The trial judge's and appellate panel's decisions in *Curtiss-Wright* imply they may not have invalidated Curtiss-Wright's plan amendment had the company followed a well-defined procedure when amending its plan, Mr. Piro said. Most employers follow prescribed procedures, he said.

"If you're in the 3rd Circuit, that's probably the last argument you have," Mr. Bennett said.

"Then the court is faced with, 'Do you put form over substance or substance over form?'" he said. But, "there's still a risk."

"Courts in the ERISA area are pretty practical," said Ms. Ross, the employer attorney. "They juggle—they will weigh the interests of both parties."

But, Foster Higgins' Mr. McDermott isn't so sure. "I wouldn't want to be going in there saying we have everything we need but..."

In addition, employees and retirees challenging benefit changes face statutes of limitations, which vary from state to state, attorneys noted.

Even a successful plan amendment challenge may not be as severe for other employers as it was for Curtiss-Wright, said Alan J. Hawksley, an employer attorney at McDermott. This type of case falls under Title I of ERISA, which provides for only fines against an employer, he noted. Despite the \$2 million award in the Curtiss-Wright case, Title I does not provide for damages for plaintiffs.

Meanwhile, some attorneys are concerned about the impact of the 3rd Circuit panel's ruling on pending cases challenging benefit changes.

For example, Mr. Bennett noted that an arbitrator who heard a dispute over an employer's right to restrict long-term disability benefits for a collectively bargained workforce determined last November that his client's right to amend the plan was a function of ERISA, not the union contract.

As a result, the union would have to pursue the case in federal court.

The Curtiss-Wright decision was issued a short time later.

"I just hope my adversary didn't see it," Mr. Bennett said, adding that his client had similar plan language to Curtiss-Wright's. So far, the union has not taken the case any further, he said. **BI**

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Opinions

Fighting over spilled milk

GUY VELELLA, meet John Dingell.

Rep. Dingell, as we know, advocates federal oversight of insurance company solvency. Sen. Velella, chairman of the New York state Senate's insurance committee, is doing his best to illustrate Mr. Dingell's point.

Sen. Velella has launched an aggressive campaign against the National Assn. of Insurance Commissioners and its accreditation program, ostensibly because the NAIC a year ago pulled the New York Insurance Department's accreditation after the Legislature failed to enact three required NAIC model laws.

The good senator now is accusing the NAIC of "political blackmail" and wants New York legislators to pass a bill that would allow New York to retaliate against any states that impose sanctions against New York-domiciled insurers. Under the NAIC accreditation program, accredited states beginning this year no longer will accept insurer examination reports from unaccredited states like New York unless an examiner from an accredited state plays a significant role in the exam.

We recognize Sen. Velella's need to defend New York's turf. On the other hand, his threats—whether they are leveled at the NAIC or states that are accredited—illustrate one of the problems inherent in state solvency regulation: Too many cooks can spoil the broth.

While the NAIC's accreditation program has done much to improve state regulation, it unfortunately still falls short of guaranteeing the quality of state regulation. The accreditation program assumes that state legislatures will follow the NAIC's lead and en-



act the laws required for accreditation. However, some state legislators—including Sen. Velella—believe the NAIC often usurps their authority to decide which insurance laws a state should enact.

While we favor allowing insurers to opt for federal solvency regulation, state regulators and legislators almost uniformly support the current state-based system.

By engaging in petty disputes like the one Sen. Velella is encouraging, they are making a good case for federal regulation.

Letters

Not everyone favors more capital in London market

To the editor: Victor Blake, chairman of the London Underwriting Centre, states in a Feb. 28 letter to the editor that "all of us" in London are trying hard to "attract new capital to the London market."

So, on to the next whiplash market-place? I thought by now it had been recognized that it was precisely excessive capital previously "attracted" to the market that led to almost all the severe problems of recent years. There has not really been a single constituency to benefit from all that excess capital (other than lawyers, accountants, runoff companies and, ironically, my company).

Even the somewhat unusual—but reasonably predictable—string of so-called catastrophes and the tail of U.S. liability exposure could have been absorbed better by the marketplace if it had been less well-capitalized because it would have been more disciplined.

I can understand why some of "all of us" might want to attract new capital (for example, to try to fill half-empty underwriting buildings), but I suspect many constituencies in the long run are not interested in attracting new capital to prey upon the current "payback" marketplace. And I bet that the 20,000 or so ongoing Lloyd's members, as well as the re-

cent opportunistic corporate members, would agree. And if they don't, then they must not be surprised when they will not be doing well or even participating in the marketplace in the year 2000.

Lessons from the past have rarely lasted long, especially when those who expand a market have different vested interests than those who are really running the ultimate risks. I am not confident that the year 2000 will yield any profits after reserving if we are pushed forward to the past.

Patrick Agnew
Agnew International Inc.
Princeton, N.J.

HMO savings lie in demographics of users

To the editor: In response to the Feb. 7 editorial, "Uncovering HMOs' Strengths," there is no question that HMO premium increases have been lower than indemnity plan increases over the last few years.

However, any broad conclusion that HMOs are a lower-cost answer than indemnity plans is inappropriate without studying the overall demographics of both programs.

There is wide agreement that HMOs tend to attract a younger, healthier segment of any group.

This would make sense as most older individuals with ties to non-network doctors would tend to stay in an indemnity plan.

I believe that HMO statistics have benefited from a younger, healthier population and, as a result, HMO premium increases should be lower than indemnity plan increases.

In fact, I am surprised the difference is not more dramatic. Cost comparisons

and rate increase comparisons are not fair without also comparing the risk exposure.

There are strengths to HMOs and, for some individuals and employers, they are a great answer. But, they are not the answer for everyone.

Thomas J. Schaffler
Senior Vp/Director of Benefits
Associated Agencies Inc.
Chicago

Demise of alliances welcomed

To the editor: Jerry Geisel's fine reports on the impending demise of President Clinton's monopolistic health care alliances bring to mind the aphorism of Matthew Phipps: "I can read some obituaries with a savage glee."

The Clinton plan has a number of good features, and Congress should give due consideration to each of them. But, the idea of forcibly linking unrelated employers into a monopolistic health al-

liance, something that has never been tried before, is not a good idea at all.

Our current health care system does provide adequate coverage for more than three out of every four employees. Why then experiment with an alien idea and jeopardize what we already have in place?

Nathaniel B. Taft
Attorney
White Plains, N.Y.

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Making retirement plans a little more flexible

New pension plans allow better returns with few risks

By JERRY GEISEL

A new pension hybrid is being promoted with all the popular features of cash balance plans plus an added attraction: giving employees the opportunity to earn higher rates of return on their account balances.

The new plans—dubbed flexible retirement plans or FRPs—include features of cash balance programs, like easy-to-understand benefit formulas, individual account balances and benefit portability.

Like cash balance plans, FRPs, now being promoted by benefit consultant W.F. Corroon Inc., also use a predetermined formula, like the one-year Treasury bill rate plus 1%, to determine the amount of interest credits added to participants' account balances each year.

But for employees looking to reap a higher rate of return, FRPs provide a second option—linking the growth of their account balances to an equities index, like the Standard & Poor's 500 index of publicly traded stocks. For example, an FRP could be designed so that employees choosing the equities option would receive 85% of the increase, if any, in the S&P index or the increase in the S&P index minus two percentage points. But employees choosing this option would be guaranteed—regardless of how the index actually performed—that their account balances would not decrease.

Ronald Smith, a vp and senior consulting actuary in W.F. Corroon's St. Louis office, says FRPs are "the next natural step in the evolution of cash balance plans."

FRPs grew out of a basic problem with both defined contribution plans and cash balance plans.

In defined contribution plans, like 401(k) plans, employees often have a number of choices in which to invest their account balances, like equities funds or funds that provide a less volatile but safer rate of return, such as money market funds or guaranteed investment contracts.

Because most employees are risk-averse, they typically will choose defined contribution plan options, like GICs, that provide a fixed but lower rate of return than can be obtained through equities funds.

Over the long term, that could result in a savings plan account balance that is inadequate to meet employees' retirement income needs.

A cash balance plan account also may be inadequate, especially if interest rates remain low.

"It is hard to build up a meaningful account balance" if your interest credit is 5% a year, Mr. Smith said.

But with FRPs' special equities option—letting employees share in the bounty if the stock market does well, with the guarantee of no reduction in principal and accumulated earnings if it does not—more employees likely will select the equities option. That could result in larger account balances.

FRPs have their detractors, just as cash balance plans generated controversy after BankAmerica Corp. established the first plan in 1985.

Some benefit experts question if introducing an element of risk, even if the risk is limited, is appropriate in a defined benefit plan like an FRP. For example, if the stock market declined over a multiyear period, the account balances of employees who chose the special equities option would be lower than if they chose the fixed-rate interest option.

"Defined benefit plans are intended to provide a level of retirement benefits that are as risk-free as possible to employees. What if an employee guesses 'wrong' and equities go down?" asks Dominick Cardace, a partner with Kwasha Lipton in Fort Lee, N.J.

If that happens, he said, the purpose of a defined benefit plan—providing a secure source of retirement income—could be undermined.

Others say there are simpler, risk-free ways of boosting employees' retirement income during a period of low interest rates.

Through a plan amendment, an employer could bump up the annual interest rate assumption. Instead of

using an interest rate credit of the one-year T-bill rate plus one percentage point, an employer could use an interest rate credit of the one-year T-bill rate plus three percentage points.

"Why not just give additional interest rate credits? Employers with cash balance plans frequently do this. You can increase benefits, but with fewer administrative complications and less recordkeeping," said Paul Strella, a principal with William M. Mercer Inc. in Washington.

Other critics question if employers should, in effect, share investment gains with employees.

"What is the advantage to the plan sponsor?" asks Paul Rivera,

manager of benefits planning and operations at Xerox Corp. in Stamford, Conn.

But W.F. Corroon's Mr. Smith said that critics who contend defined benefit plans, like FRPs, shouldn't expose employees to investment risks miss a basic point: Employers are abandoning defined benefit plans in favor of defined contribution plans where employees can lose their entire account if they aggressively invest in equities.

"Rather than throw employees to the lions (in a defined contribution plan), we are trying to provide a safety net."

Mr. Smith also questions whether giving employees two ways of earning interest credits adds much of an administrative complication, noting

that multiple investment options have become a staple of defined contribution plans.

He acknowledges that FRPs—by effectively sharing investment gains with employees—could mean higher pension plan costs than a cash balance plan. But the result could be larger account balances and greater employee appreciation for the company's pension program.

Others who endorse FRPs see an additional benefit to employers: better use of pension contributions.

Even if most employees chose the fixed interest rate option, employers could funnel contributions into investments producing higher returns, like stocks and bonds. As a result, if investment returns exceed interest credited to employees' account balances, employers can reduce future plan contributions, said Richard Joss, a resource actuary in the Seattle office of The Wyatt Co. **BI**



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Employers prescribe cure for rising drug costs

By MICHAEL SCHACHNER

Formularies, generic alternatives help control costs

As prescription drug costs increase at nearly twice the rate of overall health care costs, many employers are turning to programs that give employees greater benefits if they have their prescriptions filled according to formularies or with generic equivalents.

For several years, health maintenance organizations and pharmacy benefit management firms have espoused the use of formularies and generic replacements as effective cost-saving measures. But traditional insurance companies and self-insured employers now are more often putting incen-

tives in their drug plans that encourage employees to obtain generic drugs and drugs listed on proprietary or industrywide formularies, say benefit consultants and executives with several of the leading managed drug care firms.

Formularies are lists of drugs that a health plan will cover for treatment of specific conditions.

"With respect to benefit plan design, the focus is on formularies and generic requirements. Beyond this, there isn't really much else we can do," said Henry Blissenbach, president of Diversified Pharmaceutical Services Inc. in Bloomington, Minn. "You have to structure the plan so costs are

higher for going off the formulary or insisting on a more expensive name brand if a generic equivalent will suffice."

Much like point-of-service managed health care plans, which allow beneficiaries to seek medical services through a discounted network at lower out-of-pocket costs or opt out of the network at significantly higher costs, prescription drug plans are doing the same with formularies and generic drugs.

"Basically, most plan design changes today are geared toward making a 'non-something' prescription more costly to the employee. Plans can dissuade the

employee from getting a prescription filled in a non-formulary, non-generic or non-network way," pointed out Jim Norton, a consultant with A. Foster Higgins & Co. in Stamford, Conn.

What these type of plans stipulate, Mr. Norton said, is that only the costs of the formulary-based or generic drug or the cost that a network pharmacist would charge will be covered. If a physician or an employee insists on obtaining a more costly name-brand drug or the employee goes to a pharmacy that isn't part of a discounted network, the employee must pay the difference in price.

"With more generic drugs com-

ing off patent and with formularies growing in numbers and popularity, employers are being encouraged to structure their plans so the employee must follow that course to maximize reimbursement," observed Barrett Toan, president and chief executive officer with Express Scripts Inc. in St. Louis.

Mr. Toan also pointed out that there is a movement among employers toward structuring deductibles and copayments based on the raw cost of drugs.

He said some plans are placing copayments as low as \$2 for the most inexpensive prescriptions—for example, a cheap, generic antibiotic—while the copayment may increase to \$5 for the next level of drugs. Expensive drugs that do not have generic equivalents may carry copayments as high as \$30, he said.

Some firms are going a step further by combining percentage copayments with flat-dollar, structured copayments and applying the greater of the two, another managed drug care firm official said.

"About one-third of our clients have implemented plans that impose a deductible equal to 20% of the prescription's final cost. But the plans also have a \$5 dollar minimum (copayment), which comes into play quite often," explained Richard Ullman, president of National Prescription Administrators Inc. in Clifton, N.J.

"At this point, the \$5 copay applies most frequently because about 80% of all prescriptions cost less than \$25. But by the year 2000, it'll be just the opposite."

"I think you could say we have entered into the second phase of prescription drug benefit management. Employers and managed drug care companies have been collecting and analyzing data since card-based programs were introduced, and now they are seeing where they need to go to achieve further savings," said Express Scripts' Mr. Toan.

One place they are going, several drug benefit experts said, is away from a heavy emphasis on mail-order programs. While such programs have successfully dispensed drugs at reduced prices, and continue to do so, retail pharmacies have recently become just as cost-effective as most mail-order programs.

"There's every indication that the move toward heavy mail-service dispensing has slowed considerably," said Beth Bird, a consultant with Hewitt Associates in Bedminster, N.J. "Today, companies are getting retail outlets to agree to a usual and customary pricing schedule that's as good as mail order. There was also some political backlash to the big move toward mail service. The pharmacy associations didn't like the overusage (of mail-service programs) and have agreed to discount even more."

In exchange for offering purchasers even better discounts, pharmacies have sought more exclusivity from drug plans, said Mr. Toan, who has noticed a shrinking in the size of many managed prescription drug networks.

"Whereas a few years ago the push was toward making pharmacy networks as big as possible, we're seeing some reduction in the size of networks. Many firms tried to build networks that contained two-thirds or all the pharmacies in a given region, but now it's more like 50% or one-third," Mr. Toan said.

The reason is simple. "The belief

Continued on next page

when they can't save their own?

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Drug plans

Continued from previous page
is that if a pharmacy has more exclusivity, it'll dispense more drugs. With increased volume, it can afford to offer deeper discounts to the buyer," he said.

However, Jeff Herzfeld, a registered pharmacist and director of business development with Prescription Solutions, a division of Cypress, Calif.-based PacifiCare Health Systems Inc., said no plan design changes aimed at controlling costs should phase out mail-

order service.

"We own and operate a mail-service program and through therapeutic interchange and UR, our generic fill rate is higher than at the retail level," he said.

Mr. Herzfeld warned against structuring a mail-order program that encourages usage through incentives that wipe out potential savings. "If, for example, you have a mail-order plan that dispenses a 90-day supply of drugs at a cost \$10 below the retail rate, you don't want to include \$12 or \$15 of incentives to use it. Savings through mail service can be

achieved, but they have to be balanced with incentives to use the plan."

As in all areas of the health care field, several prescription benefit management firms have been telling their clients that they can better control costs by keeping their employees within the payment loop as much as possible.

For example, most employers with drug plans managed by Boston-based John Hancock Mutual Life Insurance Co. require employees to pay the full discounted costs of their prescription and then receive automatic reimburse-

ment minus a copayment.

"By having the employee pay the full price at the point of sale, it gives the individual knowledge of the full prescription price and makes them more prudent buyers. This lets them know that there can be a sizable cost difference between a generic drug and a name brand," said Bill Melanson, senior consultant in John Hancock's managed care group.

"We still issue them a card, we're doing the standard point-of-sale utilization review and we're getting the discounts, but we prefer not to mandate how a

prescription is filled. The incentive is that there's a lower initial out-of-pocket cost for generics and, as a result, our generic fill rate is quite high," he added.

"The theory behind cash and carry with automatic reimbursement is that employees get an idea of what the true cost of their drug is. We're not trying to get a shoe box effect here where claims aren't filed and reimbursed. That's not the point," said Mr. Toan, who also sees more employers replacing standard card-based plans that require only flat and often small payments. **BI**

Integration

Continued from page 3

department to increase or reduce tax withholding, ask the benefits department to add a dependent to the group health plan and notify the pension department of a beneficiary change.

Even a transaction like updating an employee's address can become an odyssey of epic proportions.

The best solution for managing a company's employee benefits and human resources information is to implement a centralized information system, experts say. Such a system must be sufficiently user-friendly to allow employees to make changes themselves while sitting at a computer screen or keying in the appropriate information on a telephone-based voice response system.

That information then would be transmitted via phone line or computer cable to a centralized data base—be it a client/server or a converted mainframe—that could then be accessed by both the employee benefits and human resource departments.

Although developing such an integrated system in-house or purchasing and customizing commercial hardware and software can be prohibitively expensive, employers can integrate for a lot less money by outsourcing some of these administrative functions to outside vendors.

Sometimes it's very expensive to integrate, according to Wyatt's Mr. Petrillo. "It can be as much as the cost of the benefits information system itself."

An employer attempting the task by itself will "have to build a bridge from one system to another, and the first time you build it, it's expensive," Mr. Petrillo explained.

In contrast, outsourcing has the potential to provide better service at a lower cost, said Mercer's Mr. Kleinert.

Outsourcing also gives employers access to more advanced technology without start-up or maintenance costs.

In such a scenario, "the planning and research and development functions stay in-house, while the clerical and administrative functions are outsourced," Mr. Kleinert said.

Tying together a patchwork of internal and external plan administration systems is not easy, but it is possible, he said.

"It would be like building a stereo system," he said. "You have your own amp, but separate CD player, tuner and speakers that together create a modular system that interacts with various components."

With automation making quantum advances, "it doesn't matter where the systems are based," agreed Al Walker, a principal at

Continued on page 16

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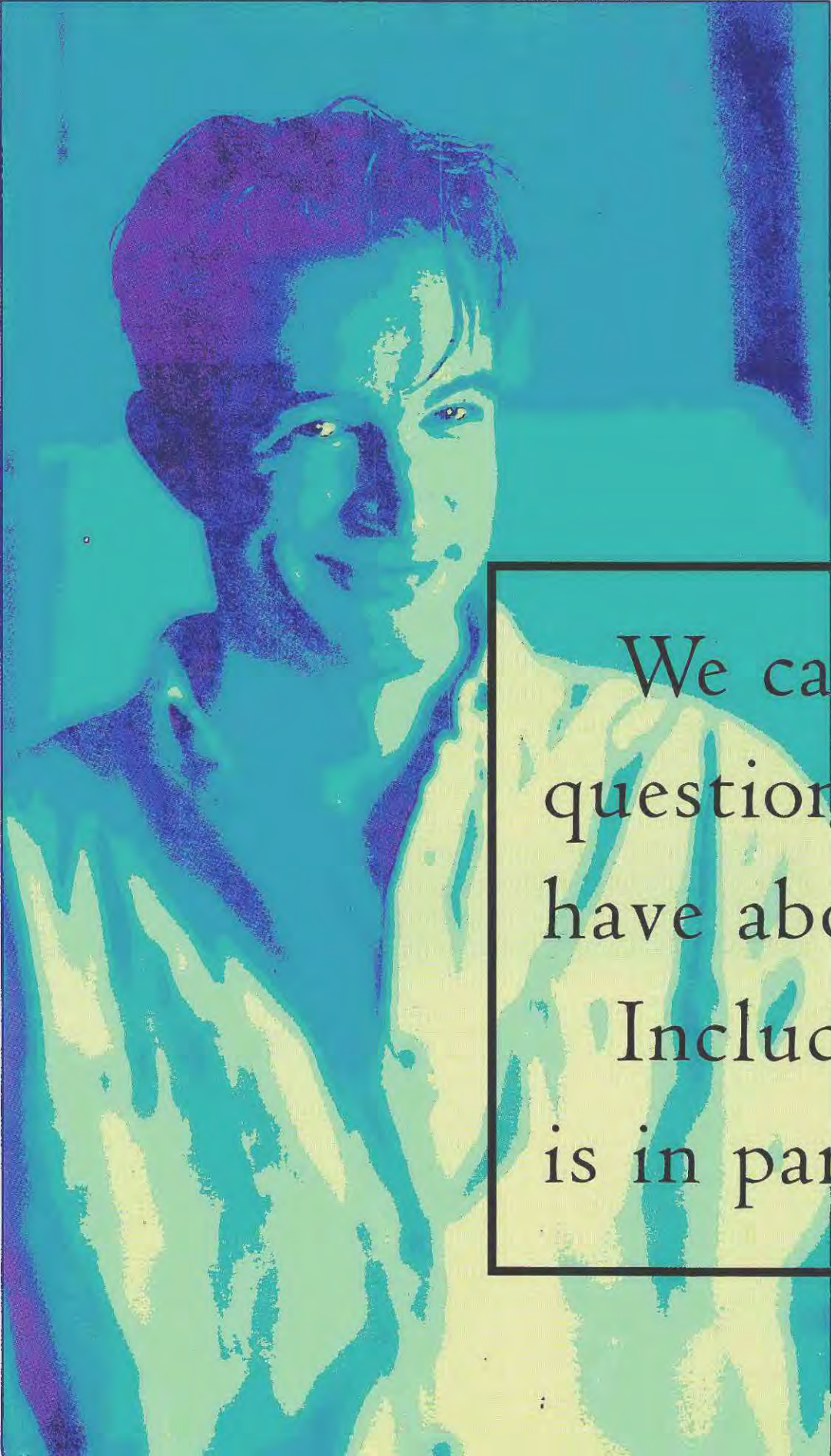
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Integration

Continued from page 12

Towers Perrin in Saddle Brook, N.J.

For example, various vendors could retrieve employee information from company-based PC kiosks or a voice response system and send it back to the employer's HRIS on a daily, weekly or monthly basis as needed, he explained.

Hoechst Celanese Corp. began developing a benefit information system based on such a hub-and-spoke system as part of a shift toward outsourcing that began five years ago, said Ray Regan, vp of compensation and benefits for the Somerville, N.J.-based chemical and pharmaceutical company, which has about 24,000 employees.

After evaluating the tasks conducted by Hoechst's 300-person human resources department, Mr. Regan found that 50% to 60% of them were doing routine administrative chores.

"But we wanted them to be more involved in design, planning and policy," he said.

So the company outsourced various administrative functions, such as health plan enrollment, savings plan investments and payroll, and modified its 15-year-old IBM mainframe-based HRIS to serve as a "depository of all information that will feed the satellite systems" used by outside vendors, he explained.

Not only did the transition streamline administration, "we may have ended up reducing costs overall." In fact, "we were able to do most of these adjunct systems for about the same cost as we

were paying a record keeper to do it," he said.

The company also shaved benefits administration costs by reducing its companywide human resources staff by 10%, Mr. Regan said.

While Hoechst may be among the first employers to fully integrate its benefits and human resources system, it certainly is not the only one considering such a move, according to a recent survey by A. Foster Higgins & Co. Inc.

More than half—57%—of the employers responding to an August 1993 survey said they were planning to re-evaluate their human resource information system within the next year, and 52% said they intend to redesign the system. Another 47% said they plan to make benefit design changes to ease administration.

"It's a very, very popular topic," acknowledged Sandy Soule, principal and national practice leader for information consulting at the Princeton, N.J.-based benefit consultant.

"Because the price of overall technology has come down, smaller companies can get more and more payback by investing in software," she said. Already, "there's lots of new software packages out there" that run in the less intimidating Windows format (see related story).

"These programs can be customized by the HR department, as long as they're computer-literate."

In fact, "if you already have the hardware, you could integrate for as little as \$100,000—including vendor support," she estimated.

The falling price of client/server-based technology coupled with

the development of a national "information highway" will make benefits systems integration even easier, Ms. Soule said.

"Over time, as the lines between home TV, telephone and computer get blurred, you'll be able to enroll in a benefit plan at home using your remote control," she predicted.

"I personally view the telephone as a major component of benefits administration," concurred Sid Simon, a principal at Alexander & Alexander Consulting Group Inc. in San Jose, Calif.

Because of advances in voice response technology, "a lot of firms are drifting toward employees being responsible for updating their own demographic information," he said.

And a growing level of access to computer technology is helping to make such transactions simple and paperless, according to Tim Stentiford, a consultant in interactive communications in Hewitt Associates' Walnut Creek, Calif., office.

Hewitt helped San Francisco-based Levi Strauss & Co., which has more than 34,000 employees, develop an interactive employee benefits communication program called "Oliver" that allows employees to make plan enrollment decisions using electronic mail.

"E-mail will be the next big automation push in benefits administration technology," Mr. Stentiford predicted.

"If you're in a client/server environment, the transition is easy," he said. "And if not, you will make that investment. It's just a matter of time. The technology is poised to offer a lot more possibilities." E1

Lotus looks in own backyard for program

By JOANNE WOJCIK

After setting the standard for computer spreadsheet programs, Lotus Development Corp. is finding that another of its commercial products can be used to integrate human resource functions.

Since February 1993, Lotus employees have had access to a comprehensive portfolio of human resources information—including benefits, job openings and onsite educational offerings—via Lotus Notes, an off-the-shelf software program that costs less than \$500 per user.

Russ Campanello, human resources vp at the Cambridge, Mass.-based company, opted to customize Lotus Notes as a human resources information system after finding "a gap in the availability of HR application software in the marketplace."

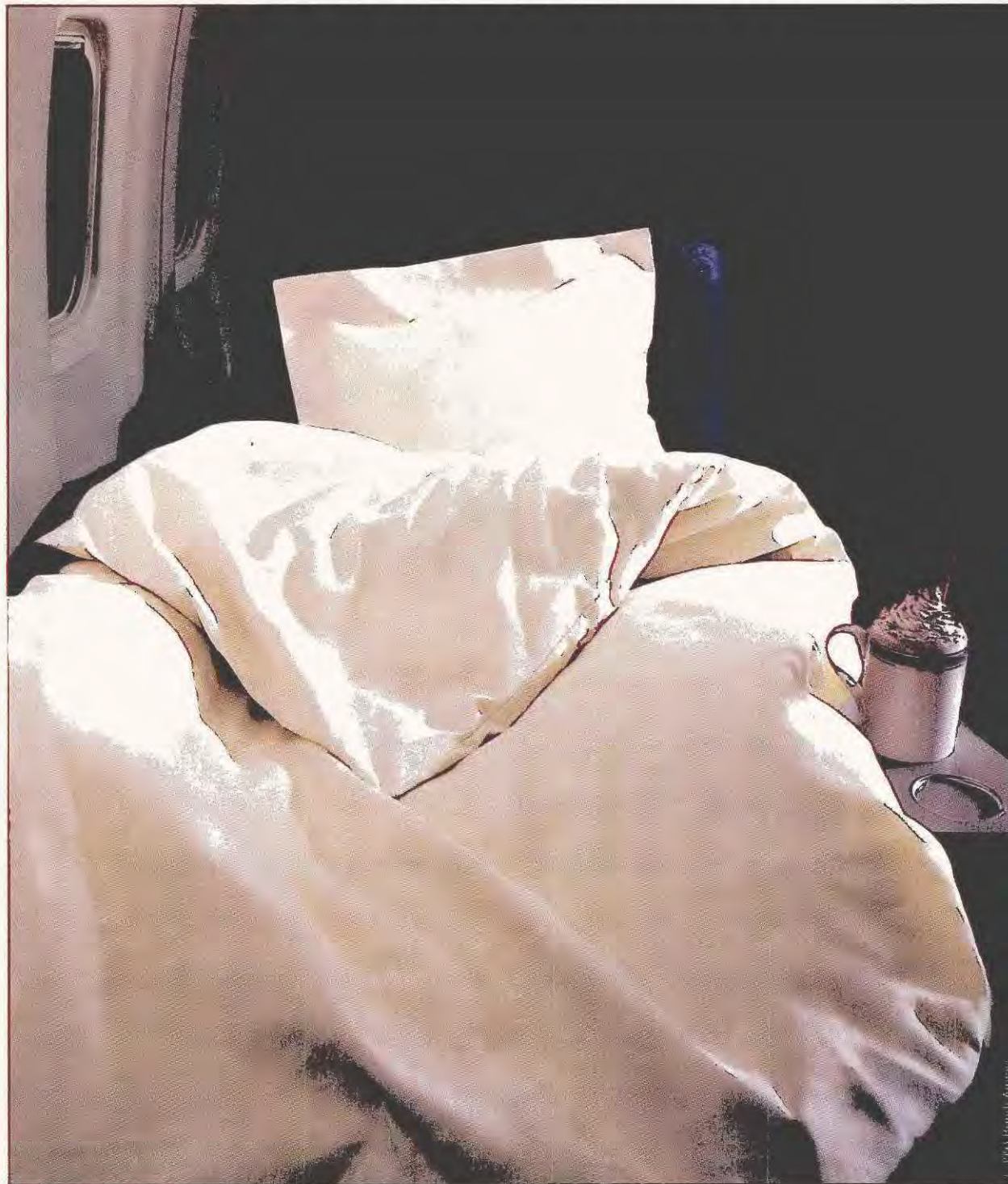
With the help of Lotus' in-house Information Systems group, the Lotus human resources staff developed the extensive HR portfolio in only six weeks—a fraction of the usual six months to a year required for traditional human resource information system development.

Not only does the Windows-based Lotus Notes keep employee benefit and human resources communication up-to-date, thorough and accessible, it eliminates costly mailings and other paper-based processes, Mr. Campanello said.

"We've reinvented the HR func-

Continued on page 18

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Spotlight report

Software

Continued from page 16
 tion using technology as a hub," he said.

And it was easy to introduce Lotus employees to the new program since they already had access to Lotus Notes on their desktop personal computers.

More than 4,000 of Lotus' employees in the United States and Canada currently use Lotus Notes, and the company hopes to extend it to all of its 5,200 workers worldwide during the next year, Mr. Campanello said.

Employees wanting human resources information can simply use their mouse to click the HR

Portfolio icon on the Lotus Notes screen. This then calls up a menu of options like:

- The Benefits Matrix.
- Employee Change Record Forms.
- Lotus Job Postings.

Using the electronic mail function within the Lotus Notes program, employees can update current information, such as their job title, address and family status.

Employees also can use DirectConnect, an automated phone system that serves as a customer service center for software users, to retrieve information, most of which is contained in the special Lotus Notes HR data base.

In addition to administering the Lotus benefits program, Mr. Cam-

panello uses the program to route resumes received by job applicants to the appropriate department managers.

"Now I can scan a resume, apply it to a particular job and send it to the appropriate hiring manager without ever leaving my office."

And the HR department uses the program to notify employees of benefit changes instantly, making it easier to meet the reporting requirements of the Employee Retirement Income Security Act.

"The Lotus HR group serves as the customer service organization for all internal personnel. In other words, when someone has a question, a problem or a complaint, they call HR," he said. "We have

to think of ourselves as a professional services firm and not as an HR department."

"In the past, it was difficult for the HR group's limited (45-person) staff to respond efficiently to the flood of requests it received," he said.

But now, with Lotus Notes and DirectConnect, "we've created a product that serves both HR needs and our internal customers."

Lotus does not have plans to develop the Lotus Notes program as a human resources information system. **BI**

How to speed up traffic on information highway

Electronic claims standards urged

By SALLY ROBERTS

The drive to adopt uniform electronic claims standards in the health insurance industry continues to move down the information highway, though roadblocks may remain.

Members of the Workgroup for Electronic Data Interchange say they are right on track with their recommendations to have most large payers, providers and employers conduct business electronically using approved standards from the American National Standards Institute by the fourth quarter of this year.

The public/private task force estimates that moving to a paperless environment and adopting uniform electronic claims standards has the potential to save as much as \$42 billion in accumulated health care costs in the next six years, including the estimated implementation costs.

However, while the technology exists and ANSI has approved

standard formats that are available today for use by the health care industry, many health care participants are reluctant to move to an EDI environment, they say.

"The biggest barrier slowing (EDI) down" is the lack of a federal mandate requiring the use of uniform standards, said Jamie Rose, vp-marketing for Secaucus, N.J.-based National Electronic Information Corp., an EDI network for all types of health care participants. He is also a member of WEDI's short-term strategies workgroup.

He warns, though, that while the technology is there and standards can be mandated, the full benefit of EDI will not be seen unless providers and payers are "willing to change the way of doing business internally."

According to a report issued to Health and Human Services Secretary Donna Shalala in October 1993, WEDI recommends Congress mandate that all health care participants use ANSI standards,

Continued on next page

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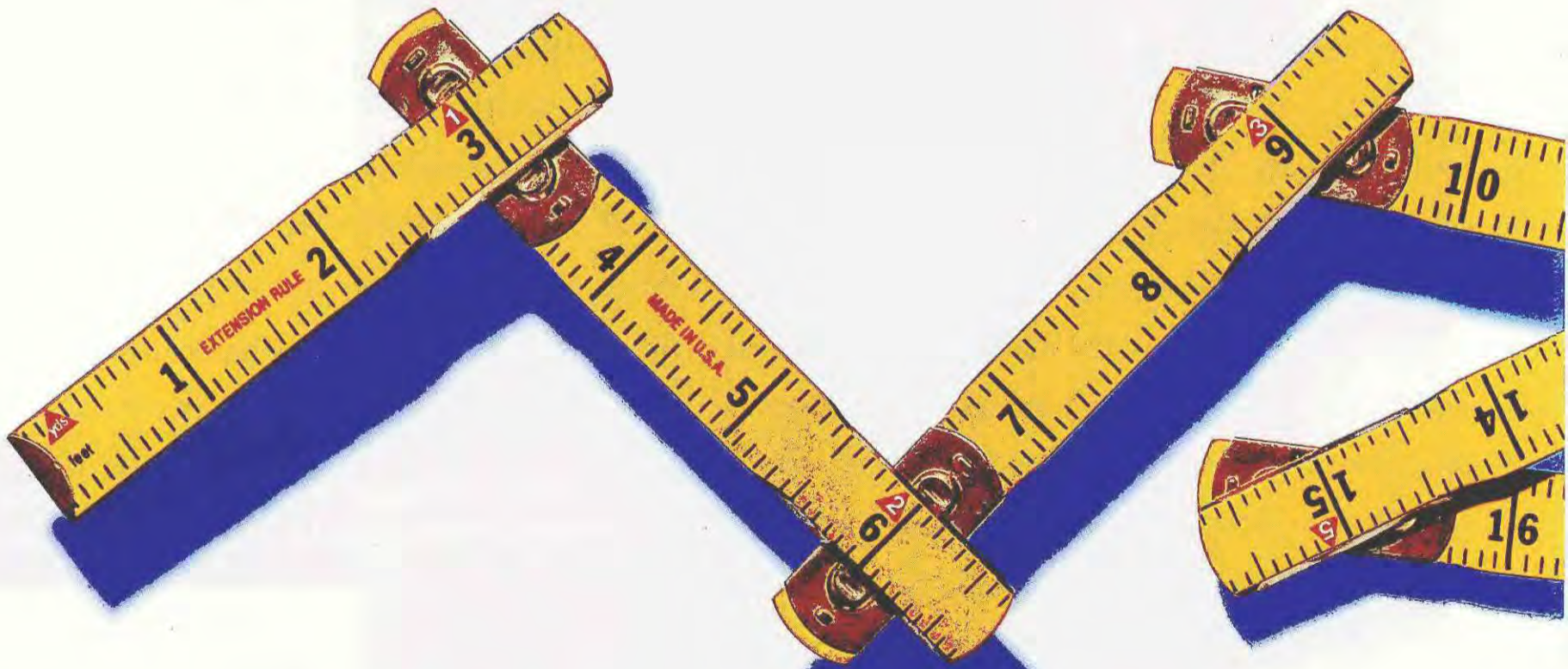
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Continued from previous page
beginning with "core transaction sets" that include enrollment, eligibility, claims submission and claim payment/advice standards. WEDI recommends the mandate include incentives like higher tax credits to encourage timely implementation of the transaction sets by all participants.

The report also recommends that insurers with 50,000 or more claims per year, providers with group practices of at least 20 physicians and employers with more than 100 workers adopt and implement the approved standards by the fourth quarter of 1994. All remaining participants should implement the standards by the fourth quarter of 1995.

WEDI issued a similar report in July 1992 calling for uniform standards to then-Health and Human Services Secretary Louis Sullivan. At that time, the standards were being devised by ANSI, which coordinates the development of business standards for a variety of industries (BI, July 27, 1992).

There is now "a totally different environment" than in 1992, said James Christie, managing director of Interplan Teleprocessing Services for the Chicago-based Blue Cross & Blue Shield Assn. and a WEDI staff member.

One of the reasons President Clinton was elected in 1992 was his promise to reform the health care system, Mr. Christie noted, explaining that any health care reforms enacted by Congress could have a profound impact on the electronic health care administration envisioned by WEDI.

While the president has endorsed efforts to streamline health care

administration costs, the impending health care reform debate has slowed EDI implementation.

There are still people saying, "Do we really want to gear up for this?"

We need to make sure individuals' health care information is protected, says James Christie of BC/BS.

or wait until health care reform is enacted? said Barbara Souder, vpublic policy for Travelers Corp. of Hartford, Conn., and a WEDI staff member. If Congress were to come down and say that "ANSI standards are it," WEDI's goals would be implemented much more quickly, she said.

It's understandable that with the uncertainty of health care reform, health care providers, payers and insurers are hesitant to make investments in technology, Mr. Christie said. This has caused a "slowing of the process" of EDI, but some "good progress" still has been made.

BC/BS, for example, receives 60% of its claims electronically and expects to reach 80% by the end of the year, he said.

In addition to an EDI mandate, confidentiality remains a hot issue with insurers, providers and employers, since patient information will be available to all parties at the touch of a button.

In its recent report to Ms. Shalala, WEDI suggested legislation that would protect the privacy

and confidentiality of individually identifiable health care information. Among other things, the draft legislation would: establish uniform requirements for the preservation of confidentiality and privacy rights in electronic health care claims processing and payment; exempt state public health reporting laws from these requirements; and establish that compliance with the requirements would be a defense to legal charges of improper disclosure.

"This has to happen regardless of health care reform," Mr. Christie contends. "If we move into the electronic world," we need to make sure individuals' health care information is protected, he said.

Another barrier to total EDI is

"rural America," NEIC's Mr. Rose said. Some rural health care facilities have not invested in the technology that would be needed for a nationwide EDI system.

However, for those providers, payers and employers currently taking advantage of technology, it will not be difficult to adapt current systems to read the ANSI standards, WEDI members say.

WEDI recommends formatting data in a standard way to facilitate transmission between all participants, regardless of the computer system being used.

For benefit managers, there are a number of software vendors that can help them attain the transmitting standards, Mr. Rose said. And, as more vendors enter the market-

place, competition will heat up and prices will decrease, he predicts.

In the report, WEDI also recommends:


- The universal use of standard identifier numbers for the health care industry. WEDI proposes that patients and individual providers use Social Security numbers; provider organizations use tax identification numbers; and insurers and other like entities use a code modeled after the National Assn. of Insurance Commissioners' company codes.

- Implementation guidelines so that specific and defined instructions could support uniform data content and coding instructions.

- The adoption of uniform health care ID cards.

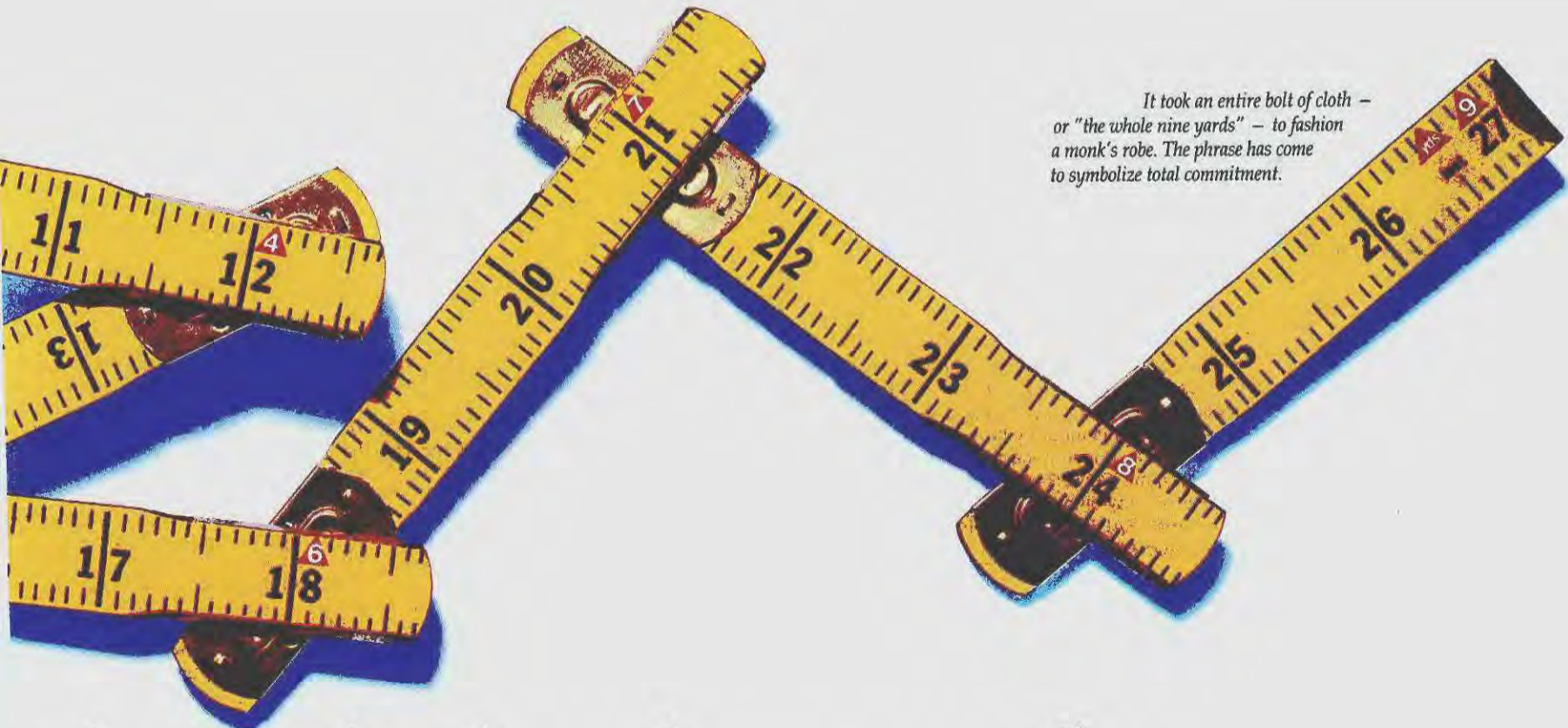
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Systems

Continued from page 3
systems, even though health care reform is still in debate.

"We spent a good bit of last year looking at not just an employee benefit information system but more globally than that, at our human resource information systems," said Gregg Conroy, the company's manager of total compensation and human resource information systems.

"In broad scope, human resource systems support employee benefit information needs," he said.

Many companies were reluctant to upgrade benefit information systems last year, Mr. Conroy said, but added that he doesn't believe the status of health care reform was the only factor in their reluctance.

"I think a lot of companies were in that position last year, not just because of what was going on legislatively but because of all the technology that was coming to market."

Mr. Conroy noted that last year's buzzword was "client/server technology," as information systems technology moved from a mainframe to a personal computer.

"We've really been seeing a lot

of products coming to market in the last nine or 12 months that implement that technology," he said. "I think that had a lot to do with people not making a decision last year but making a decision toward the end of last year or early this year."

Alcoa Fujikura ultimately chose a system from Walnut Creek, Calif.-based EBIS vendor Integral called INPOWER, a human resources system that will support the company's employee benefits needs, "because if it didn't we wouldn't have purchased it," Mr. Conroy said. The company plans to bring the new system on line Nov. 1.

Alcoa Fujikura has 1,100 employees in the United States, "which is what we'll be bringing up initially," Mr. Conroy said, and 9,000 worldwide employees.

"That was one of the other things that we looked at," he said. "We wanted to find a system that would have global capabilities, because we are an international company."

Mr. Conroy said he believes a lot of companies will take the same path as Alcoa Fujikura in looking for broad human resources systems that will also serve their employee benefit needs (see story, page 3).

"I don't think you'll see a lot of companies buying employee benefit software that is discrete from human resources systems," he said. He noted that multiple discrete systems can increase the probability of errors.

Where the discrete systems have a place, Mr. Conroy said, is where the employer really needs some sort of focused product tied to a

this might be old news six months from now is a frightening prospect."

As they invest in new technology, employers that want to cushion themselves against the changes health care reform brings "have to look into the crystal ball a little bit," Erisco's Mr. Bellomo said.

Resource Information Management Systems' Ms. Lockwald stresses focusing on managed care. "That's their best hedge," she said.

EBIS vendors, meanwhile, are trying to keep on top of employers' information system needs and to provide the appropriate products.

"What we need to be able to do is offer very, very flexible products and get to the market quickly and be responsive to what our customers' needs and demands are," Mr. Bellomo said. There's also a constant need to watch products' cost.

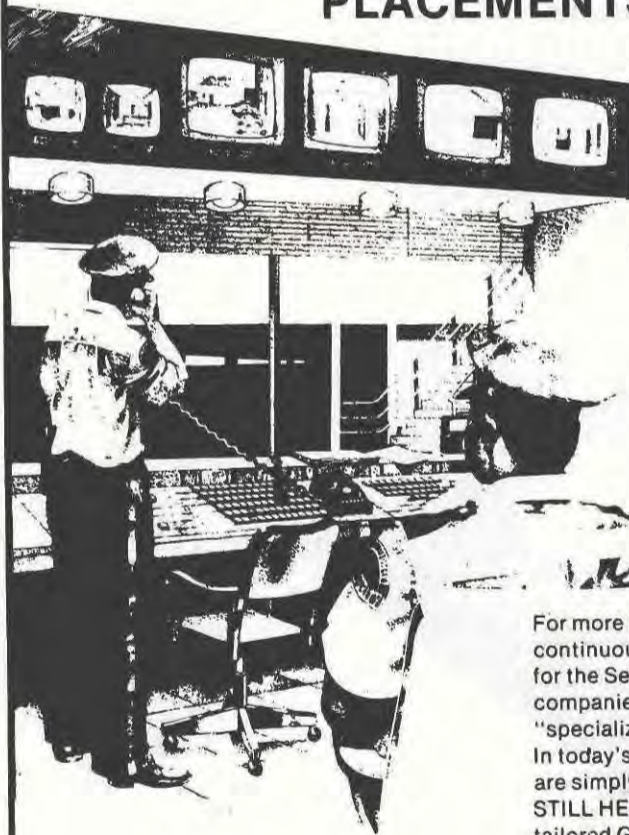
"You're seeing a greater emphasis on open systems' architecture," Ms. Lockwald said, noting that EBIS vendors are offering systems that rely less on proprietary platforms so users won't be locked in to any particular hardware.

The vendors are certainly trying to address users' concerns that flexibility is key, Alcoa Fujikura's Mr. Conroy noted. "One of the big buzzwords these days is open systems."

There's also an increasing emphasis on data manipulation, with many vendors starting to offer "executive information systems." Resource Information Management Systems is planning to release such a system next year.

"What the executive information system provides is a decision support tool that allows you to ana-

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A large factor in employers' slowness in investing in employee benefit information systems is the glut of new technology coming to market, says Ted Nussbaum, regional practice leader for health care consulting services at The Wyatt Co. in New York.

particular process.

For example, if Alcoa Fujikura was performing its own 401(k) recordkeeping, the company probably would have bought a specific system for that purpose and tied it to its broader human resources system, he said.

Meanwhile, not everyone believes that health care reform is impacting employers' benefit systems acquisitions.

"I haven't seen any employer clients' decisions influenced as far as data systems go one way or another because of health care reform," said Ted Nussbaum, regional practice leader for health care consulting services at The Wyatt Co. in New York.

After health care reform, employers will have huge data reporting requirements under a Clinton-type plan, he said, "but not terribly more than what those reporting requirements are now."

The health care alliances, of course, would have "huge reporting demands that are far beyond what employers would have."

A greater factor in employers' slowness in making EBIS investments is the glut of new technology coming to market, Mr. Nussbaum says.

"I think that's an issue," he said. "I have seen even in our own business that the state of the art and the quality of certain things that we are doing that were brand-new in August have changed radically. So, to make a major purchase today with the thought in mind that

lyze program performance," Ms. Lockwald said.

"I think there has become in the last five or so years an enormous awareness of the value of health care data and the increased value of that data as it's coming to you from plan administrators," Wyatt's Mr. Nussbaum said.

"The quality of health care data has improved tremendously as employers have demanded that from their health care administrators," he said. While 10 years ago many employers were eager to move away from handling health care data, today many have turned "180 degrees. . . in that they're asking to have the data on their desk in a form that they can manipulate it."

While he believes there are enough "sophisticated buyers out there" to make a good market for those systems, Mr. Nussbaum said that historically, "putting that data on your desk is incredibly, incredibly expensive."

Getting to a point where it's cost-effective to manage and manipulate that data yourself rather than hiring a consultant to do it for you is difficult, Mr. Nussbaum contends.

Wyatt, for example, provides "data sets," which are subsets of the huge medical claims files an employer can generate. "We collapse it, we put it into a format that is much more malleable and readable and it's much less expensive," he said. "So it's kind of a compromise." E1

Directory of benefit information system vendors

A

Administrative Management Group Inc.

3800 N. Wilke Road, Suite 250,
Arlington Heights, Ill. 60004;
708-577-6000; fax: 708-870-9200

Benefit systems since: 1982.

Software products:

■ Retirement Income Forecaster.

Price: \$2,000.

System requirements: IBM compatible 386 PC, 4MB RAM. Operates in DOS or Windows.

Customization optional.

First Installation: 1992.

Total Installations: 20, all in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions, social security benefits.

Features: Includes retirement planning, defined contribution plan enrollment and asset allocation. Options include employee printouts and what-if scenario functions.

User support: User groups/meetings, on-site training, telephone assistance eight hours per day *.

* Included in system price.

Staff: 90 total, 75 professionals.

Clients: 25 total, all benefit departments. Sold systems to 15 clients in 1993.

Officers: John Salajka, CEO; Dave Goldenberg, CFO.

Contact: Mark Tucker.

Alexander & Alexander Consulting Group Inc.

125 Chubb Ave., Lyndhurst,
N.J. 07071; 201-460-6600;
fax: 201-460-6701

Benefit systems since: 1970.

Parent: Alexander & Alexander Services Inc.

Software products:

■ ACG FLX.

Price: \$30,000.

System requirements: IBM compatible PC, 4MB RAM. Operates in DOS.

Customization optional.

First Installation: 1993.

Benefits managed: Flexible benefits, leave of absence, COBRA, group health plans, life insurance.

Features: Enrollment reporting, reports insurance billing and eligibility, FSA

claims processing, discrimination testing, ad hoc report generation. Optional modules include FSA Administration; Queue Manager; Robot; Payroll; Direct Billing; Data Generator; and Voice, an interactive voice response system.

■ Abacus.

Price: \$80,000.

System requirements: IBM compatible PC, 4MB RAM. Operates in DOS.

Customization optional.

First Installation: 1990.

Benefits managed: Retirement/pensions.

Features: Processes data for annual valuations; performs executive excess benefit plan calculations; produces employee calculation materials and optional election forms; maintains plan data base, including QDRO tracking; generates benefit statement for specific individuals or all participants; provides IRS Form 5500 counts. Provides employee communications through computer and printouts.

User support: User groups/meetings *, on-site training *, telephone assistance.

* Included in Abacus system price.

Staff: 2,000 total, 150 professionals.

Clients: 500 total, all benefit departments. Sold systems to 200 clients in 1993.

Officers: Donald Seeley, president/CEO-worldwide operations; Neil A. Burger, chairman/CEO; John L. Goodyear, president/COO-Alexander & Alexander Benefits Services Inc.; Brian E. Kennedy, chairman/CEO-U.K. and Europe; Robert K. Burden, chairman/CEO-Canada.

Contact: Gary Breitbart.

Apex Data Systems Inc.

6464 E. Grant Road, Tucson,
Ariz. 85715; 602-298-1991;
fax: 602-296-7948

Benefit systems since: 1974.

Software products:

■ COGNAC*PLUS.

System requirements: IBM compatible PC, 8MB RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1977.

Total Installations: 60; 12 in employee benefit departments.

Benefits managed: Disability, COBRA, group health plans, life insurance.

Features: Consolidated administration and claims adjudication for multiple benefit plans, including flex, cafeteria, dual and triple option PPO and CO-

BRA. Functions include enrollment; eligibility verification; precertification; claims management; utilization review; reinsurance monitoring; stop-loss reporting; provider contract management; usual, customary and reasonable reporting; fund accounting; check issuance; 1099s; correspondence; free-form notes; user query, reporting and analysis. Options include ad-hoc report writer, document imaging, electronic data interchange and claims edit bundling/unbundling.

User support: User groups/meetings *, on-site training, telephone assistance nine hours per day *, conversion support, enhancement releases.

* Included in system price.

Staff: 16 total, 10 professionals.

Clients: 40 total, including 12 benefit departments. Sold systems to two clients in 1993.

Officers: Dwight Babcock, president; Cindy Stewart, vp/director-marketing.

Contact: Dave Warner, senior account representative.

Aspetuck Systems Inc.

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

Benefit systems since: 1990.

Software products:

■ PERFect Defined Contribution Manager.

Price: \$1,295 (under 50 employees); \$4,995 (unlimited employees).

System requirements: IBM compatible PC, 2MB RAM. Operates in DOS.

Customized system.

First Installation: 1990.

Total Installations: 150, all in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions.

Features: Administers defined contribution plans, including 401(k), profit sharing and ESOPs. Allows up to 99 contribution accounts and 999 investment accounts. Provides discrimination and top-heavy tests, 5500 work sheet, balances in dollars or shares, multiple vesting schedules, employee statement, built-in word processor and custom report writer.

User support: Onsite training, telephone assistance nine hours per day.

Staff: Eight total, five professionals.

Clients: 150 total.

Officers: Michael Gabriele, president; Stephen Schwartz, vp; David Winkworth, sales manager.

Contact: David Winkworth.

Associated Systems Inc.

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

Benefit systems since: 1992.

Software products:

■ Software for Self Insured Administrators (S.S.I.A.).

Price: \$40,000 (average).

System requirements: IBM compatible PC; 4MB RAM required for single user, 16MB for file server version. Operates in DOS.

Customization optional.

First installation: 1991.

Total Installations: Six; two in employee benefit departments.

Benefits managed: Disability, COBRA, group health plans, retirement/pensions.

Features: Enrollment, eligibility verification, precertification, claims adjudication and management for medical, dental, prescription drug benefits. Includes on-line tracking of reinsurance liability, cash management, HMO/PPO plan management, fee schedules, COBRA tracking, billing and administra-

tion. Prints statements and checks with MICR encoding, general accounting and ad hoc reporting. Options include general accounting modules (general ledger, accounts payable, accounts receivable and payroll).

User support: User groups/meetings, on-site training *, telephone assistance eight hours per day, support via modem.

* Included in system price.

Staff: 13 total, seven professionals.

Clients: Six total. Sold systems to four clients in 1993.

Continued on page 24

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Guide to 1994 EBIS directory

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

Companies that produce and supply software products used primarily to communicate benefit programs to employees are listed in a separate directory to be run in the Aug. 15, 1994 issue of BI.

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

Information on software products follows. Software can be purchased without hardware unless noted. Software descriptions include the average completely installed price; the type of hardware, memory and operating system needed; and whether the system requires or provides customization to user specifications. Included also is the year of the product's first installation, the total number of installations to date, and the number of installations to date in corporate employee benefit departments.

Next the benefits managed by the system are provided. The product's functions, including whether it can be used to communicate benefit programs to employees and whether it is capable of administering claims under the Consolidated Omnibus Budget Reconciliation Act of 1985, are listed here also. Optional features are included.

Information on continued user support available and staff follows. Staff figures are given in full-time equivalents for year-end 1993. Under client, the total number of employee benefit information system clients, including corporate benefit department clients (both sales and service); and total corporate employee benefit clients that bought systems in 1993 are listed. 1993 gross revenues are next, including a percent breakout between sales of hardware, software and services. Names and titles of principal officers and a contact person complete the listings.

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

Although every effort is made to publish complete and accurate information, Business Insurance is unable to verify all data supplied by vendors.

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Continued from page 21

1993 revenues: \$500,000 total. \$120,000 from employee benefit information systems sales and services, 100% from software sales.

Officers: Frank Smith, president.

Contact: Sharon Steele, director-sales/customer support.

B

BTA Economic Research Institute

16770 N.E. 79th St., Suite 104, Redmond, Wash. 98052; 800-627-3697; fax: 800-753-4415

Benefit systems since: 1987.

Software products:

■ Group Benefit Assessor.

Price: \$599.50.

System requirements: IBM compatible PC, 640K RAM; single user and network versions. Operates in DOS.

First Installation: 1987.

Total Installations: 1,000; 100 in employee benefit departments.

Benefits managed: Flexible benefits, COBRA, group health plans.

Features: Provides health insurance purchasing cooperative applications to various state plans; automatically assigns employees to lowest, highest or other designated HIPC. Includes cost simulations, discrimination testing, Form 5500 information, COBRA letters and plan, Section 125 plan documents and employee benefit statements. Optional modules allow life,

long-term disability and other benefits to be modeled.

User support: User groups/meetings*, telephone assistance 12 hours per day*.

* Included in system price.

Staff: 16 total, eight professionals.

Clients: 100 total. Sold systems to 40 clients in 1993.

1993 revenues: \$1.6 million total. \$25,000 from employee benefit information systems sales and services, all from software sales.

Officers: David J. Thomsen, director.

Benefit Concepts Systems

10 Risho Ave., East Providence, R.I. 02914; 401-438-7100; fax: 401-438-5420

Benefit systems since: 1985.

Software products:

■ Benefit Continuation Management System.

Price: \$1,595.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1986.

Total Installations: 300, all in employee benefit departments.

Benefits managed: COBRA.

Features: Administration of COBRA compliance and claims. Communicates benefit programs to employees. Optional ad hoc report writer and data transfer modules.

■ Flexible Benefit Management System.

Price: \$7,495.

System requirements: IBM compatible PC, 1MB RAM. Operates in DOS.

Customization optional.

First Installation: 1985.

Total Installations: 100, all in employee benefit departments.

Benefits managed: Flexible benefits.

Features: Administration of flexible benefit or cafeteria plans. Communicates benefit programs to employees. Optional ad hoc report writer and data transfer modules.

■ Reimbursement Account Management System.

Price: \$2,495.

System requirements: IBM compatible PC, 1MB RAM. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 125, all in employee benefit departments.

Benefits managed: Flexible spending account plans.

Features: Administration of flexible spending account plans. Communicates benefit programs to employees. Optional ad hoc report writer and data transfer modules.

User support: Onsite training, telephone assistance eight hours per day*.

* Included in system price.

Staff: 17 total, eight professionals.

Officers: John W. Hoder, F. Jay Hoder III.

Contact: John W. Hoder.

Benefit Plan Systems Corp.

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

Benefit systems since: 1986.

Software products:

■ COBRA EAS Administrator.

Price: \$6,995.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS, Windows or OS/2.

First Installation: 1993.

Benefits managed: COBRA.

Features: Automatically performs functions from notification through conversion; allows complete separation of each employer; includes accounting and eligibility functions, complete checking account maintenance and client invoicing; built-in tutor/on-line help system. Optional interactive voice response system and bar code reader for payment recording and record retrieval.

■ GBIS Employer.

Price: \$2,495.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS, Windows or OS/2.

First Installation: 1993.

Benefits managed: Leave of absence, group health plans, retirement/pensions.

Features: Billing system for non-COBRA benefits; automatic calculation of variable rates based on numerous variables; complete billing, accounting and reporting. Optional bar code reader for payment recording and record retrieval.

User support: on site training, telephone assistance eight hours per day.

Staff: 17 total, 11 professionals.

1993 revenues: Employee benefit information systems: 90% from software sales, 10% from software services.

Officers: Leonard B. Wierzba, president; C.R. Jarl, vp; G. Schuessler, corporate secretary.

Contact: Margery McFeely.

Benefit Resource Management Inc.

530 Howell Road, Suite 107, Greenville, S.C. 29615; 803-268-4955; fax: 803-268-5018

Benefit systems since: 1991.

Software products:

■ DOCS-Disability Operational Control System.

System requirements: IBM compatible PC, 8MB RAM; single user and LAN versions. Operates in DOS or OS/2.

Customization optional.

First Installation: 1992.

Total Installations: Five; four in employee benefit departments.

Benefits managed: Disability, leave of absence.

Features: Tracks reinsurance liability, certificate level information, policy plan design module, claims management, claims loss detail and history loading, offset management, automatic calculations, flex benefit support, on-line benefit history, coverage edits and statutory warnings. Tracks medical,

Continued on page 26

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Continued from page 24

rehabilitation and investigation information. Includes explanation of benefits, communications management, payment generation, diary, direct deposit capabilities, query-by-example, benefit offsets, disability duration monitoring/control, user maintainable tables. Produces pre-programmed reports for claims, tax and benefit details; ad-hoc reports; custom reports; and form letters. Optional employee communication features available. Modules available for long- and short-term disability and sick pay benefits.

User support: Onsite training*, telephone assistance eight hours per day*, on-line users guide*, installation/setup*, operational updates*, claim table updates*, annual retraining*.

* Included in system price.

Staff: Four total, three professionals.

Clients: Two total, both benefit departments who purchased systems in 1993.

Officers: Theodore W. Mahler, president; David Sowinski, treasurer; Jay R. Inglis, secretary.

Contact: Ted Mahler.

Benefit Software

212 Cottage Grove Ave., Suite A, Santa Barbara, Calif. 93101; 805-568-0240; fax: 805-568-0239

Benefit systems since: 1980.

Software products:

■ CompWatch.

Price: \$1,695-\$3,495.

System requirements: IBM compatible PC, 550K RAM. Operates in DOS version 3.3 or higher.

Customization optional.

First Installation: 1990.

Total Installations: 4,000; 800 in employee benefit departments.

Benefits managed: Workers comp.

Features: Automatically produces first report of injury and OSHA log. Ad-hoc reports track and identify trends in claims data by criteria such as nature of injury and department. Optional module for multiple location management.

User support: On-site training available with Fringe Facts, telephone assistance eight hours per day, user manual for CompWatch.

Staff: 15 total, all professionals.

Clients: 4,675 total.

Officers: Larry S. DuBois, CEO/president; Tom Hutchison, sales manager; Kimberly Rajala, technical support manager; Susan Marshall, marketing manager.

Contact: Susan Marshall.

Benefit Systems & Services Inc.

760 Pasquinelli Drive, Suite 320, Westmont, Ill. 60559; 708-990-2082 ext. 200; fax: 708-789-2093

Benefit systems since: 1986.

Software products:

■ DATA-Plus Benefit Administration System.

Price: \$65,000.

System requirements: IBM AS/400. Operates in OS/400.

Customization optional.

First Installation: 1986.

Total Installations: 10; three in employee benefit departments.

Benefits managed: Flexible benefits, workers comp, disability, COBRA, group health plans.

Features: Eligibility interface through eligibility and/or premium administration modules; claims edits, including CPT/ICD9 relationships; control files defined in CPT codes; automatic HMO/PPO contact interfacing; multiple standard reports and ad-hoc report generation; employee follow-ups and notebook system. Options include Section 125 administration, COBRA administration and premium quoting systems.

User support: Onsite training*, telephone assistance 12 hours per day.

* Included in system price.

Staff: 46 total, seven professionals.

Clients: 50 total. Sold systems to 10 clients in 1993.

1993 revenues: \$5 million total. \$3 million from employee benefit information systems sales and services, 80% from hardware sales, 10% from software sales, 10% from software services.

Officers: David H. Lloyd, president; Carmen J. Morreale, executive vp; Roy Wapiennik, vp.

Contact: Carmen J. Morreale.

BeneSoft Inc.

P.O. Box 3530, Bethany, Conn. 06524; 203-393-0320; fax: 203-393-0325

Benefit systems since: 1987.

Software products:

■ Flexible Software.

System requirements: IBM compatible 486 PC. Operates in DOS or Windows.

Customization optional.

First Installation: 1987.

Total Installations: 85; 80 in employee benefit departments.

Benefits managed: Flexible benefits, leave of absence, COBRA, group health plans, life insurance, retirement.

Features: Enrollment, COBRA processing, flexible spending account management, allows unlimited employee data, report writer, maintains enrollment history, reads bar-coded and scannable forms. Reports include personalized enrollment forms, employee workbooks, benefit statements, confirmation statements and COBRA election forms/letters. Options include voice response system for employees, benefit staff and service providers and an accounts receivable module to invoice and track COBRA payments.

User support: User groups/meetings, on-

Continued on next page

If you've ever talked to an insurance company, you know why we've made some structural changes.

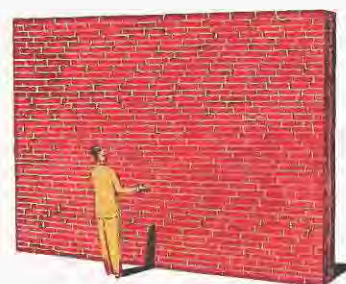


Figure A: a brick wall.

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A world of opportunities for insurers

Insurers beginning to selectively take advantage of international marketplace

By LOUISE KERTESZ

As U.S. insurance companies mine the globe for opportunities in emerging marketplaces, they are finding potential policyholders eager to do business.

"It's an incredible market that's out there," said J. David Nall, marketing vp at Aetna International Inc. in Hartford, Conn.

"And as more organizations become truly international," they will turn for products and services to U.S. insurers, Mr. Nall said.

But except for giant American International Group Inc., which seems to have an unlimited appetite for new markets, insurers say that their need to allocate capital forces them to concentrate on markets that are the most promising.

For example, although Aetna and CIGNA Corp. see potential in Eastern Europe, both insurers have decided that there is more opportunity in Latin America and Southeast Asia.

"We're paying some attention to Eastern Europe, but not a lot," largely because of competition from European insurers. Besides, opportunities are greater elsewhere, particularly in markets like Southeast Asia, said Gary T. Schmalzriedt, senior vp of underwriting at CIGNA Worldwide Inc. in Philadelphia.

Mr. Schmalzriedt spoke on the international marketplace at the recent national insurance symposium in San Francisco sponsored by Russell Miller Inc.

"We're devoting all of our efforts to Southeast Asia and Latin America," Aetna's Mr. Nall said. "We're not looking at Europe or Eastern Europe, though there's always a possibility that can change. We have a limited amount of capital, and we have decided that the emerging markets are those which can be of the most value both to Aetna and to the domestic industry."

By contrast, AIG, which writes insurance in about 130 countries and jurisdictions, also writes in Eastern Europe and has a representative office in Moscow.

Brian Duperreault, chairman and chief executive officer of American International Underwriters Inc., AIG's overseas property/casualty operation, said: "I don't think there's another foreign insurance company that has moved into the number of emerging markets we moved into in the last several years."

He added that growth in "Eastern Europe will be a slower process than what is going on in Southeast Asia, but there is movement in the economies. . . . We see it as very much a viable market for us. I throw Russia into that as well."

Last month, AIG became the first U.S. insurer to receive a license to operate in Romania. AIG also has operations in the Czech Republic,



Estonia, Hungary, Latvia and Poland.

Although Russia has promise, "it's a place that really needs to get its legal system sorted out, since insurance is a contract and depends on contract law," observed Joe Morein, vp of strategic planning for Chubb Corp. in Warren, N.J.

Many in the insurance industry, including CIGNA's Mr. Schmalzriedt, agree that China is "the crown jewel" of the emerging Asian marketplace.

Even with the recent tensions over U.S. demands for action on human rights, China is still "the center of attention" in insurers' pursuit of emerging markets, said Richard Murray, vice chairman of La Prov Corp. in New York, a subsidiary of Mexican insurer Grupo Nacional Provincial.

Mr. Murray, who is considered an expert among American international insurance executives, started Travelers Corp.'s international operations in 1968 and is former chair-

man of Travelers' overseas subsidiaries.

Underlying the "purely political problem" of human rights reform "is an enormous desire by China to modernize successfully and develop economically and enter the world's economy," he emphasized.

Mr. Murray said he was invited to Beijing "almost within months of the end of the Cultural Revolution" because Chinese insurance experts had been murdered and there was "an enormous desire by the Chinese, who are known to be good businesspeople" to re-establish an industry.

With a population of 1.2 billion, mainland China is "an absolutely unimaginable market. . . if you come with know-how and experience," he said. Several American insurers already operate in Hong Kong and Taiwan and are launching China strategies from there.

"China is clearly the place we find of great interest," said AIG's Mr. Duperreault. In 1992, AIG be-

came the only American insurer granted a license by the People's Republic of China to write life and non-life business in Shanghai.

"The potential in China is unbelievable," said CIGNA's Mr. Schmalzriedt. Yet, it is not a "panacea" for U.S. insurers seeking to mine emerging markets. China is a "long-term prospect" that must be carefully developed, he said.

CIGNA sees both personal and commercial lines opportunities in China, especially the need for property/casualty coverages for developing infrastructure, Mr. Schmalzriedt said. "It's wide open, really. But it will depend on how the Chinese allow that to happen. A lot of that may be wishful thinking on my part."

CIGNA will open a representative office in China in April.

At least two other U.S. insurers—Chubb Group and Lincoln National Corp.—have opened representative offices in Beijing in the past month, though they are not licensed to

write insurance in China.

"We are confident that we will soon be able to participate in this promising market in an active, significant way," said Edward Dunlop, Chubb's managing director.

Lincoln National recently created an Emerging Markets Task Force, chaired by Senior Vp John Cantrell, whose job is to develop the insurer's international strategy, a spokesman said. Mr. Cantrell was in Beijing last week and could not be interviewed.

Aetna also has a representative office in China.

"Some other Asian markets, such as Indonesia, Malaysia and Vietnam, look promising," observed Chubb's Mr. Morein. "But we're resource-constrained and can't do everything."

Aetna already writes individual and group life and property insurance in Malaysia through more than 5,000 agents, Mr. Nall said.

"We're seeing a great deal of interest from American corporations to have us provide their insurance" in Vietnam, said AIG's Mr. Duperreault. AIG has a representative office in Hanoi.

While Asia is just opening up for American insurers, Mexico is the ripest market for them, sources say, and thus the "enormous rush into Mexico" by companies such as AIG, CIGNA, Chubb, Aetna and others, Mr. Murray said.

CIGNA, which bought a company in Mexico three years ago to write life and non-life business there, believes "Mexico is a forerunner of what will be a trend for Latin America. NAFTA will be the impetus for similar trade agreements with Latin American countries," Mr. Schmalzriedt said.

In Latin America, Chubb is "focusing on the larger markets. It doesn't make economic sense to go into smaller countries" there, said Mr. Morein.

"Argentina is one we've been watching, and at some point we'll probably do something" there, he added.

Aetna, which is operating in Chile and Peru through joint ventures, is also "investigating" Argentina, Mr. Nall said.

AIG is "very high on Latin America" and besides growth in classic coverages, demand is starting for specialty coverages like professional liability and directors and officers insurance, Mr. Duperreault said.

Another country often mentioned by industry sources as a promising area is India.

AIG, which has a representative office there, is "following very closely what Indians are doing about opening their markets," Mr. Duperreault said.

Indian officials announced earlier this month that a government-appointed panel, called the Malhotra Committee, has recommended the deregulation of the insurance in-

Continued on next page

Insurer Topics

New markets

Continued from previous page
dustry, which was nationalized in the 1950s.

The Indian insurance industry "is expected to open up," said Mr. Murray. "It will be an enormous market."

"We have the (Malhotra) report and we're following that," said Chubb's Mr. Morein. "It's another place with a very large number of people... India is moving in the right direction toward a free-market economy, so it is of interest."

Broker Alexander & Alexander Services Inc. recently established a joint venture in India called Howden Dastur, which is focusing on re-insurance and consulting for global clients.

In fact, often preceding insurers' entry into new markets are the efforts of broker/consultants, like A&A, that are getting in on the ground floor of emerging markets by making themselves key agents in the privatization process.

Keeping an eye on the lucrative markets created as governments move industries into the private sector, A&A established a privatization consulting group for emerging markets in August 1993.

"Privatization is occurring almost everywhere in the world, and it can take on a variety and a multitude of forms. It's a commercial epidemic," said Leonard Battifarano, vp of global business development at A&A in New York, who is also managing director of A&A's global construction and privatization groups.

The biggest opportunities for bro-

kers and insurers are where privatization is just beginning, in the emerging economies of Eastern Europe, states of the former Soviet Union, certain parts of Asia and Latin American countries "you don't often hear about, like Bolivia and Ecuador and Peru," Mr. Battifarano said.

A&A advises governments on the best approach to privatization, qualifies and quantifies existing exposures, forecasts potential losses and suggests risk transfer approaches, as well as providing other services such as management consulting and pension and benefits consulting, he said.

The company's strategy is to provide risk management services to the construction of infrastructure in emerging markets, "so that when they blossom, we are in a position

to establish long-term relationships with new clients."

In these emerging markets, A&A places construction coverages for infrastructure such as power generating plants and railroads—using both domestic and international insurers—and follows that with the whole gamut of insurance coverages for the operations of these businesses when construction is completed, he said.

But not all areas of the globe are attractive to international insurers. There is not much interest in Africa, "sad to say," Mr. Battifarano said. "It's kind of a forgotten continent."

Virtually all market observers agree that political and economic conditions in African countries, as well as their small size, do not make the region promising to insurance companies. **EI**

Patience now, profit later for insurers in East Europe

By GAVIN SOUTER

Insurers that marched into Eastern Europe after the fall of the Iron Curtain with expectations of quick profits have learned the meaning of at least one old adage: Some things take time.

While there is little doubt that the newly liberated markets of the former Eastern bloc will eventually provide rich pickings for Western insurers, those markets will take several more years to fully develop, underwriters say.

The sluggish privatization process in many of the countries and confused and perpetually changing insurance regulation has curbed the ambitions of the Western insurance companies that have invested in Eastern Europe, they say.

And while claims experience for property/casualty business is generally good, apart from automobile insurance, insurers are wary that the aging industrial plants could provide huge headaches once the operators become more aware of claims, insurers say.

But, despite the difficulties, insurers are establishing themselves in Eastern Europe and with varying degrees of success are selling both life and non-life products in many countries in the region.

Western insurers that have investments, subsidiaries or branch offices in the former Eastern bloc include: American International Group Inc.; Allianz Versicherungs A.G.; Alte Leipziger Lebensversicherungsges A.G.; Colonia Versicherung A.G.; Assicurazioni Generali S.p.A.; Gerling Insurance Group; Nationale Nederlanden N.V.; Baltica Insurance Group; Trygg-Hansa SPP Holding; Assurances Generales de France Group; and Pohjola Insurance Co. Ltd.

Despite the number of Western insurers entering the East, the market share of those companies not linked to established state insurers is almost negligible, said Bengt Westergren, senior representative and president of the Central and Eastern Europe division of AIG unit American International Underwriters in Vienna, Austria.

"If you look at the market share, it is only a few percentage points... There has been no major change," he said.

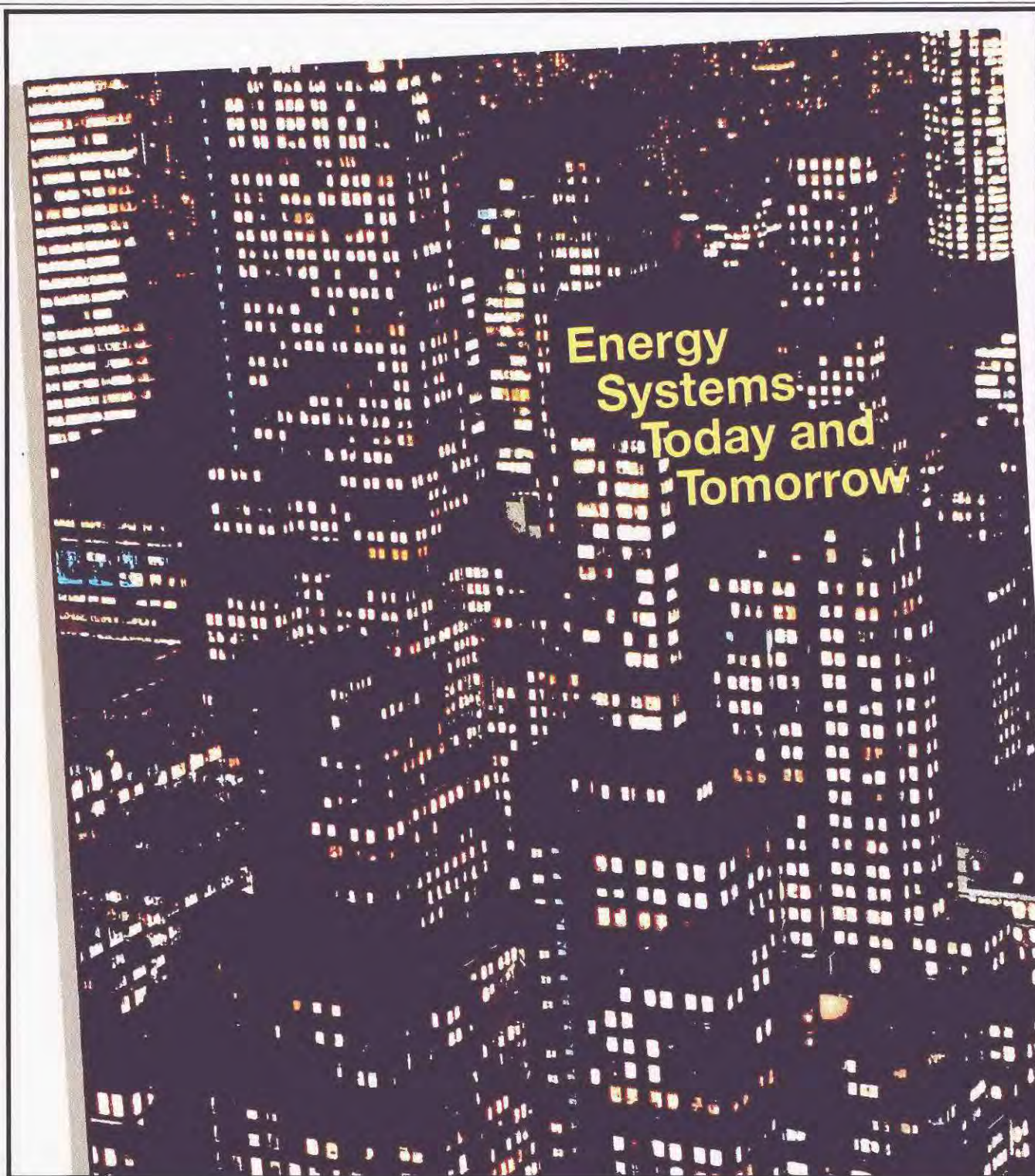
AIG has operations in Estonia, Latvia, Poland, the Czech Republic, Hungary and Romania.

Taken as a whole, AIG has less than 1% of the market share in the Eastern markets it is involved in, Mr. Westergren said. However, this is not a disappointment to the company.

"We are being deliberately cautious because we would rather have profit at the end of the year than just a large market share," he said.

Part of the reason why the spread of Western insurance has been limited is the slow privatiza-

Continued on page 26D



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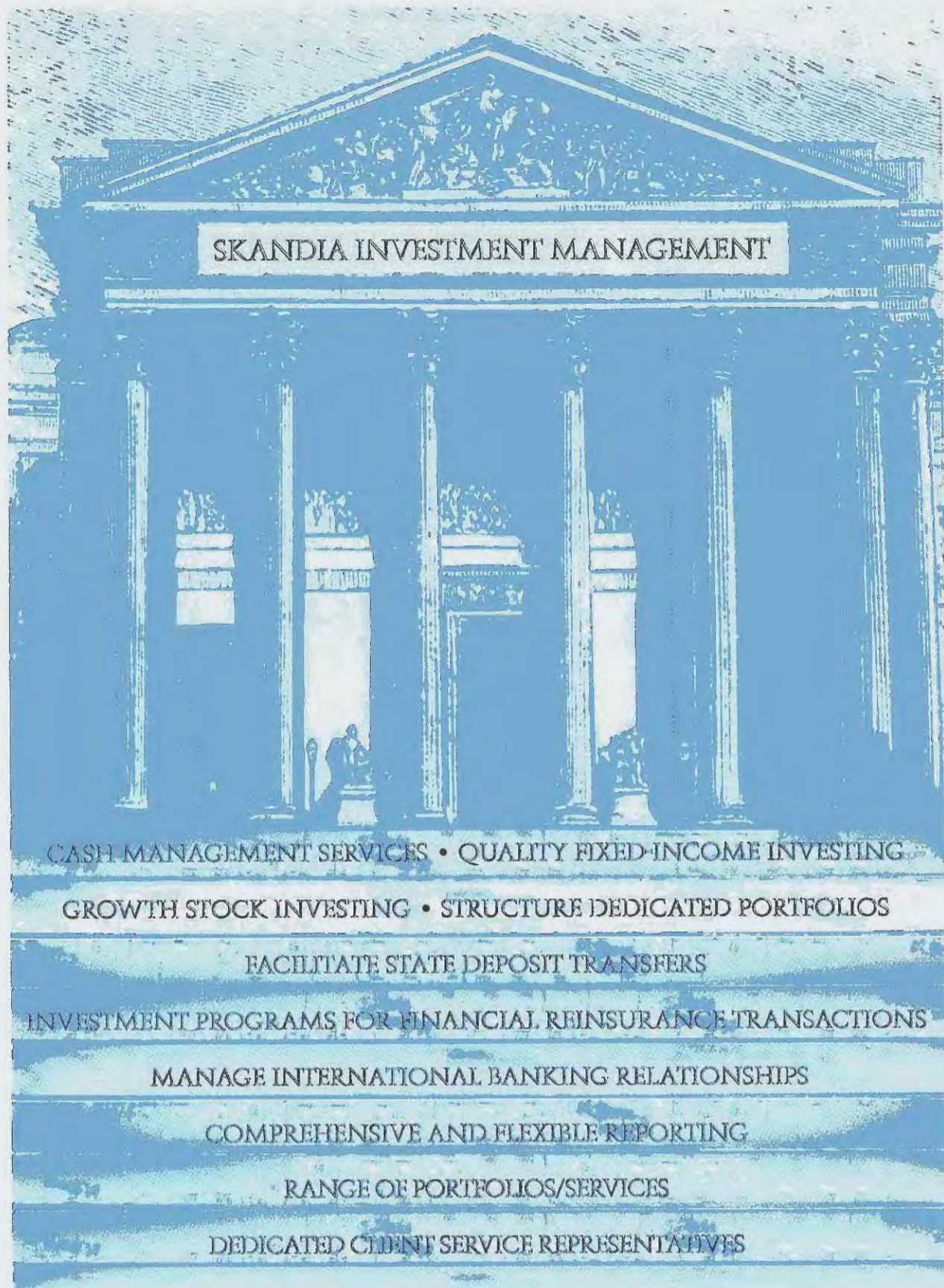
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Insurer Topics

East Europe

Continued from page 26B

tion of industries in the region, he said.

And often those industries that are being privatized will continue to use the established state insurers they used in the past to obtain their coverage, Mr. Westergren said. "In Poland, for example, there are about 10 major companies being privatized, but I think they will stay with the state insurer."

Even when former state industries are privatized, they will not necessarily be attractive risks for Western insurers, said Adriano Cuccagna, area manager for Eastern Europe at Generali in Trieste, Italy.

"We are not involved in any (established) large industrial plants because they are dangerous to underwrite even though the rates are good," he said.

Many of the plants were built with Soviet technology in the 1960s and 1970s, so the risks are hard for Western underwriters to assess and spare parts are often scarce, Mr. Cuccagna said.

Generali has operations in Hungary, the Czech Republic and Romania. Its main targets for Eastern European industrial clients are joint ventures with Western partners, he said.

In the Czech Republic, for example, Generali's main industrial and commercial clients are its established clients in Austria and Germany that are now entering the country, Mr. Cuccagna said.

Western companies entering these markets are far more attractive risks, agreed Diether Heermann, manager of Colonia Versicherung's operation in Budapest, Hungary.

"Western companies import their experience and their structures, and the industrial companies in the East are not very sophisticated," Mr. Heermann observed.

Hungary is the only Eastern European market in which Colonia writes business. In 1993, the insurer produced premium volume of about \$40 million from its Hungarian operations.

So far, claims experience has been better than in Western countries, but this is likely to change as policyholders in the East become more conscious of their insurance,

Mr. Heermann said.

"In the future, I fear it could be quite bad, but at the moment it is quite acceptable."

One area that has suffered poor claims experience is automobile insurance, insurers agree. Widespread theft and the expense of importing spare parts for Western cars have led to terrible auto results.

It is too early to assess the claims experience in life insurance, but some Western insurers are establishing business in the East.

For instance, Nationale Nederlanden has operations in Hungary, where its 1993 premium income was 80 million guilders (\$41.2 million); and in the Czech Republic, where its 1993 premium income was 25 million guilders (\$12.9 million).

The company has applied for a license in Poland and is considering setting up in Slovakia, said Otto de Boer, who is general manager of the international division of Nationale Nederlanden in the Hague.

"We are very satisfied with the progress because we had not expected to be so successful," Mr. de Boer said.

Nationale Nederlanden sells mainly endowment policies. The average annual premium is about 900 guilders (\$467), an amount that is significantly below Western averages.

However, the lapse rate of 11% to 12% is also considerably below the Western rates, which can be as high as 30%, Mr. de Boer said.

The insurer plans eventually to offer non-life products as well.

Nationale Nederlanden would also like to sell pension policies in Eastern Europe, but the absence of a favorable tax treatment for pensions makes the products a lot less attractive than they are in the West, he said.

"There is no tax deductibility for employees or employers, and that is something that we are lobbying for," he said.

Other problems that Western insurance companies have encountered are a lack of consistent insurance regulations, limited local resources and an uncertain economic outlook.

"What has been a problem that was not anticipated is the very frequent changes in regulation and laws in many of the countries," said AIU's Mr. Westergren.

For example, when insurance regulations were drawn up in Poland, it was possible to establish a multiline insurance company. But in 1991 the law was changed so that life insurance and non-life insurance could not be written by the same company, Mr. Westergren said.

"The whole area is in transition—and transition means chaos, so you have to expect these problems to arise," he said.

Another problem is finding suitable employees.

The ideal employee is under 35 years old, has a knowledge of insurance and is not set in the old ways of the state insurers, Mr. Westergren said.

"It varies from country to country, but it can be difficult to find these people."

Despite these recruitment problems, AIG, Generali, Nationale Nederlanden and Colonia all employ mainly local staff with only senior managers being brought in from the West.

Political and economic uncertainty is another problem that insurers are facing, said Generali's Mr. Cuccagna.

"There are problems everywhere with inflation and high unemployment, uncertainty to how people will react to privatization and the social turmoil that further job reductions will bring... You have to be very careful."

Business in Eastern Europe has been disappointing so far for AGF International, the holding company for Assurance Generales de France, which has been operating in Poland since 1991.

AGF International formed two insurance companies there, one life and one non-life, that are 85% owned by AGF and 15% owned by the Polish trade union Solidarity, according to Benoit Redon, AGF International's director of investments and partnerships.

The non-life company mainly

Continued on page 26H

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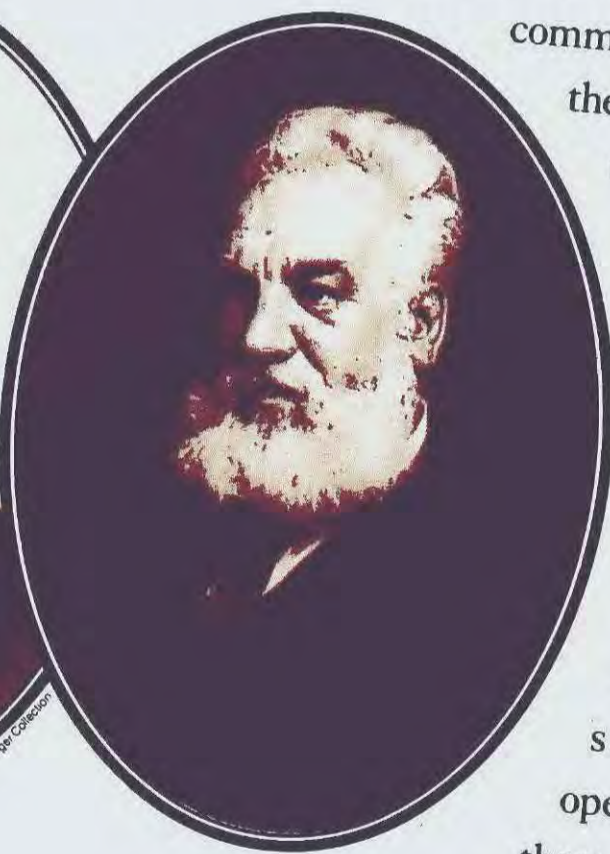
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Insurer Topics

By ADRIAN LADBURY

For years, U.S. insurers have been generally inward looking and isolationist, content to vie for the rich pool of business on their domestic turf.

But that may be changing. Large U.S. insurers, several of which

U.S. insurers starting to notice Europe's allure

Latin America and Far East also catching attention of some

have maintained a foreign presence for years, are expanding their operations in Europe, Latin America and the Far East.

However, compared with the flood of foreign insurers entering

the United States in recent years, U.S. insurers' expansion abroad remains slow.

Although several large U.S. insurance companies have maintained a global presence for years, they are generally the exception to the rule.

American International Group Inc., which developed out of agency interests in Shanghai, China, in 1919, earns 50% of its global premium volume from overseas business. In October 1992, New York-based AIG became the first foreign insurer licensed to write life and non-life business in the People's Republic of China from the insurer's Shanghai representative office.

Philadelphia-based CIGNA Corp. earlier this month announced that

it will return to China after an absence of 43 years. CIGNA has operated overseas since 1890 and now derives about 15% of its premiums from non-U.S. business.

Despite the global presence of a few large U.S. insurers, there are many reasons why more U.S. insurers have been slow to expand overseas.

While the fast-developing economies of the Far East and to a lesser extent Latin America offer a wealth of insurance opportunities, most U.S. attention is currently focused on Europe.

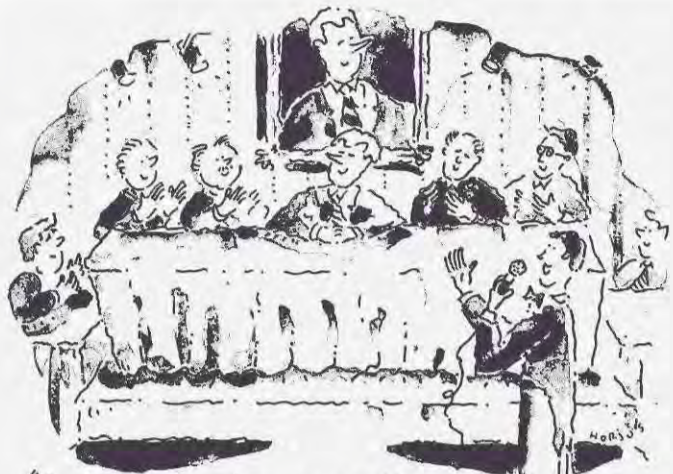
This is because expanding overseas without expensive and aggressive acquisitions is best achieved by capitalizing on established strengths like more complex insurance products.

To go this route, U.S. insurers generally target the more sophisticated markets on the European continent, where the demand for such products is beginning to mushroom.

Herbert Hansmeyer, a member of the board of German insurer Allianz A.G. Holding, is not worried that a new U.S. assault on Germany's domestic insurance market will occur.

"U.S. companies have been here (in Germany) for a long time, but for most of this time they have not been too aggressive and seem to understand that the commercial lines buyer in Europe is quite happy with what they have and is very careful. . . Unless they decide to acquire here they will probably

Continued on page 26J



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East Europe

Continued from page 26D

writes automobile and homeowners insurance, but it is now acquiring some accounts from Western commercial companies setting up in Poland, he said.

Results have been poorer than expected. The link with Solidarity has brought fewer contracts than AGF envisioned. "The union has a lot less influence than we had expected, and we were disappointed by the network it provided," Mr.

Redon said.

In 1993, the company reported premium volume of \$10 million but had an underwriting loss of \$500,000, mainly due to auto thefts, he said.

As a result, the insurer has reduced its automobile accounts in Poland and is trying to write only good-quality risks. AGF also plans to intensify its training of primarily local staff, he said.

AGF has also encountered administrative problems in Poland. For example, AGF has had difficulty transferring funds from its

Paris headquarters to boost the capital of its operations in Poland. The Polish government is reluctant to admit the new capital into the country, Mr. Redon said.

In Russia, AGF International has a cooperation agreement with a mutual insurance company set up by local industrial companies. The Moscow-based insurer, which covers aviation and travel risks, has not written a significant amount of premiums, Mr. Redon said. AGF has an option to buy a majority stake in the insurer in the year 2002. **EB**

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Expansions

Continued from page 26H
not be a threat," he said.

U.S. insurers' overall share of the German market is insignificant compared with insurers from nearby France, Italy and the United Kingdom. According to Allianz, foreign companies accounted for 15.3% of all German premiums in 1992: the Swiss had 7.7%; the French, 4.4%; the British, 1.5%; Italians, just over 1%; and U.S. companies, just over 0.5%.

Mr. Hansmeyer suggests that the general inactivity of U.S. insurers overseas can be partly attributed to the relative size of European economies and the emergence of dominant companies within these countries like Allianz in Germany and Zurich Insurance Group in Switzerland.

"Our market is not so much saturated, but by size we have exceeded this market—we are too big for the German market and if we grew further by acquisition we would have the antitrust laws on our back. Therefore, we had pressure to grow in other markets on an international scale, which we have done over the last 20 years," he said. "U.S. companies can still grow in the U.S. . . . They can diversify into different segments or geographical areas."

Allianz wrote about 62 billion deutsche marks (\$35.7 billion) in premiums worldwide in 1993. Its U.S. business generated premiums of \$8.2 billion, of which \$3.3 billion was contributed by Fireman's Fund Insurance Co., which was ac-

quired by Allianz in 1990 (*BI*, Aug. 6, 1990).

Mr. Hansmeyer, who is chairman and chief executive of Fireman's Fund, also believes that it is not so easy for U.S. insurers to build a large foreign portfolio because of shareholder pressure.

"The biggest barrier to U.S. expansion is probably the pressure to report quarterly earnings and international expansion never produces immediate paybacks. You need time to develop a long-term strategy and you need shareholders who believe in you and won't pull the trigger," he said.

"A reason why U.S. companies are perhaps more reluctant (to expand internationally) is that they may feel to be successful they need a long-range view of profits and we (Americans) may be more reluctant to take that view. I don't think even Reliance would be ready to wait 10 years for a profit," said Joseph Graziano, senior vp and managing director of international operations at Reliance National Insurance Co. in New York. Mr. Graziano was hired four years ago to build an international division for Reliance.

"The focus of our company at that time (1990) was to expand internationally because the U.S. market, while the largest in the world, was becoming ever more saturated with many foreign companies taking a share of the market. So while (the U.S. market) was still the largest world market, it was becoming crowded. Future development for Reliance meant looking beyond our boundaries for expansion," he said.

The insurer's Reliance National Insurance Co. (U.K.) Ltd. subsidiary, with offices in London and Rotterdam, the Netherlands, is currently marketing its speciality insurance products to more sophisticated European insurance markets.

"It's actually much easier to establish and grow in a sophisticated market such as the U.K. (or Holland) for the simple reason that problems are understood by the buyers and brokers, but it's also sufficiently underdeveloped" to allow for additional insurance products, he said.

The St. Paul Cos. Inc. has also focused its energies on Europe, building on its 1988 acquisition of Lloyd's broker Minet Group P.L.C. and the broker's underwriting subsidiaries (*BI*, Dec. 14, 1987).

The U.K. offices of St. Paul International Insurance Co. Ltd. concentrate on areas like specialty auto insurance business, medical malpractice and professional liability insurance, and coverage for local government authorities and public utilities.

St. Paul also is planning to develop business in the Far East and Southern Africa, where it already has interests linked to the Minet purchase.

"St. Paul has produced very good returns for U.S. shareholders predominantly out of U.S. business, but sooner or later the market reaches saturation point. . . . Initially, the driving force (behind international expansion) was to provide opportunities to expand our income base. Over the next 10 years, I predict a lot of competition from Europe eating at our (domes-

tic) market share," said Ted Dziurman, international development manager for St. Paul in London.

Chubb Corp. has adopted a strategy in Europe similar to that of Reliance and St. Paul, said Bill Namacher, London branch manager of Chubb Insurance Co. of Europe S.A.

Warren, N.J.-based Chubb has been active in Europe since the 1950s, but in 1989 incoming Chairman Dean O'Hare announced that he wanted the company to derive 25% of its premiums from non-North American sources by the year 2000.

"Chubb sells a relatively sophisticated line of products, therefore more sophisticated markets are easier to penetrate. Things like directors and officers liability insurance are no good for Eastern Europe, which needs more basic insurances. . . .so for the 1990s the focus is Western Europe," Mr. Namacher said. However, "the last thing most of these countries need is another large foreign insurer. There is already too much capacity in the world. What you've got to do is go for product innovation."

Despite the focus on Europe, other regions are not being ignored by Chubb or other U.S. insurance companies.

"We recognize that Asia is a hugely expanding area which currently may not be the most sophisticated, but we will follow the economic and industrial development and are opening offices all over the Far East, maybe not at the same rate as Europe but we are still expanding," said Mr. Namacher.

Gerhard Hornig, chief executive

of CIGNA Insurance Co. of Europe S.A. N.V. in London, emphasized that CIGNA is targeting insurance business worldwide, not just in Europe.

CIGNA's worldwide premiums totaled about \$16 billion last year, of which \$2.2 billion, or 13.8%, came from overseas operations. About half of overseas premiums come from the European continent.

The insurer earlier this month announced that it will combine its key international operations, CIGNA International Property & Casualty and CIGNA International Life & Employee Benefits, into one unit covering 51 territories (*BI*, March 14).

Only a day earlier, the company announced the opening of a new reinsurance office in Brussels, Belgium, to concentrate on personal accident business throughout Europe.

But according to Mr. Hornig, the insurance company's focus is shifting away from Europe, where he says the company is a "multiline niche player," and toward the Far East.

CIGNA on March 7 announced it will return to China after 43 years with the opening of a representative office in Beijing.

"Very clearly, our global focus, by cost and investment, is the Far East and by products like accident, life and health. I am trying to persuade my managers to commit fresh capital to earn big returns in Europe, but it will be difficult to convince them with all the growth going on over there," he said of the Far East. **BI**

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GLOBAL FOCUS

Global Focus will appear for the first time as a regular section in 1994. Published quarterly, this section will be distributed exclusively to non-U.S. subscribers.

PUBLISHING DATES AD CLOSING DATES

February 14..... February 2

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Top executives must tackle technology

Information systems decisions are linked to strategy: Experts

By LOUISE KERTESZ

Top insurance company executives must become comfortable with emerging information technologies, because decisions about which new technologies to invest in are "too important to be delegated."

That theme—sounded by keynote speaker Joseph W. "Jay" Brown Jr., chairman, president and chief executive officer of Talegen Holdings Inc.—was taken up by several speakers at the sixth annual National Insurance Symposium Leadership Conference in San Francisco, sponsored by Russell Miller Inc. earlier this month.

Information technology, traditionally viewed as the automation of tasks at the bottom of the organization, must now be integrated into a company's strategic thinking and become a catalyst for change, symposium speakers emphasized.

"I'm not talking about bits and bytes and network protocols. I'm talking in strategic terms, about how you can use information technology to be a big winner," said Mark B. Hoffman, chairman, CEO and president of Sybase Inc., an Emeryville, Calif., software developer.

"I'm talking about the...basic questions that only the CEO or the executive team can answer," Mr.

Hoffman emphasized. "When we think of information technology in these strategic terms, the implications are clear. We need to lay the groundwork now for communications needs we may not even have thought of yet," he said.

For insurers to remain competitive, technology must be used to "enhance" the decision-making capabilities of senior management, agreed Mr. Brown.

Yet, in a survey of the more than 135 industry executives at the meeting, most indicated their companies did not use technology as effectively as they could. Thirty-nine people participated in the informal survey.

"When asked about the information superhighway, more than 40% of the survey respondents said their companies are only 'in the slow lane, picking up speed,'" said Frederick E. Dofpel, president of Russell Miller.

"Another third concluded they are either 'looking for an on ramp' or 'stalled at the curb, awaiting divine intervention,' while 10% said they are 'on the highway but can't find the information,'" Mr. Dofpel said.

The insurance industry has failed to take advantage of information technology because, among other things, it placed too much emphasis on data rather than on executives' knowledge, ac-

ording to Mr. Brown.

But at an "entrepreneurial" company like Talegen—a pared-down organization that resulted from the restructuring of Crum & Forster Inc. into 10 stand-alone insurance groups and service companies—technology has to better serve the individual executive, he said.

Talegen has made a significant investment in technology that allows wide information-sharing,

because one never knows who "will come up with the insight" that will give the company a competitive edge.

Until recently, computers have not been "bright enough" to assist executives with strategic thinking, pointed out Charles S. Smith, president and CEO of Memex Inc., which designs computer systems.

But that has changed. "We are no longer talking to computers only in bits and bytes... Memex and others are teaching computers to speak insurance."

One speaker cautioned that the job of selecting the best technology for an insurance company is formidable.

"There's so much to know, you can't hire enough experts to get it right," said David Black, founder of Mentis Research in Ridgewood, N.J., an information technology consulting firm. "Just measure how thick all the manuals are."

Yet, Mr. Black said, "You can understand enough about information technology to make sure the right thing happens for your company."

And doing it right will put an insurer way ahead of the game, he said.

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Market consolidation a reinsurance trend

Executive cites Lloyd's woes as the cause

By SARA MARLEY

The "collapse of Lloyd's of London" is fueling consolidation in the worldwide reinsurance industry, a U.S. reinsurance executive says.

"Lloyd's of London used to be willing to write retrocession for reinsurance companies," said Kaj Ahlmann, chairman, president and chief executive officer of Overland Park, Kan.-based Employers Reinsurance Corp.

"The collapse of Lloyd's—and I think that's the only appropriate way to refer to it—means that can no longer happen. The reinsurance companies are now net underwriters of their business. Small companies can no longer buy retrocession and they are basically out of business."

Mr. Ahlmann, who took over as Employers Re CEO in September 1993, addressed the Conference of Casualty Insurance Cos.' Commercial Lines Underwriting Seminar earlier this month.

At \$12 billion to \$20 billion in total underwriting capacity, Lloyd's is equaled in size by U.S. and European reinsurers. And the market's historic role is changing, Mr. Ahlmann pointed out.

Lloyd's three-year underwriting cycle means that syndicates are underwriting now based on 1991 experience.

"That's a fantastic example of how you shouldn't do your business in the insurance world," Mr. Ahlmann said. "Good underwriters not

only look at what happened yesterday, but they also have the imagination to look ahead and see what will hit next."

Therefore, a statement by Lloyd's Chairman David Rowland that Lloyd's is not in the business of forecasting "is mind-boggling" and indicates the market "is not facing reality yet," Mr. Ahlmann said. "That's why I believe we have seen the end of what used to be Lloyd's. In the years to come, Lloyd's will change into a group of four or five or six big insurance or reinsurance agencies."

Lloyd's is not in the business of forecasting "due to the highly fragmented nature of the Lloyd's market," a market spokesman said. "Each syndicate year is a separate entity, a one-year joint venture."

Three-year accounting is necessary to allow a pattern of claims to develop and prevent denying the original investors any profit or assigning additional losses to the reinsurers.

Lloyd's is studying shorter-term accounting for certain lines of business—such as automobile physical damage or aviation hull—as part of its business plan, the spokesman said.

Also being examined is whether Lloyd's could begin forecasting through uniform reserving and reporting by syndicates, which is being encouraged by Lloyd's stronger central management.

Strapped with billions of dollars in losses, Lloyd's unveiled its first-ever business plan last April in an effort to strengthen its position (BI, May 3, 1993). NewCo, a reinsurer pro-

posed by Lloyd's to run off members' liabilities from pre-1986 underwriting years, is still not capitalized (BI, Feb. 14).

"I think it's a bit of long shot," Mr. Ahlmann said. "There is no new money in the system. You must understand the player that used to be so heavily involved in the U.S. market and (the European) market is basically on its knees and out of business and unable to absorb the amount of liability they used to be able to absorb."



Mr. Ahlmann

Some U.S. insurers are turning to Lloyd's of London to reinsure their environmental risks, but "given the present state of Lloyd's of London, I'm not sure that's the best place to put your bets right now," he said.

Other reinsurance markets, including the United States, Germany and Scandinavia, are also shrinking dramatically.

Years ago, Scandinavia had many active players, while now it only has

three.

Almost every major primary insurer in Germany used to have a stake in a reinsurance operation, but they are divesting from those.

"Two or three years from now, there will probably be 10 major reinsurance players left among the existing players," Mr. Ahlmann said.

The consolidation, coupled with new capital, will create "fierce competition amongst the remaining companies."

That is good news for those who buy reinsurance, he noted.

"If we think we can live in a world without competition, I believe we are naive," Mr. Ahlmann said.

Globalization in all sectors of the economy is a major cause for the consolidation.

"Risks we will have to assume in the future in the reinsurance business are so big and of such a global nature, that unless you are a big player you can't afford to do that," he said.

Other factors, such as falling interest rates worldwide, are also putting pressure on underwriters.

For example, a drop in the U.S. interest rates from 6% to 5.5% in 1994 would mean \$2.5 billion less in in-

vestment income to property/casualty insurers, or 1% of operating costs, he said.

"You have to earn that," Mr. Ahlmann told the underwriters. "The executive office can't get it from the investment community any longer, so they have to turn to the underwriters to get a better deal on day-to-day underwriting."

Insurers also will turn to their underwriters to make up for a reserve deficiency estimated to be \$47 billion, or 26% of total property/casualty surplus. The deficit lies particularly in long-tail casualty risks like workers compensation and professional liability, he added.

Combined ratios have improved in nearly every line of business in the United States, but they are still far from acceptable, Mr. Ahlmann said. For example, the commercial lines combined ratio for U.S. primary insurers improved to 112.6% in 1993 from 118.8%, according to A.M. Best Co.

And, 1993 disproved those who believe the insurance industry is profitable when there are no catastrophes.

"There were no major catastrophes during 1993 and (the insurance industry) did not have a good year," Mr. Ahlmann said. "There isn't room for big catastrophes in the premium rates we are seeing now." **BI**

Proposal would encourage investments in new insurers

Connecticut's Legislature is considering a bill that would grant tax credits to encourage investment in new Connecticut-based specialty insurers.

The bill, introduced recently in the state Senate during this session, would authorize the creation of insurance venture capital funds dubbed Connecticut Insurance Reinvestment Funds.

To qualify for tax credits, each fund would be required to raise at least \$30 million from a minimum of three investors and be operated by a fund manager licensed in the state.

The funds would also be required to invest in insurance and insurance-related companies that have home offices in Connecticut, employ at least 25% of their workforce there and promise to maintain their presence in the state for at least 10 years.

Investors in qualified funds would be entitled to credits against the state premium tax, corporation tax or income tax.

The credits, which would apply in the third taxable year after the investment is made, would equal 10% of the investment in the first four years and 20% of the investment in the three years after that.

The credits stop after 10 years, provided there is no loss on the original investment.

The reinvestment fund concept was developed by Avon, Conn.-based investment firm Northington Partners Inc., which brought the idea to state lawmakers, confirmed Thomas Leonardi, North-

ington's president and chief executive.

The goal of the bill is to reverse the erosion of Connecticut's insurance industry, which has shed 30,000 jobs through insurance company cutbacks since 1980. The state has lost 80,400 related jobs because of insurer restructurings, the bill's backers say.

Every \$100 million raised by the new funds would create 11,416 new jobs over 10 years, including 2,942 direct insurance jobs and 8,474 related jobs, backers estimate.

That same investment would generate an estimated \$654 million in new tax revenues over 10 years. This projection includes direct state taxes on the new insurers and income and sales taxes from the 11,416 employees; it assumes a 15% rate of return on the investment.

The bill would aim at fostering new specialty insurance and insurance-related companies with defined market niches, rather than new multiline insurers, Mr. Leonardi said.

Northington itself hopes to raise between \$100 million and \$200 million for such a fund if the bill becomes law. It has discussed the idea with 30 or 40 potential investors, he said.

Northington currently manages a \$12 million investment fund whose partners include Allstate Insurance Co., American Bankers Insurance Group, American International Group Inc., Aon Corp., Crum & Forster Corp. and The St. Paul Cos. Inc.

—By Douglas McLeod

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Continued from previous page
site training*, telephone assistance 24
hours per day*.

* Included in system price.

Staff: 18 total, 14 professionals.

Clients: 85 total. Sold systems to 12 cli-
ents in 1993.

Officers: Faisal Saleh, president; Steven
Froebel, vp.

Contact: Faisal Saleh.

BLAZE SSI Corp.

P.O. Box 333, Brielle, N.J. 08730;
908-223-5575; fax: 908-223-6683

Benefit systems since: 1980.

Software products:

■ Benefits Administration System.

Price: \$20,000.

System requirements: IBM compatible
PC, 8MB RAM; single user and LAN
versions. Operates in MS-DOS 6.2.

Customization optional.

First Installation: 1993.

Benefits managed: Profit sharing, life in-
surance, retirement/pensions.

Features: Handles contribution, loan and
pension history and maintenance. Per-
forms automatic calculation of contri-
bution/loan repayments. Contains loan
application feature with payment
schedule. Includes 1099 reporting and
on-line help documentation. Optional
modules include employee retirement
plan distribution counseling, actuarial
functions, forms preparation, data
transfer and non-discrimination test-
ing.

■ EBP Valuation System.

Price: \$12,000.

System requirements: IBM compatible
PC, 4MB RAM; single user and LAN
versions. Operates in MS-DOS 3.3 or
higher.

Customization optional.

First Installation: 1980.

Benefits managed: 401(k) plans, profit
sharing, life insurance, retirement/pen-
sions, Social Security benefits, defined
benefit plans.

Features: Provides enrollment forms, eli-
gibility verification, contribution calcu-
lation and allocation (including
match), cost of benefits and actuarial
calculations, dated transactions, time-
weighted earnings allocations and
fixed format/ad hoc report generation.
Reports illustrate benefit levels (cur-
rent and at retirement), account bal-
ances and vesting percentages (plan or
participant level). Optional on-site
kiosk system, employee retirement
plan distribution counseling, forms
preparation, data transfer, non-dis-
crimination testing, benefits adminis-
tration and actuarial functions.

■ GovFORMS.

Price: \$500.

System requirements: IBM compatible
PC, 4MB RAM. Operates in DOS ver-
sion 3.3 or higher.

Customization optional.

First Installation: 1985.

Features: Generates multiple govern-
ment forms along with associated
schedules and summary annual re-
ports. Prints blank or completed forms
for current and prior year. Data can
be electronically imported from nu-
merous systems. Forms generated in-
clude: IRS 5500; C/R; EZ; schedules A,
B, C, F, P and SSA; form 5558; PBGC
Form 1, 1-ES, Form 1, schedule A;
summary annual reports for 5500 and
5500 C/R; ERISA edit test; IRS 5300,
5307, 8717, 5310, 6088, 1099R and
1096. Can interface with DISTRIBU-
TION PLANNER System modules.

■ IRC 401(k) Enrollment System.

Price: \$250.

System requirements: IBM compatible
PC, 4MB RAM. Operates in MS-DOS
3.3 or higher.

Customization optional.

First Installation: 1990.

Benefits managed: 401(k) plans.

Features: Develops IRC 401(k) illu-
strations for specific employees. Performs
enrollment functions. Supports em-
ployee deferral, employer match and
profit sharing. Automatically checks
IRC 415 and 401(k) deferral limita-
tions. Generates client reports, tax
savings illustrations and account pro-
jections. Compares plan advantages
for different deferrals. Communicates
with employees through computer
kiosks. Optional modules include em-
ployee retirement plan distribution
counseling, actuarial functions, forms
preparation, data transfer, non-dis-
crimination testing and benefits ad-
ministration.

■ Regulatory Testing System.

System requirements: IBM compatible
PC, 4MB RAM; single user and LAN
versions. Operates in DOS 3.0 or
higher.

Customization optional.

First Installation: 1990.

Benefits managed: 401(k) plans, retire-
ment/pensions.

Features: Performs IRS non-discrimina-
tion, qualification, participation and
coverage tests. Determines highly-
compensated status. Automatically
corrects failed tests. Allows for elec-
tronic or manual data input. Gener-
ates comprehensive formatted reports.
Optional modules include employee
retirement plan distribution counsel-
ing, actuarial functions, forms prepa-
ration, data transfer, valuation and
administration of qualified plans and
benefits administration.

User support: User groups/meetings*;
onsite training; telephone assistance
eight hours per day*; user assistance via
mail, fax and modem*.

* Included in system price.

Staff: 20 total, 10 professionals.

Officers: Janice Vittes, president/CEO;
Joseph Blaze, executive vp-technical
services; Elizabeth Mastro, executive vp-op-
erations; James Carlson, vp-technical
services; Gordon Megibow, chief actu-
ary.

Contact: Carol Malone.

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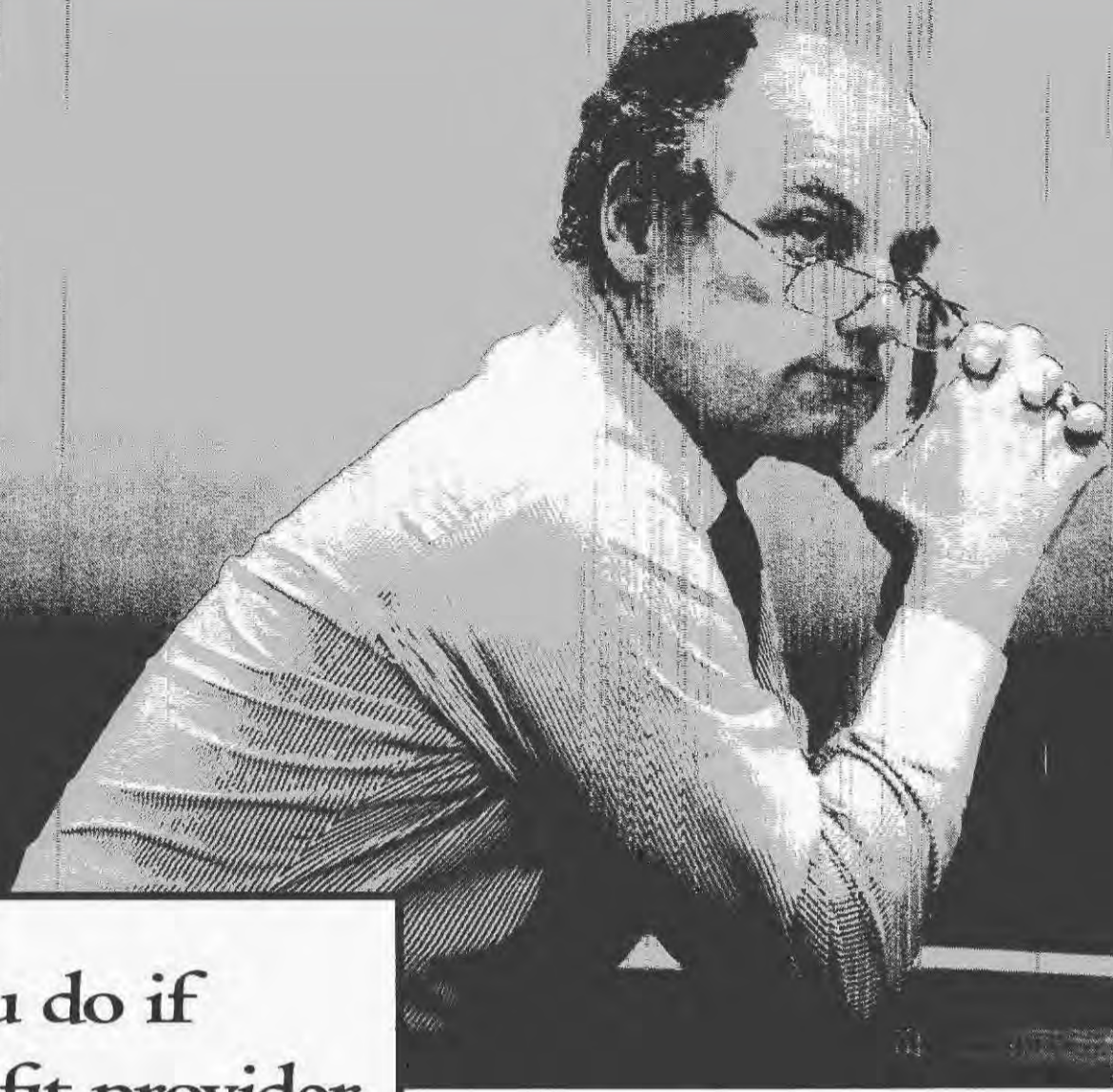
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Continued from page 27

Buck Consultants Inc.

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

Benefit systems since: 1970.

Software products:

■ BASIS.

System requirements: IBM compatible 386 PC, 4MB RAM; single user and LAN versions. Operates in DOS or Windows.

Customized system.

First Installation: 1993.

Total Installations: Six.

Benefits managed: 401(k) plans, leave of absence, profit sharing.

Features: Perform recordkeeping tasks required to administer defined contribution plans. Includes on-line access to data, valuation processing of plan, report capabilities. Communications to employees are included and can be expanded through optional modules. Report Writer module is also available.

■ Buck ACTIVAL.

System requirements: IBM compatible PC, 8MB RAM; single user and mainframe versions. Operates in Windows.

Customization optional.

First Installation: 1970.

Total Installations: Four, all in employee benefit departments.

Features: Actuarial valuations of pensions and post-employment benefits, cashflow projections, gain/loss analysis, plan mergers and spinoffs. Interfaces with Buck IDP system which is used to manage, update, perform distributions and generate reports from employee data.

■ Buck BENCAL PC.

System requirements: IBM compatible PC, 1MB RAM. Operates in DOS and Windows.

Customized system.

First Installation: 1986.

Total Installations: 70; 60 in employee benefit departments.

Benefits managed: Leave of absence, life insurance, retirement/pensions, social security benefits, post-retirement medical and life insurance.

Features: Maintains participant data, allows data editing and reporting, assists in pre-retirement counseling, prepares employee benefit statements, generates management reports. Communicates plan benefits, eligibility and Social Security benefits; performs what-if scenarios and counseling to employees via terminals or phone. Optional participant service center assistance and interface with payroll and/or human resource systems available.

■ Buck-Benefit Information Management System.

System requirements: IBM compatible PC, 8MB RAM; single user, LAN and AS/400 versions. Operates in OS/2 on PC version.

Customization optional.

First Installation: 1988.

Total Installations: 30, all in employee benefit departments.

Benefits managed: Flexible benefits, COBRA, group health plans, basic and optional life insurance, dependent care flexible spending account, dependent life insurance, group universal life, vacation, flexible credits, health care flexible spending accounts.

Features: Enrollment, eligibility for flex plans, calculations of credits, flexible spending account administration, payroll and insurance interfaces, discrimination testing, ad hoc reporting and data analysis. Accommodates multiple benefit options and variations by division/operating company. Provides enrollment forms and election confirmation statements. Optional benefit statement and telephone access features available.

■ Recordkeeping Plus.

System requirements: IBM compatible PC, 256K RAM. Operates in DOS or Windows.

Customized system.

First Installation: 1987.

Total Installations: 34; 27 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions.

Features: On-line system to administer all types of defined contribution and defined benefit plans. Includes on-line data entry and modification of account balances, loan balances, loan requests, investment elections, distributions and withdrawals. Assists in pre-retirement and financial planning, generates management reports and

participant statements, performs balance projections and what-if calculations. Communicates with employees via terminal, voice response system or service center. Optional Windows-based Graphical User Interface available. Interacts with BITS (Buck Inquiry & Transaction System) which allows users to request transaction processing, serves as a payroll system interface and streamlines the transfer of benefit data between systems.

■ WorldBase.

Price: \$900 per country.

System requirements: IBM compatible PC, 600K RAM, 10MB hard drive space. Operates in DOS.

Customization optional.

First Installation: 1993.

Total Installations: 10, all in employee benefit departments.

Features: Assists in design and costing of worldwide benefit plans. Compares plan design details, replacement ratios and underlying costs of all benefit plans, both within a corporation and against a survey data base. Allows what-if modeling of plan design changes. Options include the ability to project and compare different participant plan costs based on workforce profile.

User support: Telephone assistance, project/implementation support.

Staff: 1,300 total, 1,040 professionals.

1993 revenues: \$166 million total.

Officers: William E. Giegerich, president/CEO; Joseph A. LoCicero, secretary.

Contact: Carolee P. Martin, 201-902-2555.

William Byrne & Associates

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

Benefit systems since: 1987.

Software products:

■ Health Claims System.

Price: \$5,600-\$18,500.

System requirements: IBM compatible PC, 1MB RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 18; eight in employee benefit departments.

Benefits managed: Group health plans.

Features: Processing and payment of medical, dental and disability claims. Produces explanation of benefits after each claim paid.

User support: Onsite training, telephone assistance eight hours per day.

Staff: 35 total, 32 professionals.

Clients: 18 total, including eight benefit departments. Sold systems to two clients in 1993.

1993 revenues: \$2.5 million total. \$60,000 from employee benefit information systems sales and services, 10% from hardware sales, 80% from software sales, 10% from software services.

Officers: Bill Byrne, president; Mark Cutler, Bob Cook, vps; Don Hohe, treasurer.

Contact: Mark Cutler.

C**California Interactive Computing Inc.**

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

Benefit systems since: 1979.

Software products:

■ GENMED.

Price: \$40,000.

System requirements: IBM compatible PC, 4MB RAM. Operates on UNIX workstations.

Customization optional.

First Installation: 1979.

Total Installations: 15; eight in employee benefit departments.

Benefits managed: Workers comp, COBRA, group health plans.

Features: Provides enrollment; eligibility verification for health, dental and vision plans; hospital precertification; claims management; utilization review; edits medical coding, unbundling and rebundling; notes and diary features for medical case management. Tracks specific and aggregate reinsurance liability; provider contract and PPO management; allows ad hoc data analysis for cost management; COB and outcomes analysis; handles billings; COBRA administration; document, data and text imaging.

User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*.

* Included in system price.

Officers: Jerry Buckley, president; Ralph Flygare, Eric Hoffberg, vps; Nora Kenner, assistant vp.

Contact: Jerry Buckley.

Cantor & Co.

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

Benefit systems since: 1982.

Software products:

■ MQMS Plus, Riskmap.

Price: \$12,500 single user; \$19,500 network; \$4,495 option package.

System requirements: IBM compatible PC; single user and LAN versions. Operates in DOS.

First Installation: 1983.

Total Installations: 200.

Benefits managed: Workers comp, disability, leave of absence, group health plans.

Features: Full tracking and analysis of any type of benefit; customizable screens, fields and forms; ad hoc custom reports library; matrix reports; period-to-period comparison reports with variance analysis; integrated graphics are compatible with numerous application programs; custom reporting and trending. Optional modules include include Riskmap Loss Development, Riskmap Risk Financing, Riskmap Loss Forecasting. Options are available individually or as a package.

User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*, on-line modem support*.

* Included in system price.

Staff: Six total, five professionals.

1993 revenues: Employee benefit information systems: 5% from hardware sales, 70% from software sales, 25% from software services.

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

Contact: Alan B. Cantor.

Cascade Technologies Inc.

1430 Broadway, New York, N.Y. 10018; 212-768-7380; fax: 212-768-7806

Benefit systems since: 1985.

Software products:

■ Professional Capital Accumulation System (ProCAS).

System requirements: IBM compatible PC, 540K RAM. Operates in DOS or OS/2.

Customization optional.

First Installation: 1985.

Total Installations: 252; 10 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing.

Features: Defined contribution recordkeeping system; includes plan setup; data conversion; standard and ad hoc reports and statements; transaction generation for contributions, withdrawals and loans; and compliance testing. Maintains demographic and financial information required by the IRS. Optional modules include CAS Voice, an interactive voice response system; CARS, a reporting system; and CATS, a transaction system.

User support: Onsite training*, telephone assistance eight hours per day*, 24 hour bulletin board service.

* Included in system price with initial licensing agreement and one year maintenance.

Staff: 19 total, 16 professionals.

Clients: 252 total, including 10 benefit departments. Sold systems to 24 clients in 1993.

1993 revenues: \$1.7 million total. \$1 million from employee benefit information systems sales and services, 10% from hardware sales, 59% from software sales, 31% from software services.

Officers: Vigdis Austad, president; Frank Joicy, vp-technology; Michael F. George, vp-marketing/new product development; Liz Seiter, vp-client services.

Contact: Colleen Lew.

Ceridian Employer Services

8100 34th Ave. S., Minneapolis, Minn. 55425; 800-729-7655

Benefit systems since: 1932.

Parent: Ceridian Corp.

Software products:

■ HR/PR Ensemble Information Management System.

System requirements: IBM compatible PC, 560K RAM; single user version. Operates in DOS.

Customization optional.

First Installation: 1994.

Total Installations: 25.

Benefits managed: Flexible benefits, COBRA, retirement/pensions, stock options, 401(k) optional.

Features: Tracks benefit information, monitors government compliance (ADA, COBRA, EEO, Vets 100 and OSHA). Includes Graphical User Interface, ability to upload and download data, date sensitive, on-line help documentation and security, customizable screens, over 120 standard reports, ad hoc reporting capabilities, table driven. Optional module for 401(k) plans. Flexible benefits available in fall of 1994.

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

Staff: 3,000 total, 2,800 professionals.

Clients: 23,000 total.

Officers: Patrick Sommers, president; George Klowser, vp-sales; Tanna Moore, vp-marketing; Ken Weber, vp-technology.

Contact: Genny Moelling, 612-853-7138.

ClaimsWare Inc.

P.O. Box 6125, Greenville, S.C. 29606; 803-234-8200; fax: 803-234-8202

Benefit systems since: 1987.

Software products:

■ ClaimsWare.

Price: \$25,000-\$60,000.

System requirements: IBM compatible PC, 1MB RAM; single user and LAN versions. Operates in DOS or Windows.

Customization optional.

First Installation: 1987.

Benefits managed: Flexible benefits, disability, COBRA, group health plans.

Features: Manages health plans and claims administration. Functions include enrollment, eligibility verification, precertification, utilization review, tracking reinsurance liability, discrimination testing, ad hoc data analysis and reports. Options include reasonable and customary data, claims unbundling, brand and generic database for drugs, laser check writing.

User support: Onsite training*, telephone assistance 14 hours per day*.

* Included in system price.

Staff: 12 professionals.

Clients: 44 total. Sold systems to four clients in 1993.

Officers: Ron Ross, president; G. Lee Barnett, vp; Charles O. McKeown, Angela S. Platt, vps.

Computer Associates International Inc.

1 Computer Associates Plaza, Islandia, N.Y. 11788; 800-225-5224; fax: 516-342-5329

Benefit systems since: 1976.

Software products:

■ CA-Classic/Open: Payroll/Personnel Benefits.

System requirements: UNIX server and terminals. Operates in UNIX.

Customization optional.

First Installation: 1978.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions.

Features: Helps employers cap benefit package costs while allowing employers to tailor benefits and reduce taxes. Functions include government compliance; applicant tracking; payroll calculation, reporting and taxing requirements for the U.S. and Canada.

■ CA-HRISMA.

System requirements: IBM compatible PC, 4MB RAM; single user, LAN and mainframe versions. Operates in DOS, Windows, OS/2, MVS or client server.

Customization optional.

First Installation: 1993.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions.

Features: Integrated payroll, personnel and benefits management; includes flexible compensation, defined contributions, paid time-off; utilizes icon-driven Graphical User Interfaces. Optional visual access tools to HRMS database.

■ CA-HRS: Payroll/Personnel.

System requirements: Mainframe. Operates in MVS, VSE or VM.

Customization optional.

First Installation: 1985.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group

health plans, profit sharing, life insurance, retirement/pensions.

Features: Handles administration of payroll, personnel, flexible compensation, benefits and COBRA. Optional visual access to HRMS data base.

User support: User groups/meetings, onsite training, telephone assistance 24 hours per day, bulletin board and electronic mail system*.

* Included in system price.

Staff: 7,200 total.

1993 revenues: \$2.055 billion total.

Officers: Charles B. Wang, chairman/CEO; Russel Martet, executive vp-research/development; Arnold S. Mazur, executive vp-sales; Peter A. Schwartz, senior vp/CFO; Sanjay Kamar, president.

Contact: Chris Andrews.

Computer Workware Inc.

5409 Eglinton Ave. W., Suite 108, Etobicoke, Ontario, Canada M4W 3M4; 416-620-1704; fax: 416-620-5692

Benefit systems since: 1984.

Software products:

■ FAST.

Price: Starts at \$35,000.

System requirements: IBM compatible PC, 500K RAM; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customization optional.

First Installation: 1984.

Total Installations: 1,500; 1,300 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, workers comp, leave of absence, COBRA, group health plans, life insurance, retirement/pensions.

Features: Management of enrollment, eligibility verification, precertification, reinsurance liability tracking, accounting functions, discrimination testing, ad hoc data analysis and reporting for traditional and flexible benefit programs. Options include a full-trust accounting module.

User support: Onsite training, telephone assistance eight hours per day.

Staff: 10 total, five professionals.

Clients: 1,500 total, including 1,300 benefit departments. Sold systems to 300 clients in 1993.

1993 revenues: \$1.9 million total, all from employee benefit information systems sales and services, 90% from software sales, 10% from software services.

Officers: Edward G. Robinson, president; Keith Formosa-Blundell, vp.

Contact: Keith Formosa-Blundell.

Coopers & Lybrand

1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-2147; fax: 212-536-2163

Benefit systems since: 1961.

Software products:

■ Benefactor.

System requirements: IBM compatible PC; single user, LAN and mainframe versions. Operates in DOS, Windows or UNIX.

Customized system.

First Installation: 1980.

Benefits managed: 401(k) plans, retirement/pensions, Social Security benefits.

Features: Integrated benefits administration system; supports personal information, accounting and reporting needs; includes defined contribution plan set-up/allocation; defined benefit plan valuation and non-discrimination testing. Accommodates large volumes of data. Accessible to multiple users via dial-in lines. Optional interactive voice response for general and personal information and transaction modeling.

■ CompStrategist.

System requirements: IBM compatible PC; single user, LAN and mainframe versions. Operates in DOS or Windows.

Customized system.

First Installation: 1989.

Benefits managed: Compensation.

Features: Planning/recordkeeping system manages value-added compensation strategies. Configures, reports, interprets and forecasts compensation information. Assists in strategy planning and adjusting.

■ FlexPort.

System requirements: IBM compatible PC; single user and LAN versions. Operates in DOS or Windows.

Customized system.

First Installation: 1986.

Benefits managed: Flexible benefits.

Features: Performs administrative, analysis and employee communication functions for flexible benefit plans. Interactive enrollments, recordkeeping,

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report generation, benefit statements and vendor reporting capabilities. Accommodates complex plan designs and utilizes unique calculation sets and employee data elements.

■ **Integrated Benefits Administration (IBA).**

System requirements: IBM compatible PC; single user, LAN and mainframe. Operates in DOS, Windows or UNIX.

Customized system.

First Installation: 1993.

Benefits managed: 401(k) plans, flexible benefits, group health plans, retirement/pensions, Social Security benefits.

Features: Human resource and benefits application system. Integrates human resource, payroll, health and welfare, pension, compliance, voice response and related benefits applications into single relational data base utilizing client/server technology.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.

* Included in system price.

Staff: 1,765 total, 1,450 professionals.

1993 revenues: \$237 million total.

Contact: Derek Romanoux, sales/marketing manager.

Corbel & Co.

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

Benefit systems since: 1979.

Parent: Broadway & Seymour.

Software products:

■ **Quantech.**

System requirements: IBM compatible PC, 8MB RAM. Operates in Windows 3.1.

Customization optional.

First Installation: 1994.

Total Installations: 300, all in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions.

Features: Performs daily valuations, traditional plan administration, electronic import/export of daily investment values from satellite link, user defined report building, data entry and electronic transaction routines, cross-planning queries based on point and click criteria, flexible editing of standard reports. Optional features include government forms, trust accounting, proposals, voice response system, participant loan functions, investment data downloads, investment quotes and transaction downloads.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.

* Included in system price.

Clients: 1,000 total.

1993 revenues: \$90 million total.

Officers: Bill Neal, chairman/CEO; Duncan McPherson, president; Cynthia L. Prouty, CFO; Jim Thompson, vp-office automation.

Contact: Joseph Leo, 800-326-7235.

Corporate Health Promotion Inc.

4330 E. Tradewinds Ave., Fort Lauderdale, Fla. 33308; 305-491-6446 or 800-572-9355; fax: 305-491-6447

Benefit systems since: 1994.

Software products:

■ **WELLCAST R.O.I.**

Price: \$895 per module.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS or Windows.

Customization optional.

First Installation: 1993.

Total Installations: 10; four in employee benefit departments.

Benefits managed: Group health plans, wellness, EAPs, occupational health.

Features: Forecasts medical, economic and financial cost savings along with the rate of return from wellness, EAP, occupational health and pharmaceutical programs. Includes quarterly updates for 51 occupations, 140 geographic regions and 64 industries. Assists in budgeting and planning retirement health care costs, patient/employee education and productivity losses.

User support: Onsite training*, telephone assistance eight hours per day*.

* Included in system price.

Contact: Hank Kearney, president.

Corporate Health Strategies Inc.

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

Benefit systems since: 1981.

Parent: MetLife Insurance Co.

Software products:

■ **Parallax.**

Price: \$50,000-\$150,000.

System requirements: IBM compatible PC, 8MB RAM. Operates in Windows.

Customization optional.

First Installation: 1985.

Total Installations: 75.

Benefits managed: Workers comp, disability, leave of absence, group health plans, EAP, wellness programs, prescription drug benefits, mental health.

Features: Support for analyzing benefit plan design issues related to health care cost, quality and access. Includes electronic mail, ad hoc and standard reports relating to managed care, financial objectives, workers comp and provider reporting. Options include benefits simulation modeling using claims repayment methodology for indemnity, network and HMO plans.

User support: User groups/meetings; onsite training*; telephone assistance 10 hours per day*; analytic and consulting assistance for outsourcing of data analysis, report generation and interpretation.

* Included in system price.

Staff: 66 total.

Clients: 32 total. Sold systems to 22 clients in 1993.

Officers: Donald A. Foscatto, president/CEO; John Brillante, vp-product development; Cary Gutbezah, vp-medical officer.

Contact: John Brillante.

Corporate Systems Ltd.

Corporate Systems Center, 1200 Ross St., Amarillo, Texas 79102-4410; 806-376-4223; fax: 806-376-4077

Benefit systems since: 1967.

Software products:

■ **CS Online.**

Price: Starts at \$30,000.

System requirements: AS/400 mainframe.

Customization optional.

First Installation: 1967.

Total Installations: 1,215.

Benefits managed: Workers comp, disability, leave of absence.

Features: Automated accident, injury and illness reporting through a toll-free phone number; claims management; medical cost management; ad hoc reporting; graphics writer (through CS Knowledge); disability duration monitoring/control.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.

* Included in system price.

Staff: 402 total, 305 professionals.

Clients: 1,215 total. Sold systems to 34 clients in 1993.

1993 revenues: \$33.4 million total. \$15.3 million from employee benefit information systems sales and services, 1% from hardware sales, 10% from software sales, 89% from software services.

Officers: Johnny Mize, president/CEO; Mike Unruh, CFO; Scott Gilmour, vp-sales/marketing; John Champlin, vp-client services; Bob Holeman, vp-technological development.

Contact: Cindy Morrison, Dave Duden or Scott Gilmour.

D

DORN Technology Group Inc.

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

Software products:

■ **RISKMASTER CM/9000.**

Price: \$15,000-\$30,000.

System requirements: IBM compatible PC, 640K RAM; single user, LAN and mainframe versions. Operates in DOS, Windows, OS/2, UNIX or RS6000.

Customization optional.

First Installation: 1982.

Total Installations: 750; 150 in employee benefit departments.

Benefits managed: Workers comp.

Features: Claims management, utilization review, medical coding/unbundling, medical case management, reinsurance liability tracking, disability duration monitoring/control, user defined ad hoc data analysis and report generation, image management. Communicates benefits to employees via terminal and reports.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.

* Included in system price.

Staff: 43 total, 38 professionals.

Clients: 20 total.

Officers: Mark Dorn, president.

E

EBG & Associates Inc.

68 E. Wacker Place, 9th Floor, Chicago, Ill. 60601; 312-580-2250; fax: 312-580-2252

Benefit systems since: 1978.

Software products:

■ **BenCaster.**

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1991.

Total Installations: Two, both in employee benefit departments.

Benefits managed: Retirement/pensions, social security benefits.

Features: Calculates pension payout figures, vesting, annual accrued benefits, lump sum amounts and monthly benefits. Performs what-if scenarios, imports data and generates benefit statements and reports.

■ **DocuMaker.**

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1989.

Total Installations: 71.

Features: Generates IRS-approved pension/profit sharing plan documents; produces adoption agreements, SPDs, Form 530C Series, management reports and required notifications.

■ **PensionMaker 1099-R.**

Price: \$395.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1984.

Total Installations: 264; 42 in employee benefit departments.

Features: Generates 1099-R and 1096 statements. Offers data rollover from year-to-year. Performs necessary calculations for plan distributions and reporting of PS58 costs. Offers numerous printing options. Electronic media filing module available.

■ **PensionMaker 401(a)(4).**

Price: \$995.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1993.

Total Installations: Two.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions.

Features: Assists in complying with coverage rules and non-discrimination requirements of Section 401(a)(4). Provides cross testing, automatic rate group restructuring, imputed disparity, unlimited aggregation of plans, summary reports describing test results.

■ **PensionMaker Age Weighted Plus.**

Price: \$995.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1992.

Total Installations: 92.

Benefits managed: Profit sharing, retirement/pensions.

Features: A proposal and allocation system for age-weighted profit sharing and new comparability. Includes report generation, top-heavy and 401(a)(4) testing, imputed disparity, data import and export, mouse compatibility.

■ **PensionMaker DB.**

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1979.

Total Installations: 147.

Benefits managed: Life insurance, retirement/pensions, social security benefits.

Features: Provides proposals and valuations for defined benefit plans. Handles major benefit formulas and actuarial cost methods. Offers "best salary" routine, implicit assumptions, compliance testing, FAS 87 compliance and generates reports and benefit statements. Options include customized reporting and data import functions to download data from other benefit systems.

■ **PensionMaker DB-XTRA.**

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1986.

Total Installations: 27.

Benefits managed: Life insurance, retirement/pensions, Social Security benefits.

Features: Multi-decrement valuation system for large defined benefit plans. Calculates costs of ancillary benefits; handles multiple benefit formulas; provides compliance testing; satisfies FAS 87 explicit reporting; and generates a variety of reports, worksheets and benefit statements. Options include customized reporting and data import functions to download data from other benefit systems.

■ **PensionMaker DC.**

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1979.

Total Installations: 250; one in an employee benefit department.

Benefits managed: Profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Administers profit sharing, money purchase, target benefit and thrift plans. Handles all major contribution formulas. Offers "best salary" feature, compliance testing, annual valuations, time-weighted contributions and report and benefit statement generation. Options include customized reporting and data import functions to download data from other benefit systems.

■ **PensionMaker DC-100.**

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1984.

Total Installations: 434; 48 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Offers time-weighted contributions, loan maintenance, share accounting, compliance testing, automatic downloading from payroll, benefit statements and enrollment forms. Options include customized reporting and data import functions to download data from other benefit systems.

■ **PensionTax.**

Price: \$695.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 176; 11 in employee benefit departments.

Features: Generates multiple forms, including the entire Form 5500 series, PBGC Form 1 and schedule A, the SAR and Form 5330. Retains data from previous years and provides numerous printing options. Electronic filing module available.

■ **TrAcc.**

Price: \$2,500.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1991.

Total Installations: 30; 10 in employee benefit departments.

Benefits managed: Profit sharing, retirement/pensions.

Features: Manages plan asset recordkeeping and reporting. Offers portfolio accounting and general ledger functions with counter balancing accounts and global securities pricing. Generates Form 5500 and 5500C financials and the SAR.

User support: User groups/meetings, onsite training, telephone assistance, quarterly PensionMaker Edge newsletter, PensionMaker BBS.

Staff: 350 total.

Officers: Emmanuel B. Garcia Jr., president; Dee Holt, executive vp; MaryJo Arthur, vp/actuary; Teresa Garcia, vp-administration; Emmanuel S. Garcia Sr., vp-controller.

Contact: Teresa M. Brennan.

Eldorado Computing Inc.

2880 E. Northern Ave., Phoenix, Ariz. 85028; 602-493-0288; fax: 602-867-7920

Benefit systems since: 1981.

Software products:

■ **Health Claims Management System.**

System requirements: IBM compatible or Macintosh PC; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customization optional.

First Installation: 1984.

Total Installations: 90; 27 in employee benefit departments.

Benefits managed: Flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans.

Features: Automated modular system to manage health care claims and related

services. Options include functions to manage claims billing and administration, electronic claims filing, claim repricing, PPOs, COBRA, Section 125 benefits, utilization review and ad hoc report generation.

User support: User groups/meetings, onsite training*, telephone assistance 12 hours per day*.

* Included in system price.

Staff: 42 total.

Officers: Zane Bell, president; Win Brayer, vp; Marc Files, vp-administration.

Contact: Catherine Simmers.

F

FDP (Financial Data Planning Corp.)

2140 S. Dixie Highway, Miami, Fla. 33133; 305-858-8200; fax: 305-854-6305

Benefit systems since: 1968.

Software products:

■ **Easy Forms 1099-R.**

Price: \$295-\$395.

System requirements: IBM compatible PC/XT/AT. Operates in DOS or Windows.

Customization optional.

First Installation: 1990.

Total Installations: 150; 10 in employee benefit departments.

Features: Automates preparation of 1099-R and related forms for dot matrix and laser printers; supports magnetic media and electronic filing.

■ **Easy Laser 3300/SAR Form.**

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gram; utilizes relational data base technology; provides printouts.

■ FDP/DAILY.

System requirements: IBM compatible PC/XT/AT. Operates in DOS.

Customization optional.

First Installation: 1993.

Total Installations: 15.

Features: Values 401(k) plans on daily or frequent basis; automatic links with major investment houses to download values; automated call-in feature, daily batch processing, unit accounting, allocation of expenses and dividends; provides printouts. Optional voice technology.

■ FDP/Distpack.

Price: \$795.

System requirements: IBM compatible PC/XT/AT. Operates in DOS.

Customization optional.

First Installation: 1988.

Total Installations: 50.

Benefits managed: Minimum distribution.

Features: Calculates minimum distribution amounts and relevant excise taxes on excess distributions under various scenarios; includes effects of federal/state income tax and estate tax calculations; provides printouts.

■ FDP/PARIS (Pension Accounting Recordkeeping & Investment System).

System requirements: IBM mainframe. Operates in IBM/MVS/SP, MVS/XA or MVS/ESA.

Customized system.

First Installation: 1989.

Total Installations: Six.

Features: Performs same functions as FDP/COMPASS on an IBM mainframe.

■ FDP/PEN.

System requirements: IBM compatible PC/XT/AT. Operates in DOS.

Customization optional.

First Installation: 1984.

Total Installations: 400; 15 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions.

Features: Proposal and administration of defined benefit/defined contribution plans, including 401(k), age-weighted and ESOPs; handles uninsured, insured (traditional or interest sensitive) and self-insured plans; solves for specific cost goals, formulas and Keough salaries; includes top-heavy, discrimination tests and compliance features; provides printouts. Optional modules include daily valuation and plan documentation functions.

■ FDP/PTA (Pensions Trust Accounting).

Price: \$1,500.

System requirements: IBM compatible PC/XT/AT. Operates in DOS.

Customization optional.

First Installation: 1988.

Total Installations: 50.

Features: Automates trust asset reconciliation and reporting associated with pension plans; stores client/plan data, mutual fund and stock price-per-share values; produces asset-yield analysis, income/expense statements and asset/liability statements.

■ PDQ (Plan Documents Quickly).

System requirements: IBM compatible PC/XT/AT. Operates in DOS.

Customization optional.

First Installation: 1989.

Total Installations: 200.

Features: Automated plan document system for defined benefit, defined contribution and 401(k) plans; incorporates Pension Publications of Denver Inc. (PPD) IRS-approved master/regional prototypes and volume submitter individualized plans; provides electronic data management; includes SPDs and administrative forms.

■ Pension Manager.

Price: \$2,500.

System requirements: IBM compatible PC/XT/AT. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 75.

Features: Data base system for automated pension administration; client/plan tracking, form letters, customized reports and extensive checklists; report generator and automatic letter scheduler.

User support: User groups/meetings (for some products), onsite training, telephone assistance 10 hours per day*.

* Included in system price.

Staff: 50 total, 175 professionals.

Clients: 1,600 total. Sold systems to 200 clients in 1993.

1993 revenues: \$17.5 million total. \$8.5 million from employee benefit information systems sales and services, 5% from hardware sales, 20% from software sales, 75% from software services.

Officers: Michael C. Goldberg, president; Douglas Kennedy, executive vp; Richard Fleischman, Chris Stroud, Ed Pick, Kathy Muro, Beverly Price, vps; Condy Goldberg, secretary/treasurer.
Contact: Chris Stroud, vp-pension marketing.

FLX Corp.

220 Willowbrook Lane, West Chester, Pa. 19382; 215-696-6600; fax: 215-692-2205

Benefit systems since: 1985.

Software products:

■ FLX Recordkeeper.

System requirements: IBM compatible PC. Operates in DOS or Windows.

Customized system.

First Installation: 1985.

Total Installations: 170, all in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.

Features: Administers full flexible benefit plans, including flexible spending accounts; ad hoc report writer; interfaces with other systems; custom enrollment forms and benefit statements; maintains complete benefit history and dependent information; provides eligibility and what-if scenarios. Optional modules include direct billing, COBRA and voice response.

User support: User groups/meetings, onsite training, telephone assistance, electronic bulletin board, on-call services.

Staff: 41 total, 37 professionals.

Clients: 170 total. Sold systems to 35 clients in 1993.

Contact: Stacy Kohlbrenner, marketing coordinator.

FACTS Services Inc.

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

Benefit systems since: 1980.

Software products:

■ FACTS.

System requirements: IBM compatible PC LAN, mainframe, minicomputer. Operates in UNIX.

Customization optional.

First Installation: 1980.

Total Installations: 140.

Benefits managed: Disability, COBRA, group health plans.

Features: Automated processing for administration of medical, dental, vision, prescription drugs, disability and COBRA claims; processes PPO, HMO and indemnity plans; handles enrollment, eligibility and plan verification; claims management; medical case management; provider contract management; clinical auditing; reinsurance tracking; automatic adjudication; EDI/electronic claims submission; precertification; utilization review; ad hoc report generation; MICR laser check and EOB encoding; optical imaging function. Optional modules include OPTI-FACTS, FACTS EDI and AUTO-FACTS.

Continued on next page

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Insurance Companies



Continued from previous page

FACTS COMP.
System requirements: IBM compatible PC LAN, mainframe, minicomputer. Operates in UNIX.
Customization optional.
First Installation: 1985.
Total Installations: 10; two in employee benefit departments.
Benefits managed: Workers comp.
Features: Integrates claims processing routines for medical, indemnity, vocational rehabilitation, lump-sum settlements, legal and miscellaneous expenses; supports administrative processing codes, state fee schedules, benefit parameters and special fund allocations; provides for enrollment, case history and reserve status tracking, definition and tracking of accident and cause code. Optional integration with other FACTS specific software modules.

FACTS 125.
System requirements: IBM compatible PC LAN, mainframe, minicomputer. Operates in UNIX.
Customization optional.
First Installation: 1983.
Total Installations: 55; 12 in employee benefit departments.
Benefits managed: Flexible benefits.
Features: Administers full range of flexible benefit plans, including flexible spending accounts and cafeteria plans; automated enrollment, detailed benefit accounting and year-end allocation of funds; on-line calculations of tax consequences at time of enrollment; provides for eligibility verification, claims management, flexible spending account administration, premium and expense coding. Optional integration with FACTS market specific software modules.

User support: User groups/meetings*, onsite training, telephone assistance nine hours per day, 24-hour modem support*.
 * Included in system price.

Staff: 35 total, 27 professionals.
Clients: 140 total, including 13 benefit departments. Sold systems to 12 clients in 1993.
1993 revenues: \$3.2 million total, all from employee benefit information systems sales and services, 10% from hardware sales, 25% from software sales, 65% from software services.
Officers: Robert S. Graham Jr., president; David L. Graham, vp.
Contact: Jose A. Lopez, vp-sales/market-ing.

Flex Compensation Inc.
 10405 Sixth Ave. N., Suite 170, Plymouth, Minn. 55441; 612-544-8332; fax: 612-544-8287

Benefit systems since: 1986.
Software products:
 ■ FlexAdmin-Spending Account Administration.
Price: \$1,495.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.
First Installation: 1986.
Total Installations: 200, all in employee benefit departments.

Benefits managed: Flexible benefits.
Features: Administration systems for reimbursement/flexible spending accounts; simultaneously maintains separate participant records for health/dependent care accounts for two plan years; built-in payroll/HRIS interface. Optional multiple company processing capabilities and comprehensive cafeteria plan enrollment module.

■ FlexAdmin-Enrollment Administration.
Price: \$5,500.
System requirements: IBM compatible PC, 640K RAM. Operates in DOS.
Customization optional.
First Installation: 1990.

Total Installations: Five, all in employee benefit departments.
Benefits managed: Flexible benefits.

Features: Flexible benefit enrollment and recordkeeping system; calculates and stores benefit credits; produces personalized enrollment forms and election analysis reports; performs discrimination testing; generates insurance enrollment information and monthly premium transmittal reports. Optional spending account administration module.

User support: Onsite training, telephone assistance eight hours per day*, reimbursement administration guidebook*, newsletter/legislative updates*.
 * Included in system price.

Staff: Six total, all professionals.
Clients: 200 total, all benefit departments. Sold systems to 27 clients in 1993.

Officers: Greg Bohline, president; Allison Hendrickson, vp.
Contact: Allison Hendrickson.

G

Gallagher Bassett Benefit Administrators
 2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4000

Benefit systems since: 1990.
Parent: Arthur J. Gallagher Co.
Software products:
 ■ Processor I.
Price: \$5,000.

System requirements: System packaged with mainframe. Operates in CICS.
Customized system.
First Installation: 1990.
Total Installations: Five, all in employee benefit departments.

Benefits managed: Group health plans.
Features: Eligibility verification, billing, precertification, claims management, utilization review, medical coding, medical case management, tracking stop loss liability, disability duration monitoring, provider contract management, verification of premium payment for claim dates of service, capture of 1099 data, automated check issue, ad hoc report generation, detail reports for actuarial, accounting and management reports. Optional module includes customer interface to other applications.

User support: Onsite training, telephone assistance 11 hours per day*.
 * Included in system price.
Staff: 190 total, 85 professionals.
Clients: Five total. Sold systems to one client in 1993.

1993 revenues:** \$26 million total.
 ** Includes Gallagher Woodsmall Cos. and ABOW Cos.

Officers: Leonard E. Wood III, president/CEO; William R. Talcott, executive vp.

Genelco Inc.
 1600 S. Brentwood Blvd., St. Louis, Mo. 63144-1330; 314-962-2040; fax: 314-968-9589

Benefit systems since: 1973.
Parent: General American Life Insurance Co.

Software products:
 ■ Benefit Administration Plus.
System requirements: IBM AS/400. Operates in OS/400.

Customization optional.
First Installation: 1987.
Total Installations: 40; seven in employee benefit departments.

Benefits managed: Disability, COBRA, group health plans.
Features: Comprehensive administration for group insurance plans and COBRA participants; billing and collection of

premiums/fees; on-line eligibility information for claims administration; provides management reporting.

■ Health Claims Plus.
System requirements: IBM AS/400. Operates in OS/400.

Customization optional.
First Installation: 1985.
Total Installations: 105; 59 in employee benefit departments.

Benefits managed: Disability, group health plans.

Features: Provides adjudication and administration of medical, dental, disability, vision, indemnity and prescription drug plans; comprehensive reporting for managed care analysis; processes claims; writes letters. Optional modules include claims editing and utilization review.

User support: User groups/meetings, onsite training, telephone assistance 9.5 hours per day*, documentation*, remote processing.
 * Included in system price.

Staff: 210 total, 75 professionals.
Clients: 106 total, including 59 benefit departments. Sold systems to eight clients in 1993.

1993 revenues: \$20.2 million total. \$16.5 million from employee benefit information systems sales and services, 17% from hardware sales, 30% from software sales, 53% from software services.

Officers: David B. Johnson, president/CEO; Russell E. Korte, executive vp; Larry Amundsen, vp-software sales; David J. Litschgi, Michael S. Molinar, product vps.
Contact: Susan Wagdy.

Genesisys
 5 Branch St., Methuen, Mass. 01844; 508-685-5400; fax: 508-683-7665

Benefit systems since: 1987.
Software products:
 ■ Benefit Payments.

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READER REPLY SERVICE
PRODUCTS & SERVICES LISTING

Issue of March 21

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Issue Date: MARCH 21, 1994
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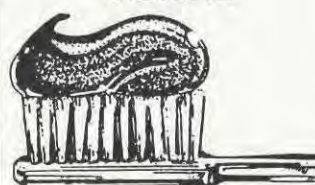
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Continued from previous page

System requirements: IBM compatible PC, 8MB RAM; single user, LAN and mainframe versions. Operates in DOS, OS/2, MVS or VSE.

Customization optional.

First Installation: 1981.

Total Installations: 600.

Benefits managed: Periodic and lump sum payments.

Features: Designed to meet the requirements of trust departments who need to create both periodic and lump sum payments; complete payment processing; government compliance and reporting; on-line client access; report writer; security features.

Defined Benefits.

System requirements: IBM compatible PC, 8MB RAM; single user, LAN and mainframe versions. Operates in DOS, OS/2, MVS or VSE.

Customization optional.

First Installation: 1981.

Total Installations: 600; 57 in employee benefit departments.

Benefits managed: Retirement/pensions. **Features:** Comprehensive pension plan administration; multiplan modeling and what-if scenarios; beneficiary and historical data; deferred, special and early retirement options. Optional interface for third party hardware/software for voice response and touch screen systems.

Defined Contribution.

System requirements: IBM compatible PC, 8MB RAM; single user, LAN and mainframe versions. Operates in DOS, OS/2, MVS or VSE.

Customization optional.

First Installation: 1981.

Total Installations: 600; 40 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing.

Features: Complete recordkeeping for all capital accumulations plans, including 401(k)/403(b), profit sharing, ESOPs and savings/investment plans; eligibility determination, automated enrollment; multiple money sources; fund transfers; withdrawals; multiple participant loans; multiple investments; full reporting capabilities; compliance testing; full transaction history and loan function. Optional interface for third party hardware/software for voice response and touch screen systems.

Flexible Benefits.

System requirements: IBM compatible PC, 8MB RAM; single user, LAN and mainframe versions. Operates in DOS, OS/2, MVS or VSE.

Customization optional.

First Installation: 1981.

Total Installations: 600; 36 in employee benefit departments.

Benefits managed: Flexible benefits, COBRA, life insurance.

Features: Eligibility and enrollment processing, including employer communication materials; multiple plan year processing; multiple options; flexible spending account administration; credits and vacation buying/selling; COBRA administration; benefit provider information; management reporting; participant data base; unlimited plan design. Optional interface for third party hardware/software for voice response and touch screen systems.

User support: User groups/meetings *, onsite training, telephone assistance 24 hours per day.

* Included in system price.

Staff: 132 total, 112 professionals.

Clients: 133 total. Sold systems to 12 clients in 1993.

Officers: Lawrence J. Munini, president; Ruth Ladner, senior vp-sales support/application development; Robert Pomerleau, senior vp-finance/administration; Frank Girardi, vp-professional services; Tom McDonough, director-benefits product.

Contact: Christine Gagne, marketing specialist, 508-685-5400 ext. 3009.

H

HarrisData

611 N. Barker Road, Waukesha, Wis. 53186-0500; 414-784-9099; fax: 414-784-5994

Benefit systems since: 1982.

Software products:

HarrisData/HRMS-Human Resource Management System.

System requirements: IBM S/36 or IBM AS/400. Operates in SSP or OS/400.

Customization optional.

First Installation: 1982.

Total Installations: 1,450.

Benefits managed: 401(k) plans, flexible benefits, workers comp, leave of absence, COBRA, group health plans.

Features: Employee withholding for 401(k) and Section 125 plans, participation reports, COBRA and flexible spending account administration, workers comp withholding/claims tracking, schedules leave of absence/vacations, salary budgeting, processes attendance, OSHA administration and EEO reports. Provides employee flexible spending account statements. Optional module includes payroll functions.

User support: Onsite training, telephone assistance 10 hours per day *.

* Included in system price for one year.

Staff: 100 total, 65 professionals.

Clients: 1,400 total. Sold systems to 50 clients in 1993.

Officers: Al Seyler, president.

Contact: Christine Eglund.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2837; fax: 215-875-2833

Benefit systems since: 1982.

Parent: Hay Group.

Software products:

PCL-Pension Calculation Language.

Price: \$20,000.

System requirements: IBM compatible PC, 2MB RAM. Operates in DOS or Windows.

Customized system.

First Installation: 1992.

Total Installations: Eight, all in employee benefit departments.

Benefits managed: Retirement/pensions, social security benefits.

Features: Individual defined benefit calculations and estimates, administrative functions, communicates benefit programs to employees through customized reports.

User support: Onsite training *, telephone assistance eight hours per day *.

* Included in system price.

Staff: 200 total, 75 professionals.

Clients: 50 total, including 25 benefit departments. Sold systems to 10 clients in 1993.

1993 revenues: \$20 million total. \$4 million from employee benefit information systems sales and services, 25% from software sales, 75% from software services.

Officers: Ken Shapiro, president; Kurt Fichthorn, Don Samples, executive vps.

Contact: Erwin J. Lerch, assistant vp.

Hazlehurst & Associates

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30343; 404-395-9880; fax: 404-512-6230

Benefit systems since: 1984.

Software products:

Internal Revenue Code Section 415 Limitation Testing Software.

Price: \$8,500.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customization optional.

First Installation: 1984.

Total Installations: 30, all in employee benefit departments.

Benefits managed:

Features: IRC Section 415 limit testing. Performs single and combined plan limit testing, current and projected calculations, single and batch employee calculations. Incorporates ERISA, TEFRA and TRA 86 grandfather/transition calculations.

Pension Administration System.

Price: \$30,000-\$150,000.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customized system.

First Installation: 1984.

Total Installations: 45, all in employee benefit departments.

Benefits managed: Retirement/pensions, social security benefits.

Features: Calculates/projects pensions; calculates service, compensation, Section 415 combined and single limits; administers retiree benefits. Options include eligibility, what-if scenarios, mass mailing of accrued benefits and interactive voice response.

User support: Onsite training *, telephone assistance 10 hours per day *.

* Included in system price.

Staff: 160 total, 50 professionals.

Clients: 75 total, all benefit departments. Sold systems to seven clients in 1993.

1993 revenues: Employee benefit information systems: 80% from software

sales, 20% from software/consulting services.

Officers: James G. Pope, president; R. David Parsons, principal actuary; David M. Gladstone, T. Ray McKinney, executive vps; Frederick W. Owens, treasurer. **Contact:** Atlanta: Mindy J. Zatto, 404-512-6255; Seattle: David Gladstone, 206-889-4222.

HEMA Inc.

2387 W. Monroe, Springfield, Ill. 62704; 217-793-1155; fax: 217-793-1344

Benefit systems since: 1989.

Software products:

Acclaim! 4.0.

Price: \$16,084.

System requirements: Software packaged with hardware; IBM compatible PC. Operates in Paradox for DOS.

Customization optional.

First Installation: 1989.

Total Installations: 25; two in employee benefit departments.

Benefits managed: COBRA, group health plans.

Features: Complete health care cost reporting and analysis, graphics capabilities, norm-based analysis and reporting. Optional inclusion of national data base and tailored cost norm information.

User support: User groups/meetings, onsite training *, telephone assistance nine hours per day *.

* Included in system price.

Staff: Eight total, four professionals.

Clients: 25 benefit departments. Sold systems to seven clients in 1993.

1993 revenues: \$467,000 total. Employee benefit information systems revenue: 95% from software sales, 5% from software services.

Officers: Roy Wehrle, CEO.

Contact: Roy Wehrle or Frank Mohr.

Health Management Technologies Inc.

1150 Moraga Way, Suite 150, Moraga, Calif. 94556; 510-631-6750; fax: 510-631-6789

Benefit systems since: 1986.

Software products:

RETURN Managed Disability PC Software.

Price: \$15,000.

System requirements: IBM compatible PC, 2MB RAM; single user and LAN versions. Operates in DOS or Windows.

Customization optional.

First Installation: 1988.

Total Installations: 350.

Benefits managed: Workers comp, disability, leave of absence, family medical leave.

Features: Case management and documentation, evaluation of provider performance/case outcome and managed care, efficient managed care claims system, electronic data entry. Optional modules include JobRETURN which provides job-based disability duration guidelines, predicts disability duration, includes ADA Job Analysis with scannable functional capabilities exam.

User support: User groups/meetings, onsite training, telephone assistance 24 hours per day *, quarterly newsletter *, monthly training classes.

* Included in system price.

Staff: 13 total, six professionals.

Officers: K.J. Wolfe, president; James Wolfe, chief marketing officer.

Contact: Scott Gallucci, client services/marketing.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-883-8321

Benefit systems since: 1980.

Software products:

Defined Contribution Administration System.

System requirements: IBM compatible PC; single user, LAN, and mainframe versions; on-line access available to in-house recordkeeping system. Operates in OS/MVS.

Customized system.

First Installation: 1974.

Total Installations: 263; 20 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing.

Features: Administers savings, profit sharing and ESOPs; maintains employee/plan information data base; processes plan data; provides reporting capabilities; administers up to 15 plans and 20 investment options; monitors limits on 401(k) contributions; calculates employer match; adminis-

ters withdrawals, final distributions and loans; generates necessary reports and statements. Optional features include telephone voice response system and interactive PC/kiosk software for modeling and transactions.

FlexSystem.

System requirements: IBM compatible PC, 512K RAM; single user, LAN, and mainframe versions. Operates in DOS or VMS.

Customized system.

First Installation: 1985.

Total Installations: 256, all in employee benefit departments.

Benefits managed: Flexible benefits, COBRA, group health plans, life insurance.

Features: Administers employee enrollment, calculates flexible credits, prepares personalized enrollment statements, processes confirmation statements, calculates and reports payroll deductions. Handles Flexible spending account recordkeeping/administration for health care and dependent care. Updates/monitors employee coverage, processes hires/terminations, reports benefit plan information. Produces carrier and management reports. Optional features include voice response system and interactive PC enrollment.

Pension Administrator.

System requirements: IBM compatible PC, 480K RAM; single user, LAN and mainframe versions. Operates in DOS or OS/MVS.

Customized system.

First Installation: 1986.

Total Installations: 143, all in employee benefit departments.

Benefits managed: Retirement/pensions, social security benefits.

Features: Calculates actual, estimated and projected pension benefits; manages comprehensive employee database; prints employee statements and letters; calculates retirement, disability, termination and death benefits; determines plan eligibility; calculates actual benefits for future termination dates; displays up to 32 optional payment forms; on-line/batch processing; produces benefit statements; ad hoc report production; estimates Social Security benefits; monitors section 415 benefit limits. Optional features include voice response system.

Total Benefit Administration (TBA) System.

System requirements: On-line connection to in-house system. Operates in OS/2.

Customized system.

First Installation: 1992.

Total Installations: 10, all in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, group health plans, profit sharing, retirement/pensions, social security benefits.

Features: Provides comprehensive support and administration for outsourced defined contribution, defined benefit, flexible and welfare plans; provides telephone voice response system. Optional features include interactive computer link allowing employees to do modeling and perform transactions via kiosk.

User support: Onsite training *, telephone assistance eight hours per day *. Benefit Center representatives to assist and answer employee questions.

* Included in system price.

Staff: 3,350 total, 2,200 professionals.

Clients: 670 total. Sold systems to 50 clients in 1993.

1993 revenues: \$356.5 million total. \$106.9 million from employee benefit information systems sales and services, 100% from software sales and services.

Officers: Dale L. Gifford, CEO; Richard W. Hutson, director-business development; James E. Nelson, director-account management; Christine A. Seltz, director-public relations; Gerald I. Wilson, director-actuarial consulting.

Contact: Barbara V. Reuth, marketing manager.

Human Resource MicroSystems

160 Sansome St., Suite 1450, San Francisco, Calif. 94104; 800-972-8470 or 415-362-8400; fax: 415-362-8595

Benefit systems since: 1983.

Software products:

HRIS-Pro.

Price: \$7,500 (DOS); \$10,000 (Windows).

System requirements: IBM compatible PC, 4MB RAM (8MB recommended) or Macintosh PC; single user, LAN and UNIX versions. Operates in DOS, Windows, Macintosh or UNIX.

Customization optional.

First Installation: 1983.

Total Installations: 400; 375 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Tracks eligibility, contributions and coverage levels; maintains unlimited dependent/beneficiary information; tracks COBRA enrollment and payments; features intuitive GUI, multi-level security, customization tools and report writer. Optional modules include payroll interface, applicant tracking, time-off benefits tracking and benefit statement generation.

User support: User groups/meetings, onsite training, telephone assistance nine hours per day, product upgrades, quarterly newsletters.

Staff: 20 total, all professionals.

Clients: 375 total, all benefit departments. Sold systems to 75 clients in 1993.

Officers: Don Helt, president; Arlene Roberg, vp-development; Priscilla Eshelman, marketing manager.

Contact: Priscilla Eshelman.

Human Resources Consulting Group Inc.

428 East 6400 South, Suite 220, Salt Lake City, Utah 84107; 801-261-6555; fax: 801-261-6575

Benefit systems since: 1983.

Software products:

COBRA (FLEXCOMP).

Price: \$3,500.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS or Windows.

Customization optional.

First Installation: 1986.

Total Installations: 20; 18 in employee benefit departments.

Benefits managed: Flexible benefits, leave of absence, COBRA, group health plans, life insurance.

Features: Performs employee tracking; generates notices, letters and reports; allows user-defined determination of COBRA events. Includes billing, accounts receivable and data import/export functions. Communicates information through terminals and interactive voice response.

FLEX ENROLL.

Price: \$250.

System requirements: IBM compatible PC, 400K RAM. Operates in DOS.

Customization optional.

First Installation: 1983.

Total Installations: 3,000; 200 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, disability, group health plans, profit sharing, life insurance, Social Security benefits.

Features: Handles simple enrollment of flex, including cafeteria, savings, flexible spending accounts and 401(k) plans. Calculates tax and tax savings; produces salary reduction agreements and election forms. Allows employee self-enrollment and updating. Report production. Optional linkage to voice response and FLEXCOMP claims system.

FLEXCOMP.

Price: \$25,000.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS or Windows.

Customization optional.

First Installation: 1983.

Total Installations: 250; 40 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, COBRA, group health plans, life insurance.

Features: Administers flexible benefits, including cafeteria credits; premium check writing to unlimited providers; claims payments; explanation of benefits; custom check writing; data import/export capabilities; enrollment, eligibility verification; discrimination testing; monitors flexible spending account claims status; duplicate claim checking; management and employee reports. Optional features include advanced discrimination testing module, what-if modeling, customized benefit statements, COBRA, interactive video, Mass Access debit/credit card (see Mass Access listing), hour bank tracking and link to medical/dental claims, direct dental reimbursement system and interactive voice response.

HRIS System.

Price: \$3,500.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1983.

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Continued from previous page

Benefits managed: Disability, leave of absence, COBRA, group health plans, life insurance, payroll, human resources.

Features: Provides employee data, reports and information on benefits, ERISA, time and attendance reporting, manpower planning, skills inventory, applicant tracking, performance ratings, employee history/payroll data, EEO/AA data.

■ Medical/Dental Claims System.

Price: \$35,000.

System requirements: IBM compatible PC, 640K RAM, single user and LAN versions. Operates in DOS and UNIX.

Customization optional.

First Installation: 1986.

Total Installations: 30; 20 in employee benefit departments.

Benefits managed: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance.

Features: Medical, dental, disability, vision, life and COBRA claim processing; real-time claims adjudication; PPO management; precertification; utilization review; medical coding; case management; reinsurance liability

tracking; enrollment and eligibility verification; ad hoc reporting. Optional features include interactive voice response, flexible benefits and 401(k) services.

■ PC-Active Benefits Statements.

Price: \$1,800.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS or Windows.

Customization optional.

First Installation: 1987.

Total Installations: 25; 23 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Provides customized benefit statements for multiple employers, covers unlimited employees on up to 36 benefits, accommodates dot matrix and laser printers, allows data capture via ASCII format, data import capabilities. Voice Response system available.

■ TAX DEMO.

Price: \$5,000.

System requirements: IBM compatible PC, 512K RAM. Operates in DOS.

Customization optional.

First Installation: 1983.

Total Installations: 5,000; 1,000 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, disability, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Handles enrollment; monitors/calculates tax savings, child care tax credits, flex credits, earned income credits, medical premium credits, imputed income, Social Security and retirement projections; generates customized benefit and election forms; allows data import/export. Optional features include modeling, discrimination testing and Mass Access debit/credit card link. Provides benefit communication to employees. Interactive video and voice response systems available.

User support: User groups/meetings *, onsite training *, telephone assistance 10 hours per day *, source code in escrow *, marketing/consulting support *.

* Included in system price.

Staff: 25 total, 15 professionals.

Clients: 600 total, including 40 benefit departments.

1993 revenues: \$1,250,000 total. Employee benefit information system revenue: 2% from hardware sales, 70% from software sales, 28% from software services.

Officers: Rob J. Thurston, president; Eric Kruegar, senior vp; E. Richard Packham, Rob Joseph, vps; Mark Hatch, president/Mass Access.

Contact: Rob J. Thurston.

I

Information Learning Systems

56 Harrison St., New Rochelle, N.Y. 10801; 914-576-4190; fax: 914-576-4197

Benefit systems since: 1991.

Parent: Information Learning Inc.

Software products:

■ The Plan Expert.

Price: \$80,000.

System requirements: IBM compatible 386 PC, single user and LAN versions. Operates in DOS, Windows or OS/2.

Customized system.

First Installation: 1991.

Total Installations: 30; 25 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Provides plan forms and documentation; data retrieval using customized scripts; tracks insurers and suppliers; supports standard open enrollment for plans, including flexible benefits; supports dissemination of benefit information through centralized service centers and decentralized approaches. Optional interface with voice response and call tracking systems.

User support: Onsite training, telephone assistance 10 hours per day *.

* Included in system price.

Staff: 12 total, four professionals.

Clients: 12 total, including 10 benefit departments.

Continued on next page

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Continued from previous page
1993 revenues: \$1.5 million total, all from employee benefit information systems sales and services, 80% from software sales, 20% from software services.
Officers: Joan Breiner, president; Lawrence Kurzner, national sales manager; Diane Cummins, director-operations.
Contact: Larry Kurzner.

Insurance Software Packages Inc.

3625 Queen Palm Drive, Tampa, Fla. 33619; 813-621-6069; fax: 813-621-0652

Parent: Pharmacy Management Services Inc.

Software products:

■ ISP COMP STAR.

Price: \$25,000.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS or Novell.

Customization optional.

First Installation: 1985.

Total Installations: 100, most in employee benefit departments.

Benefits managed: Workers comp.

Features: Complete workers comp claims management.

■ ISP FIRST STAR.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS or Novell.

First Installation: 1991.

Features: National first notice of injury system, including preparation of forms.

■ ISP HEALTH STAR.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS or Novell.

Customization optional.

First Installation: 1988.

Total Installations: 25.

Benefits managed: Disability, COBRA, group health plans, life insurance.

Features: Group benefits claims administration system.

■ ISP MEDI-STAR.

Price: \$25,000.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS or Novell.

Customization optional.

First Installation: 1985.

Total Installations: 200, most in employee benefit departments.

Benefits managed: Workers comp.

Features: Workers comp cost containment and medical bill adjudication system as per state medical fee schedules.

User support: Onsite training*, telephone assistance eight hours per day*, on-line support*.

* Included in system price.

Staff: 40 total, 30 professionals.

Clients: Sold systems to 20 clients in 1993.

1993 revenues: Employee benefit information systems: 60% from software sales, 40% from software services.

Contact: George H. Cannon, vp.

Insurdata Inc.

5215 N. O'Connor Blvd., 800 Central Tower, Irving, Texas 75039; 214-869-2553; fax: 214-556-0572

Benefit systems since: 1973.

Software products:

■ Insurdata Claims.

System requirements: Software licensed with equipment. Operates in UNIX platforms.

Customization optional.

First Installation: 1973.

Benefits managed: Flexible benefits, COBRA, group health plans.

Features: Eligibility verification, claims processing, medical unbundling, pre-certification tracking, COBRA notification and premium tracking, cafeteria plan and flexible spending account administration, physician profiling, patterns of treatment, ad hoc reporting.

User support: User groups/meetings, onsite training, telephone assistance eight hours per day.

Staff: 130 total, 50 professionals.

Officers: Raymond C. Morrison Jr., president; Jim Taylor, vp-finance/administration; Doug Freeman, vp-data processing.
Contact: Jim Taylor.

Integral

2185 N. California Blvd., Walnut Creek, Calif. 94596; 510-939-3900; fax: 510-946-4891

Benefit systems since: 1972.

Software products:

■ Flexible Compensation System (FCS).

System requirements: IBM compatible PC, mainframe.

Customization optional.

First Installation: 1987.

Total Installations: 60, all in employee benefit departments.

Benefits managed: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance, long-term care, vacation benefits.

Features: Flexible spending accounts, flexible spending accounts claims administration, eligibility, election analysis tools, insurance carrier reports and electronic interface, enrollment and confirmation statements, enrollment with tax impacts, ad hoc reporting, payroll deduction interface for multiple vendors. Supports voice response access and workstation kiosk enrollment. What-if scenarios include tax

impacts and total paycheck related costs. Optional Graphical User Interface available.

■ Pension Benefit Administration System (PBAS).

System requirements: IBM compatible PC, mainframe. Operates in DOS, Windows or MVS.

Customization optional.

First Installation: 1987.

Total Installations: 60, all in employee benefit departments.

Benefits managed: Retirement/pensions, social security benefits.

Features: Provides final average and career average earnings formulas, early retirement window support, actuarial valuation data interface, QDRO support, pension projection and modeling support, benefit statement interface, payroll earnings data interface for

multiple vendors, frozen or grandfathered rules support, cash balance plan support, full Social Security benefits calculations. Optional voice response support and Graphical User Interface available.

User support: User groups/meetings, onsite training, telephone assistance 24 hours per day.

Staff: 400 total, 302 professionals.

Clients: 311 total. Sold systems to 11 clients in 1993.

Officers: Bill Leckonby, president/CEO; Kathy Urbelis, senior vp-marketing; Joel Summers, vp-research/development; Bob Trapper, vp-midrange operations; Carolyn Doll, vp-product marketing; Mike Green, vp-client services.

Contact: Integral marketing, 800-824-9980.

IQ+ Systems

5705 W. 98th St., Los Angeles, Calif. 90045; 800-777-5311; fax: 310-641-5997

Benefit systems since: 1990.

Software products:

■ IQ+ Administration.

System requirements: IBM compatible PC, 2MB RAM; single user, LAN and mainframe versions. Operates in DOS.

Customization optional.

First Installation: 1990.

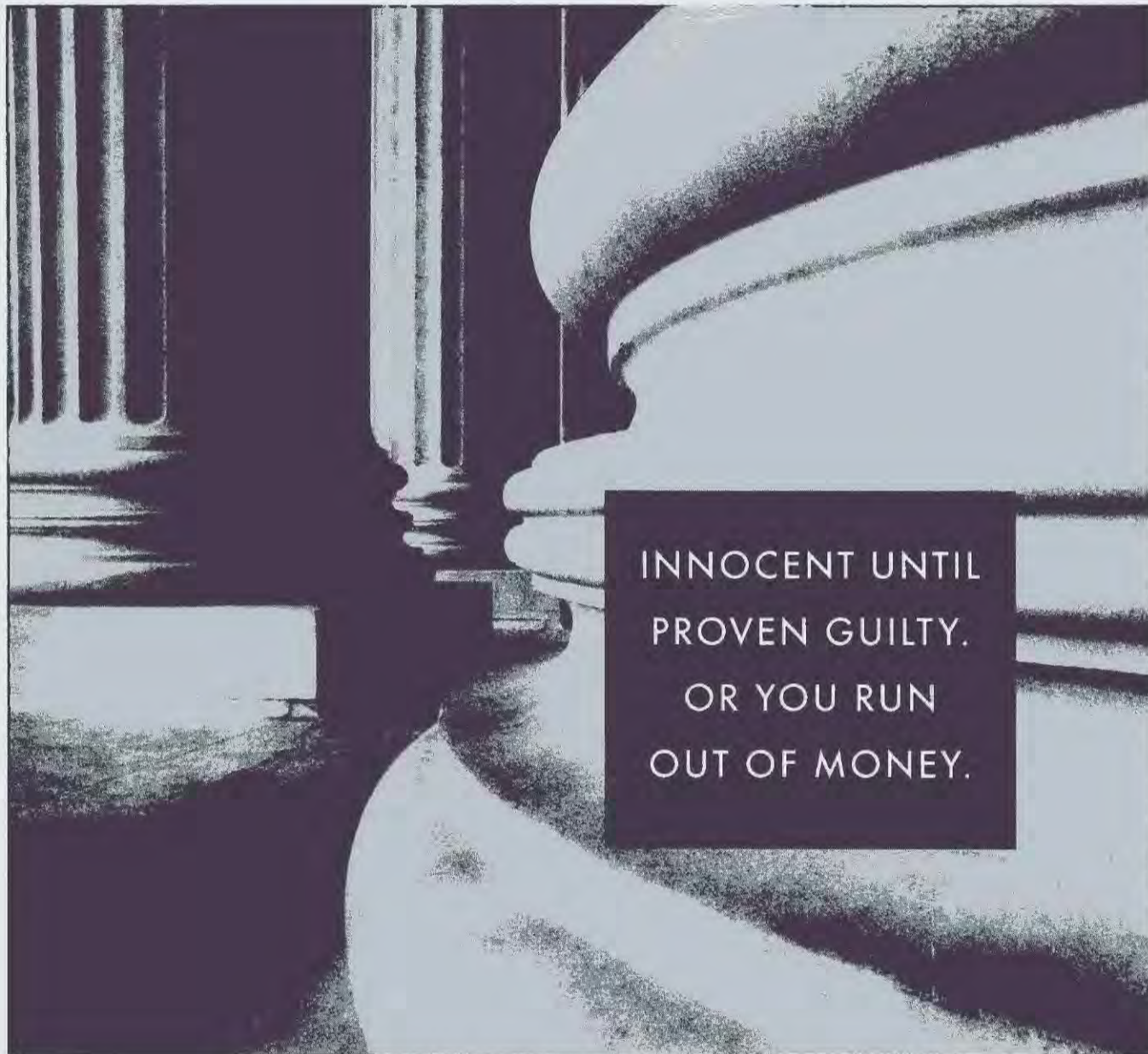
Total Installations: Six, all in employee benefit departments.

Benefits managed: 401(k) plans, workers comp, COBRA, group health plans, retirement/pensions.

Features: Multi-employer billing and re-

Continued on next page

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Benefit systems since: 1972.

Software products:

■ Flexible Compensation System (FCS).

Continued from previous page
 cepts accounting, member/dependent enrollment, eligibility calculation/verification, health care claims management, 1099 forms/government reporting (tape or disk). Pension defined benefit, defined contribution and 401(k) management; pension calculation/payment; SSA and PBGC reporting; 1099-R forms and benefit notification. Provides on-line and printed reporting.

User support: User groups/meetings, on-site training *, telephone assistance 12 hours per day *, onsite assistance.

* Included in system price for one year.

Staff: Four total, all professionals.

Clients: Sold systems to one client in 1993.

1993 revenues: \$250,000 total, all from employee benefit information systems sales and services, 40% from software sales, 60% from software services.

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

Contact: J. Patrick Broman.

K

Kwasha Lipton Client Systems

2100 N. Central Road, Fort Lee, N.J. 07024; 201-592-1300; fax: 201-592-9075

Benefit systems since: 1984.

Software products:

■ Flexible Benefits Administration System.

Price: \$150,000-\$200,000.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN

versions. Operates in Windows 3.1.

Customized system.

First Installation: 1991.

Total Installations: 27, all in employee benefit departments.

Benefits managed: Flexible benefits, COBRA, group health plans, life insurance.

Features: Enrollment, eligibility verification, personalized worksheets, payroll/disbursement/HRIS interface, termination triggers, system initialization, election data collection, management reporting, automatic COBRA enrollment, midyear status change tracking/validation, flexible spending account administration, claim processing. Provides voice response and electronic carrier interfaces. COBRA and flexible spending account modules can be separately priced.

■ Pension Administration System.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in Windows 3.1.

Customized system.

First Installation: 1988.

Total Installations: 46, all in employee benefit departments.

Benefits managed: Retirement/pensions, social security benefits.

Features: Performs projections, preliminary and final pension benefits, monthly payroll updates, forms/worksheet generation.

User support: Onsite training, telephone assistance eight hours per day *.

* Included in system price.

Staff: 15 total, 10 professionals.

Clients: 56 total, all benefit departments. Sold systems to seven clients in 1993.

Contact: Ken Walpert, principal.

The Benefit Communications Systems directory will run Aug. 15.

L

Lawson Software

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

Benefit systems since: 1987.

Software products:

■ Lawson Benefits.

System requirements: IBM AS/400, IBM RS/6000, Hewlett Packard HP 9000, Unisys U/6000, Digital DECSsystems, Sequent Symmetry, SUN Solaris. Operates in OS/400, AIX, HP-UX, UNIX, Ultrix, Dynix-ptx or Solaris.

Customization optional.

First Installation: 1987.

Total Installations: 320, all in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Handles flexible benefits, health and welfare plans, defined contribution and defined benefit plans. Complete COBRA processing, including letter generation for required notifications and invoice generation for premium billing. Handles 401(k) limits on elective deferrals and 415 limits on annual additions. Calculates employee flexible dollars, allows benefits selection using pre-tax and after-tax dollars, produces personalized employee flexible benefits election forms and benefit statements. Uses employee benefits modeling and forecasting to assist in benefit choice options. Estimates take-home pay. Optional modules allow for interface with Lawson

Personnel and Lawson Payroll programs.

User support: User groups/meetings, on-site training *, telephone assistance 24 hours per day *, system enhancements and upgrades *, on-line documentation *.

* Included in system price. Training limited to first two users.

Staff: 350 total.

Clients: 248 total, all benefit departments. Sold systems to 33 clients in 1993.

1993 revenues: \$42 million total. \$1.6 million from employee benefit information systems sales and services, 50% from software sales, 50% from software services.

Officers: Richard Lawson, president; John Cerullo, chairman; Bill Lawson, COO; Dan Metzger, vp-marketing; Ken Behrendt, vp-finance/CFO.

Contact: Sue Weinacht, marketing coordinator.

Long Consulting Services

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

Benefit systems since: 1987.

Software products:

■ Logical Claim Solutions.

Price: \$35,000.

System requirements: IBM compatible PC network. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 40; five in employee benefit departments.

Benefits managed: Flexible benefits, disability, COBRA, group health plans.

Features: Enrollment, eligibility verification, precertification, claims management, health care utilization review, tracking reinsurance liability, health care provider contract management, HMO/IPA encounter and referral processing, billing and census processing, ad hoc health care report generation, claims management reports.

User support: User groups/meetings, on-site training, telephone assistance 24 hours per day, newsletter.

Staff: Five total, all professionals.

Clients: 40 total, including five benefit departments. Sold systems to two clients in 1993.

Officers: Donald L. Long, president; Kathy DelFavero, vp; Char Long, treasurer.

Contact: Donald L. Long.

M

Magnus Software Corp.

2233 Lake Park Drive, Suite 400, Smyrna, Ga. 30080-8856; 404-431-0554; fax: 404-434-7040

Benefit systems since: 1976.

■ Magnus Health Systems.

System requirements: IBM mainframe AS/400 or System/370. Operates in OS/400, MVS/ESA, MUS/XA, MUS or MVS/SP.

Customization optional.

Benefits managed: Group health plans.

Features: MaxCare and FASTRAK health claims systems provide on-line, real-time managed care management, including integrated premium and administration processing and tracking for medical, dental, disability and vision plans.

User support: User groups/meetings, on-site training, telephone assistance.

Staff: 100 total.

Officers: Dan Risello, president; Duke Croxton, chairman/CEO; Chris Leiner, vp-technology; Lorna Johnson, vp-benefits/health; Jan Kelly, vp-investments.

Mass Access Inc.

428 East 6400 South, Suite 201, Salt Lake City, Utah 84107; 801-261-6556; fax: 801-261-6575

Benefit systems since: 1991.

Software products:

■ Mass Access Health Card.

Price: \$10,000.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS or OS/2.

Customization optional.

First Installation: 1991.

Total Installations: Three; two in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group

health plans, profit sharing, life insurance.

Features: Debit/credit card system allowing for payment via electronic funds transfer for any medical, dental, flex spending account or workers comp claims. Handles eligibility, enrollment, precertification and claims data electronically. Provides voice response system. Optional modules include FLEXCOMP (see Human Resources Consulting Group listing), benefit statements via fax, check guarantee, debit/credit/check processing and automatic discounts for inpatient hospitalization.

User support: User groups/meetings *, onsite training, telephone assistance 10 hours per day.

* Included in system price.

Staff: 10 total, eight professionals.

Clients: Three total, including two benefit departments. Sold systems to three clients in 1993.

1993 revenues: 5% from hardware sales, 10% from software sales, 85% from software services.

Officers: Mark Hatch, president; Jeff Jones, Jon Roylance, vps; Art Candland, chairman.

Contact: Mark Hatch.

William M. Mercer Inc.- Office of Technology

1417 Lake Cook Road, Deerfield, Ill. 60015; 708-317-7513; fax: 708-317-7412

Parent: Marsh & McLennan Cos. Inc.

Software products:

■ CHAMP (Comprehensive Healthcare Analysis & Management Program).

System requirements: IBM compatible PC; single user and LAN versions. Operates in DOS or Windows.

Customization optional.

First Installation: 1991.

Total Installations: 83; 34 in employee benefit departments.

Benefits managed: Group health plans.

Features: Enrollment, benefit plan modeling and claimant impact analysis; claims and medical case management, medical coding/unbundling, utilization review vendor evaluation, HMO/PPO pricing, tracking reinsurance liability, reserve calculations, specialized normative data comparisons, rate setting and cost allocation, ad hoc data analysis, hospital/physician negotiations, provider contract management, preventive health trend analysis, workers comp analysis, plan renewal pricing evaluation. Options include episode and condition severity analysis, physician profiling, workers comp module, claims audits and prescription drug analysis.

■ Pension Express.

System requirements: IBM compatible PC, 540K conventional memory, 6MB extended memory; single user and LAN versions. Operates in DOS.

Customized system.

First Installation: 1989.

Total Installations: 100; 40 in employee benefit departments.

Benefits managed: Retirement/pensions.

Features: Eligibility verification for defined benefit events, including normal retirement, vesting, early retirement, disability and death benefits; defined benefit calculation results storage; and data impact. Built-in batch printing of customized reports. Includes Social Security updates.

■ Data Reconciliation System (DRS).

System requirements: IBM compatible PC. Operates in DOS.

Customized system.

First Installation: 1988.

Total Installations: 60; 31 in employee benefit departments.

Benefits managed: Retirement/pensions.

Features: Reconciliation of yearly census data, incrementing of service fields and other pertinent data.

■ Allocation Express.

System requirements: IBM compatible PC. Operates in DOS.

Customization optional.

First Installation: 1989.

Total Installations: 50.

Benefits managed: 401(k) plans, profit sharing.

Features: Comprehensive participant accounting system for all aspects of defined contribution plan administration. Benefits communicated through telephone, employee statements and other printed materials. Optional voice response system.

■ TestKey.

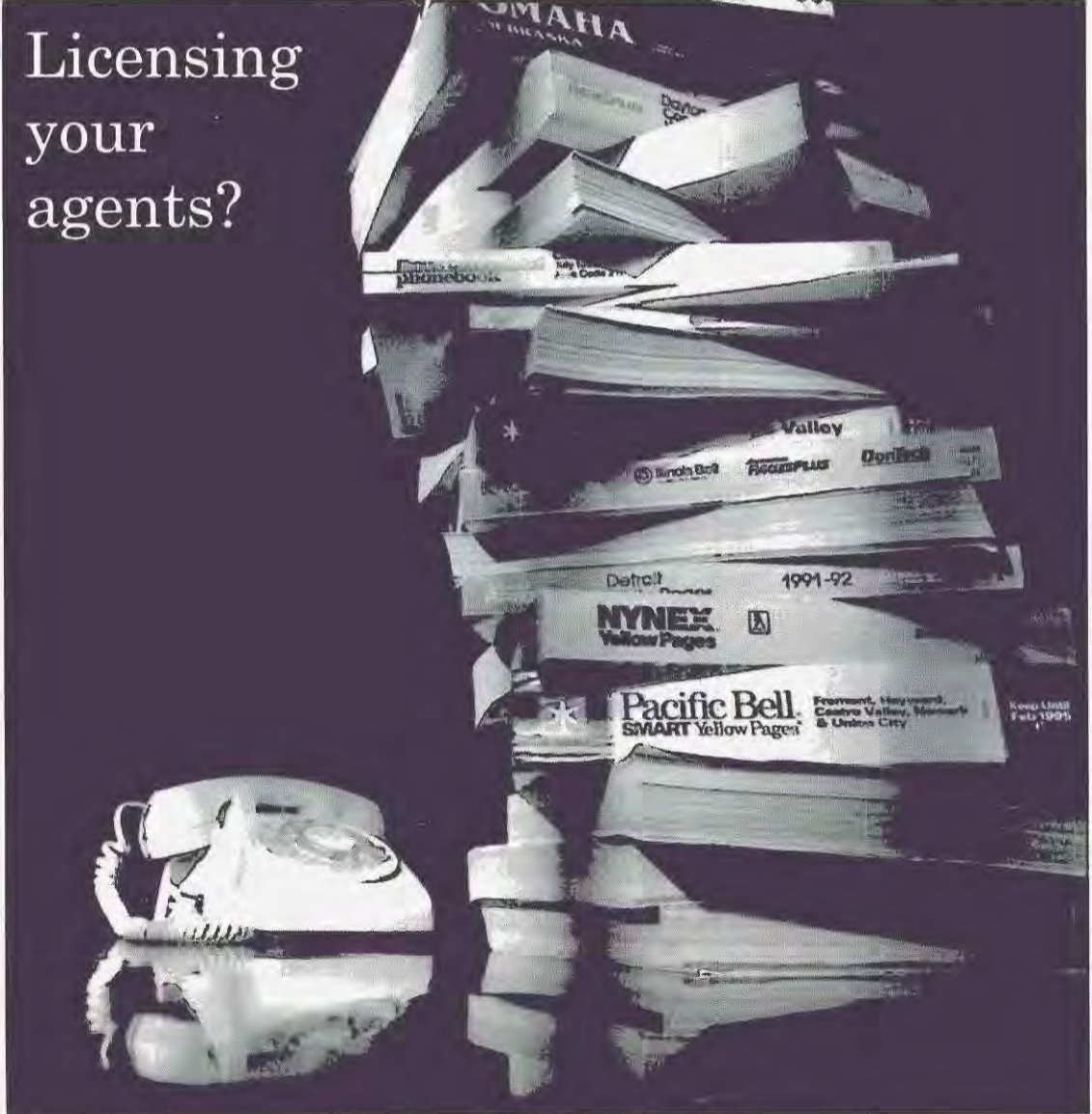
System requirements: IBM compatible PC. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 41; six in employee

Continued on next page



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Continued from previous page
benefit departments.

Benefits managed: 401(k) plans.
Features: Performs discrimination tests in accordance with rules established by the Tax Reform Act of 1986.

■ **LoanKey.**
System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.
First Installation: 1986.
Total Installations: 100; 60 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing.
Features: Loan administration, authorization schedules, truth-in-lending, loan modeling, conforms to 'Z' regulations. Functions independent of any recordkeeping system. Generates reports, promissory notes, schedules, non-disclosure statements.

■ **TRACS OnLine.**
System requirements: IBM compatible PC, 4MB RAM; SDLC card/leased line. Operates in Windows or OS/2.

Customization optional.
First Installation: 1993.
Total Installations: 50; 35 in employee benefit departments.

Benefits managed: 401(k) plans.
Features: On-line system. Allows users to inquire/change investment elections and contribution percents, initiate/model loan requests, initiate withdrawals/distributions, perform balance rearrangements and fund transfers. Generates a variety of reports and confirmation statements based on employee-initiated activity.

■ **FlexKey for Windows.**
System requirements: IBM compatible PC, 4MB RAM (6MB recommended); single user and LAN versions. Operates in DOS or Windows.

Customized system.
First Installation: 1993.
Total Installations: Two, both in employee benefit departments.

Benefits managed: Flexible benefits, group health plans, life insurance.
Features: Plan enrollment and on-going processing; automatic eligibility testing and computation of credits, employee prices, employer contributions and benefit coverage amounts; on-line help; custom interfaces to other systems such as payroll or human resources; ad hoc reporting; automated on-demand production of personalized enrollment materials and confirmation statements. Communicates with employees through employee statements, telephone and interactive PCs. Optional modules include FlexKey PC FSA for flexible spending account administration.

■ **FlexKey PC FSA.**
System requirements: IBM compatible PC, 640K RAM. Operates in DOS and executable through Windows.

Customization optional.
First Installation: 1986.
Total Installations: 71; 49 in employee benefit departments.

Benefits managed: Flexible benefits.
Features: Accommodates separate accounts; processes multiple plan years concurrently; incorporates up to five organizational levels and up to three employee identification numbers; handles uniform coverage regulations; assists in reconciling account activity to other systems; provides audit trails; processing period may be defined; provides participant statements, management reports and detailed historical records for deposits, requests and pay-

ments; retrieves basic data, election information and deposit amounts from downloaded or transferred files; user ID/passwords and functional level security. Communicates with employees through employee statements and EOBs. Optional modules include FlexKey for Windows.

■ **FlexKey/FlexLink.**
System requirements: IBM compatible PC, 256K RAM (640K recommended); mainframe. Operates in DOS.

Customized system.
First Installation: 1984.
Total Installations: 51; six in employee benefit departments.

Benefits managed: Flexible benefits, group health plans, life insurance.
Features: Enrollment and on-going processing; access to enrollment and eligibility; personalized enrollment materials and confirmation statements; eligibility testing and computation of credits, prices and benefits coverage; interfaces with other systems; ad hoc queries/reports; communicates information through on-line display and remote/local printing; data transfer between PC and FlexKey; mailing services to send/receive information from employees. Optional FlexLink time-share module available.

■ **Total Retirement System (TRS).**
System requirements: IBM compatible PC, 4MB RAM or mainframe. Operates in PC-DOS or mainframe MUS.

First Installation: 1989.
Total Installations: 52; five in employee benefit departments.

Benefits managed: Retirement/pensions.
Features: Modular system; provides valuation and reporting of pensions and retiree medical plans; asset/liability modeling/projection; valuation/modeling, regulating/accounting and management reports; data management module performs data collection and editing.

■ **415 Express.**
System requirements: IBM compatible PC, 1MB RAM. Operates in DOS.

Customized system.
First Installation: 1988.
Total Installations: 50; eight in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Tests for compliance with Section 415 combined limits; customized defined benefit plan provisions; recognizes benefits grandfathered under pension laws; projects limits to future determination dates.

■ **Social Security Calculation System.**
System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

First Installation: 1979.
Total Installations: 140, all in employee benefit departments.

Benefits managed: Social Security benefits.
Features: Calculates OASDI benefits under Social Security law in effect at any time since 1975.

User support: User groups/meetings*, onsite training, telephone assistance 15 hours per day, system installation, disaster recovery.

* Included in system price.
Staff: 3,360 total.
Clients: 9,000 total.
Officers: Peter Coster, chairman; Edward G. Pringle, executive vp/head of Office of Information Technology.
Contact: Edward R. Angel, principal.

Methods Development Inc.

431 Carlisle Drive, Hemdon,
Va. 22070; 703-478-2490;
fax: 703-478-2490

Benefit systems since: 1981.
Software products:

■ **Clean Claims.**
System requirements: IBM compatible PC, single user and LAN versions. Operates in DOS and Novell.

Customization optional.
First Installation: 1982.
Total Installations: 18, all in employee benefit departments.

Benefits managed: Group health plans.
Features: Claims processing program. Performs clinical and plan adjudication; automatic vector pricing capability for UCR, RBRVS, CRVS, multiple PPOs and plan pricing schedules. TTN management; COB control; extensive reporting; simplified loading/maintenance of benefit schedules. Worksheet layout matches new HFCA 1500. Is procedure driven. Controls plan through date and dollar threshold values. Integrates group billing, administration and eligibility. May be combined with other Methods Development programs.

■ **Disability Income System.**
System requirements: IBM compatible PC, single user and LAN versions. Operates in DOS and Novell.

Customization optional.
First Installation: 1982.
Total Installations: 16, all in employee benefit departments.

Benefits managed: Disability.
Features: Performs all functions to record, register, set-up manual or automatic pay out schedule, complete diary functions, check printing and accountability. Provides check history file screen. Full management reporting. May be combined with other Methods Development programs.

■ **KidCOBRA.**
Price: \$99.
System requirements: IBM compatible PC, single user and LAN versions. Operates in DOS and Novell.

Customization optional.
First Installation: 1987.
Total Installations: 2,000, all in employee benefit departments.

Benefits managed: COBRA.
Features: Provides notification statement; automatically monitors "time-event" sequences; produces monthly billing statements, termination and cancellation notices; tracks individual claims activity and status in participant ledger record; generates reports to aid in monitoring/control of plan, audits and IRS compliance. May be combined with other Methods Development programs.

■ **Pension System.**
System requirements: IBM compatible PC, single user and LAN versions. Operates in DOS and Novell.

Customization optional.
First Installation: 1982.
Total Installations: 11, all in employee benefit departments.

Benefits managed: Retirement/pensions.
Features: On-line modular system. Records contributions to pension entitlement, provides historical record for pay out and actuarial activities, provides for pay out of scheduled benefits. Designed to accommodate multi-users and multi-companies. May be combined with other Methods Development programs.

■ **Taft-Hartley Fund Administration.**

System requirements: IBM compatible PC, single user and LAN versions. Operates in DOS and Novell.

Customization optional.
First Installation: 1982.
Total Installations: Eight, all in employee benefit departments.

Benefits managed: Taft-Hartley organization funds.
Features: Administers membership and employers, provides contribution posting for up to five funds, complete eligibility processing system including hour bank administration, comprehensive financial/demographic reporting. May be combined with other Methods Development programs.

User support: User groups/meetings, onsite training, telephone assistance eight hours per day.

Staff: Six total, five professionals.
Clients: 274 total, including 32 benefit departments. Sold systems to 18 clients in 1993.

Officers: Martin Alfonsi, president; Robert Steel, vp-operations; Daniel Platko, vp-finance.
Contact: Gilbert Mehling, vp-marketing.

N

National Claims Administrative Services

3702 Pender Drive, Suite 200,
Fairfax, Va. 22030; 703-934-6267;
fax: 703-934-6279

Benefit systems since: 1985.

Parent: GHMSI.
Software products:

■ **Insurdata Inc.**
Price: \$11,500.
System requirements: System packaged with leased hardware based on account size/need. Operates in UNIX.

Customization optional.
First Installation: 1983.
Total Installations: 13; three in employee benefit departments.

Benefits managed: Flexible benefits, short term disability, COBRA, group health plans, dental and vision.
Features: Enrollment, eligibility verification, precertification, claims management, tracking reinsurance liability, ad hoc report generation, claims experience, lag study, length of stay, duplicate claims and PPO savings. Optional modules include prescription drug comparison of generic vs. brand, PPO access, flexible spending account access, precertification access, COBRA access and claims edit data base.

User support: User groups/meetings*, onsite training, telephone assistance eight hours per day, user manuals.

* Included in system price.
Officers: William G. Hendren, president; David A. Kreager, vp-marketing; Jane S.

LeRoy, vp-operations.
Contact: David A. Kreager or Karen L. McDonald.

NRM Computer Systems Inc.

4309 Hacienda Drive, Suite 483,
Pleasanton, Calif. 94588;
510-734-9400; fax: 510-734-8631

Benefit systems since: 1981.

Software products:
■ **NRM Workers' Comp/Managed Care Systems**

Price: \$25,000 + \$1,500 per user.
System requirements: IBM compatible PC, 16MB RAM; versions for single user, LAN, mainframes and most micro- and mini-computers. Operates in UNIX, Windows, Windows NT or OS/2.

Customization optional.
First Installation: 1981.
Total Installations: 100; 75 in employee benefit departments.

Benefits managed: Workers comp.
Features: Claims management, medical case management, tracking reinsurance liability, disability duration monitoring/control, ad hoc reporting. Available in both character and Graphical User Interface systems. Optional modules include group health.

User support: User groups/meetings, onsite training, telephone assistance eight hours per day.

Staff: 18 total, 12 professionals.
Clients: 75 total. Sold systems to five clients in 1993.

1993 revenues: 5% from hardware sales, 75% from software sales, 20% from software services.

Officers: Frank E. Amatelli, president.

P

P&W Software

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

Benefit systems since: 1984.

Software products:
■ **POWER PLUS.**
Price: \$18,000.

System requirements: IBM compatible PC, 530K RAM; single user and LAN versions. Operates in DOS.

Customization optional.
First Installation: 1987.
Total Installations: 171; 129 in employee benefit departments.

Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.

Features: Data import and export, ad hoc reports, benefit eligibility determination, benefit election recording (bar code & IVR entry), payroll deduction

Continued on next page

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THEY NEED?

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Continued from previous page

interfaces, insurer eligibility interfaces, premium report calculations, benefit ID card preparation, discrimination testing, highly compensated/key employee determination, COBRA benefit management. Flexible Spending Accounts: claims management, direct deposit payments, employee statements and letters, complete audit trails, W2 reports, forfeiture reports. Built-in personalized enrollment forms. Optional telephone enrollment; eligibility verification; flexible spending account balances, check printing (MICR) and links to medical claims processors; electronic interfaces to payroll systems and insurance vendors.

User support: User groups/meetings, on-site training, telephone assistance *, system set-up, enrollment assistance.

* One year of service included in system price.

Staff: Eight total, all professionals.

Clients: 171 total, including 129 benefit departments. Sold systems to 32 clients in 1993.

Officers: Tom Philipp, president; Mike Wilson, vp.

Contact: John Tefft, director-sales/marketing, 301-854-2068.

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300,
Westlake, Ohio 44145; 216-871-8611;
fax: 216-871-7485

Benefit systems since: 1976.

Software products:

■ BCS.

Price: \$25,000-\$45,000.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS or Windows.

Customized system.

First Installation: 1978.

Total Installations: Nine, all in employee benefit departments.

Benefits managed: Retirement/pensions.

Features: Defined benefit claim calculation system to document provisions and administrative procedures; permits historic recalculation of benefits under historic plan provisions/law; what-if capabilities for differing retirement dates, annuities, etc. Options include ancillary pension database (or linking) and relational database with report writer for medical administration and related functions for retiree and inactive participants.

User support: User groups/meetings *, onsite training *, telephone assistance eight hours per day *, on-line modem support *.

* Included in system price.

Staff: 23 total, 16 professionals.

Clients: 20 total, including 12 benefit departments. Sold systems to four clients in 1993.

1993 revenues: \$1.5 million total. \$300,000 from employee benefit information systems sales and services, 80% from software sales, 20% from software services.

Officers: John R. Parsons, chairman; Mark S. Sommers, president; Richard S. Wargo, managing actuary; Annette Abramczyk, Todd A. Robinson, principals.

Contact: Mark S. Sommers or John R. Parsons, 800-758-6824.

The Benefit Communications Systems directory will run Aug. 15. Directory terms and methodology explained on page 21.

PEAK 1 Resources Inc.

10394 W. Chatfield Ave., Suite 108,
Littleton, Colo. 80127; 303-933-1000;
fax: 303-933-1001

Benefit systems since: 1990.

Software products:

■ HYPERPrep 1099.

Price: \$350.

System requirements: IBM compatible PC, 400K RAM; single user and LAN versions. Operates in DOS or Windows.

First Installation: 1990.

Total Installations: 250; 100 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, retirement/pensions.

Features: Government reporting for IRS 1099-R, IRS 1099-MISC and 1099-DIV; validates all form entries for completeness and consistency; on-line official IRS instructions; data import capabilities; retains information on previous year's filings.

■ HYPERPrep Q-Forms.

Price: \$695.

System requirements: IBM compatible PC, 400K RAM; single user and LAN versions. Operates in DOS or Windows.

First Installation: 1990.

Total Installations: 600; 250 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, profit sharing, retirement/pensions.

Features: Government reporting for IRS 5300 Series and PBGC 500/600 Series; produces filings for employee benefit plan submissions and terminations; on-line official IRS instructions.

■ HYPERPrep R-Forms.

Price: \$575.

System requirements: IBM compatible PC, 400K RAM; single user and LAN versions. Operates in DOS or Win-

dows.

First Installation: 1990.

Total Installations: 1,800; 1,000 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, profit sharing, retirement/pensions.

Features: Government reporting for IRS 5500 Series and PBGC Form 1; validation of all form entries; on-line official IRS instructions; automatic calculations; three years worth of forms provided, retains information from year-to-year. Optional modules include summary annual employee report generation and magnetic tape filing capability.

User support: Telephone assistance 11 hours per day *.

* Included in system price.

Staff: 15 total, 11 professionals.

Clients: 1,800 total, including 1,000 benefit departments. Sold systems to 450 clients in 1993.

Officers: Geoffrey J. Schmidt, president; Gerald R. Schmidt, executive vp.

Contact: Gerald R. Schmidt.

PeopleSoft Inc.

1331 N. California Blvd., Walnut
Creek, Calif. 94596; 510-946-9460;
fax: 510-946-9461

Benefit systems since: 1989.

Software products:

■ PeopleSoft HRMS.

Price: Starts at \$100,000.

System requirements: Operates in a client/server environment; supports a range of PC-LAN, mainframe and minicomputers. Operates in Windows NT, OS/2, MVS, UNIX, VAX-OSF, VAX-VMS or MPE/IX.

Customization optional.

First Installation: 1989.

Total Installations: 300.

Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, Social Security benefits, health and safety, ADA accommodations.

Features: Modular system comprised of three benefits modules. PeopleSoft Human Resources establishes plan requirements for health, life, savings, disability, leave of absence, vacation buy/sell and flexible spending accounts; provides on-line, real-time enrollments; tracks dependents/beneficiaries; provides Section 129, 401(k) and 401(m) non-discrimination testing; manages COBRA; provides on-line inquiry and standard reporting. PeopleSoft Benefits Administration module allows set-up and administration of flexible credits and cafeteria-style plans; automates open enrollment processing and maintenance changes; provides personalized employee communication statements for election notification and enrollment confirmation. PeopleSoft Flexible Spending Account Administration tracks and manages health/dependent care flexible spending account claims and payments. Optional features include interface with TALX TeleFlex voice response system, provides job postings and personal employee information.

User support: User groups/meetings *, onsite training *, telephone assistance 24 hours per day *.

* Included in system price.

Staff: 400 total, 150 professionals.

Clients: 300 total. Sold systems to 140 clients in 1993.

1993 revenues: \$58.19 million total. \$30.32 million from employee benefit information systems sales and services.

Officers: David A. Duffield, president/CEO; Kenneth R. Morris, senior vp-product development; Albert W. Duffield, senior vp-sales/marketing; Margaret L. Taylor, senior vp-customer services; Ronald E.F. Codd, senior vp-finance/administration.

Contact: PeopleSoft telemarketing, 800-947-7753.

Policy Management Systems Corp. (PMSC)

P.O. Box 10, Columbia, S.C. 29202;
803-735-4228; fax: 803-735-6106

Benefit systems since: 1982.

Software products:

■ Claims Administration System (CAS II).

System requirements: Mainframe.

Customization optional.

First Installation: 1982.

Total Installations: 14; 10 in employee benefit departments.

Benefits managed: Workers comp, disability, COBRA, group health plans, life insurance.

Features: Enrollment, eligibility verification, precertification, claims manage-

ment, EDI support/electronic claims submission, automated claims processing, provider and cost management. Automated generation of drafts, EOBs, form letters and reports. Optional modules include GMIS's Claim-Check and Autocoder; third-party systems and ProCLEAN (data clean up/standardization).

■ Health Enterprise Solution (HES).

System requirements: Mainframe.

Customization optional.

First Installation: 1991.

Total Installations: 18.

Benefits managed: Workers comp, disability, COBRA, group health plans, group life insurance.

Features: Processing service/software. Enrollment, eligibility verification, member billing, provider administration and reimbursement, credentialing, network maintenance, benefit calculations, capitation services, on-line claims adjudication, point of service processing, EDI support, utilization management, encounters processing, tailored reporting. Optional modules include ProCLEAN and MDS (ad hoc reports/queries).

■ GroupComm/Group Administration System.

System requirements: IBM compatible mainframe.

Customization optional.

First Installation: 1981.

Total Installations: 35.

Benefits managed: Workers comp, disability, COBRA, group health plans, life insurance, retirement/pensions.

Features: Provides integrated administrative functions, including enrollment data, coverage/plan selection and COBRA administration. Interfaces with claims administration system.

■ Provider Information Management System.

System requirements: IBM compatible PC LAN (OS/2 operating system) or mainframe.

Customization optional.

First Installation: 1993.

Total Installations: Three.

Benefits managed: Workers comp, disability, group health plans.

Features: Provider network management system. Provides integrated administrative processing functions including enrollment data, coverage/plan selections and COBRA administration. Tracks credentials, accreditation and pricing exceptions; supports precertification, claims management, utilization review, medical case management. Customer defined inquiry and reporting capabilities. Optional modules include Capitation Facility for payment of prenegotiated contracts, MDS and ProCLEAN.

User support: User groups/meetings, on-site training, telephone assistance 10 hours per day *.

* Included in system price.

Staff: 4,200 total.

Officers: G. Larry Wilson, CEO/president; Timothy V. Williams, CFO; Charles Callahan, group manager/executive vp-Life, Health & Information Services Group; Jeffrey S. Bragg, group manager/senior vp-Health & Insurance Services Group.

Contact: Gwen Holliday, consultant.

R

RDD Corp.

3825 Academy Parkway South N.E.,
Albuquerque, N.M. 87109;
505-345-6212; fax: 505-344-4221

Benefit systems since: 1971.

Software products:

■ MPOWER.

Price: Varies with software lease, turn-key or shared service options.

System requirements: IBM compatible PC; single user, LAN and mainframe versions. Operates in DOS, Windows, OS/2 or MVS.

Customization optional.

First Installation: 1971.

Total Installations: Eight.

Benefits managed: COBRA, group health plans.

Features: Eligibility, enrollment, precertification, claims management, utilization review, case management, tracking disability duration, provider contract management, accounts receivable, premium billing, capitation, ad hoc reporting, credentialing, electronic data interchange and broker/agent management for self-insured/self-funded plans. Built-in employee communication through dedicated phone lines, on-line, tape, hard copy,

Continued on next page

"Suddenly, I was getting calls about pensions, health insurance and 401(k) plans ..."

Maureen Ruelas
Human Resources Representative
Talley Defense Systems



"Last year, when our benefits administrator retired, I was given responsibility for Talley's benefits programs. From day one, I began to receive calls from employees asking for information and advice about their insurance and retirement plans. I knew parts of the answers, but I realized I needed additional training in benefits management and I needed it fast!

My supervisor suggested that I look into the CBP (Certified Benefits Professional) seminars that are available from the American Compensation Association (ACA).

My immediate challenge was calculating pensions and dealing with 401(k) plans. What I needed was an overview of the entire process, from beginning to end. I needed to know how to talk about pensions and 401(k) plans with our employees and managers.

I signed up for my first ACA seminar and knew I was on the right track. I've now taken four ACA benefits seminars. All were practical, well taught and provided a "today's view" of what it means to be a benefits professional. I like the two-and-a-half-day format. I get what I need without too much time away from the office.

Would I recommend ACA certification seminars to my peers? Without hesitation - absolutely!"

No surprise to us - ACA meets Maureen Ruelas' benefits training needs. ACA has been serving the profession since 1955. For a copy of the latest seminar catalog, which includes schedules of ACA seminars in your area, please call us at 602/951-9191.



14040 N. Northlight Blvd., Scottsdale, AZ 85260
602/951-9191 • Fax 602/483-8352

Continued from previous page
microfiche and voice response. Optional modules include claims unbundling, clinical practice protocols and financial subsystems interface.

User support: User groups/meetings*, onsite training, telephone assistance eight hours per day*, conversion support*, configuration/installation assistance*.

* Included in system price.

Staff: 42 total, 35 professionals.

Clients: Eight total. Sold systems to one client in 1993.

1993 revenues: Employee benefit information systems: 10% from software sales, 90% from software services.

Officers: William Reilly, president; Lawrence Dike, Robert Doshier, executive vps; Bomi Parakh, vp-marketing; Armand Morin, vp-operations; Brad Stamatz, vp-finance.
Contact: Bomi Parakh.

Resource Information Management Systems Inc. (RIMS)

P.O. Box 3094, Technology Drive,
Naperville, Ill. 60566-7094;
708-369-5300; fax: 708-369-5168

Benefit systems since: 1981.

Software products:

■ QicClaim/2 Health Benefits & Managed Care Administration System.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions, HP 9000 series, IBM RS/6000, Data General AViiON. Operates in PC-DOS or UNIX.

Customization optional.

First Installation: 1981.

Total Installations: 459; 90 in employee benefit departments.

Benefits managed: Flexible benefits, workers comp, disability, COBRA, group health plans, prescription drugs, dental, vision.

Features: Provides comprehensive tracking, reporting and adjudication capabilities; eligibility verification, duplicate claim editing, comparison of current charges to accumulated history, provider payment updates. Optional modules include flexible spending programs, medical case management, PPO/HMO administration and reporting, dental benefits administration, pre-admission certification, billing, ad hoc report generation, MICR laser printing, telephone call reporting/tracking, claims editing/unbundling, electronic claims submission, workers comp 24-hour coverage, document image management/OCR, relational data base for executive information system.

User support: User groups/meetings*, onsite training, telephone assistance 11 hours per day.

* Included in system price.

Staff: 187 total, 110 professionals.

Clients: 459 total, including 90 benefit departments. Sold systems to 47 clients in 1993.

1993 revenues: \$25.2 million total. \$24.2 million from employee benefit information systems sales and services, 23% from hardware sales, 38% from software sales, 39% from software services.

Officers: Tom Heimsoth, chairman; Terry Kirch, president; Jerry Horwitz, vp-finance; Charles Pyne, vp-sales; Rocky Rockett, vp-client services; Bob Gant, vp-research/development.
Contact: Ellen Lockwald, manager-market development.

S

SBC Systems Corp.

30 Perimeter Center E., Suite 203,
Atlanta, Ga. 30346; 404-399-6321;
fax: 404-399-6322

Benefit systems since: 1977.

Software products:

■ Benefits Workstation.

System requirements: IBM compatible PC, single user and LAN versions. Operates in Windows or client server.

Customization optional.

First Installation: 1977.

Total Installations: 125; 70 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, COBRA, profit sharing, retirement/pensions.

Features: Manages defined contribution, 401(k), 403(b), defined benefit, health and welfare/flexible benefit plans and deferred compensation plans. Functions include benefit communication, eligibility verification, discrimination

testing and ad hoc reporting. Flex administration includes enrollment, credit calculations, spending accounts maintenance and benefit statements. Allows for pre- and post-tax benefits. Defined contribution administration includes contributions, investments and loans. Defined benefit administration includes valuation capabilities and benefit calculations. Interfaces with voice response/communication systems. Options include COBRA benefits and retiree payroll.

User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.

* Included in system price.

Staff: 10 total, all professionals.

Clients: 125 total, including 70 benefit departments. Sold systems to 10 clients in 1993.

1993 revenues: 100% from employee benefit information systems: 65% from software sales, 35% from software services.

Officers: Murray Goldman, president; Eva Chang, executive vp; Margaret King, vp-product services.
Contact: Runae Sawdey, sales/marketing.

SBPA Systems Inc.

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

Benefit systems since: 1975.

Software products:

■ GBAS (Group Benefits Administration Systems).

System requirements: Digital Equipment Corp. (DEC) VAX. Operates in VMS.

Customization optional.

First Installation: 1975.

Total Installations: 52; 13 in employee benefit departments.

Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.

Features: Claims adjudication, unbundling, letters, ID cards, billing, eligibility verification, carrier reports, commissions, agent licensing, utilization review, S125, claim review features, claim registration, ad hoc report generator, PPO repricing, reinsurance flags and reporting, fund accounting, electronic data interchange (available soon).

User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*, annual seminars*, principal's seminar*, user interface publication*.

* Included in system price.

Staff: 16 total, 15 professionals.

Clients: 38 total, including 13 benefit departments. Sold systems to three clients in 1993.

1993 revenues: \$1.44 million total. All from employee benefit information systems sales and services, 10% from hardware sales, 30% from software sales, 60% from software services.

Officers: Arnold Heinrich, president; Tim Stunz, executive vp; Donna Smith, vp.
Contact: Arnold Heinrich or Donna Smith.

The Segal Co.

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

Software products:

■ Segal/Flex.

System requirements: IBM compatible PC, single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1993.

Total Installations: 10, all in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance.

Features: Enrollment, eligibility verification, election changes, primary care physician selection tracking, discrimination testing, enrollment form generation, flexible spending account processing, premium billing, security features, deduction processing, interface capabilities with insurance companies, data import/export facility, ad hoc data analysis/reports, generates enrollment forms and confirmation statements, customized report writer, tax-saving illustrations, on-screen query builder. Optional module provides bar-code reader for election entry.

■ PenPal.

System requirements: IBM compatible 486 PC, 4MB RAM. Operates in DOS.

Customized system.

First Installation: 1993.

Total Installations: Six, all in employee benefit departments.

Benefits managed: Retirement/pensions, social security benefits.

Features: Performs estimated or actual pension calculations for normal and early retirement, death, disability and vested terminations; estimates social security benefits; data verification; what-if scenarios; generates participant notification and election forms; provides on-line help screens. Optional modules produce employee benefit statements; perform group calculations, data base management and customized data listings.

■ Segal Evaluator.

System requirements: IBM compatible PC, 1.4MB RAM, 4MB disk space, VGA color monitor recommended. Operates in MS-DOS or PC-DOS.

Customized system.

First Installation: 1981.

Total Installations: 120.

Benefits managed: Compensation/salaries.

Features: Internal job evaluation system; correlates job content with pay; quantifies job components in dollars; produces reports and automated job descriptions.

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

* Included in system price.

Staff: 649 total, 500 professionals.

Officers: Robert D. Krinsky, chairman; Dale B. Grant, vice chairman; Howard Fluhr, president; Richard Frenzel, executive vp.

Contact: Robert A. Liberto, vp, 212-251-5324.

Select Software Inc.

912 12th Ave., Suite B, Nampa,
Idaho 83651; 208-463-8060;
fax: 208-463-8015

Benefit systems since: 1986.

Software products:

■ MULTIFLEX-2000.

Price: \$2,000.

System requirements: IBM compatible PC, 4MB RAM; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customization optional.

First Installation: 1987.

Total Installations: 60; 40 in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, disability, COBRA, group health plans, life insurance, social security benefits.

Features: Employees and dependent enrollment and re-enrollment, eligibility verification, enrollment form and confirmation letter generation, form return tracking. Correspondence tracking and file notation. Benefit change tracking, transaction history, vendor reporting, ad hoc data analysis and reporting with query and drag-and-drop features, flexible spending account check writing and discrimination testing. Options include employee benefit statement and Windows-based form generation.

User support: User groups/meetings, onsite training, telephone assistance 10 hours per day, updates.

Staff: Four total, three professionals.

Clients: 60 total, including 40 benefit departments.

1993 revenues: \$310,000 total. \$295,000 from employee benefit information systems sales and services, 20% from hardware sales, 50% from software sales, 30% from software services.

Officers: Joseph E. Weatherby, president.

Spectrum Human

Resource Systems Corp.

1625 Broadway, Suite 2700, Denver,
Colo. 80202; 800-477-3287;
fax: 303-592-3227

Benefit systems since: 1984.

Software products:

■ HR/Pay.

System requirements: IBM compatible PC, 4MB RAM. Operates in PC-DOS or MS-DOS.

Customization optional.

First Installation: 1984.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions.

Features: Integrated human resource/payroll management system; automated benefit administration; streamlined compensation management; monitors labor costs and job performance; calculates eligibility dates, employee deduction, employer contribution; provides census data; integrates COBRA/ERISA requirements; tracks participation; stores all payroll/employee records; provides historical data; confirms compliance with gov-

ernment regulations; provides wide range of reporting functions. Optional modules include flexible benefits and spending administration, COBRA and executive compensation.

User support: User groups/meetings, onsite training, telephone assistance 11 hours per day, data transfer/conversion, consulting, implementation.

Staff: 140 total.

Officers: James Spoor, Nancy Spoor, vp-marketing.

StellarNet Inc.

185 Berry St., San Francisco,
Calif. 94107; 415-882-5700;
fax: 415-882-5718

Benefit systems since: 1989.

Software products:

■ StellarNet Employer Reporting Module.

Price: \$2,900.

System requirements: IBM compatible PC, 4MB RAM. Operates in DOS.

Customization optional.

First Installation: 1990.

Total Installations: Seven, all in employee benefit departments.

Benefits managed: Workers comp.

Features: Automated employer's report of occupational injury/illness; electronic mail; electronic submission to state.

User support: User groups/meetings*, onsite training*, telephone assistance 24 hours per day*.

* Included in system price.

Staff: 34 total, 29 professionals.

Clients: Five total, all benefit departments. Sold systems to three clients in 1993.

1993 revenues: Employee benefit information systems: 10% from hardware sales, 25% from software sales, 65% from software services.

Officers: John Stevens, chairman/CEO; Howard Belden, vp; Anne Holman, vp-service division; Jim Bobb, vp-research/development; John Burg, vp-hospital division.

Contact: Howard Belden.

T

TXEN Inc.

10 Inverness Center Parkway, Suite
140, Birmingham, Ala. 35242;
800-962-2540 ext. 115;
fax: 205-995-8640

Benefit systems since: 1989.

Software products:

■ Managed Healthcare System.

Price: \$150,000 turnkey.

System requirements: IBM compatible PC network, IBM AS/400. Operates in OS/400.

WHAT'S SO ATTRACTIVE ABOUT OUR NON-PROFIT D&O?

We developed our Non-Profit D&O to address the specific legal and administrative issues of serious concern to non-profits:

- Coverage for all employees, volunteers, and committee members, not just directors and officers.
- Payment of defense costs as bills come in, not only after settlement.
- Can provide full prior acts coverage.
- Covers insured person vs. insured person actions.
- Coverage for the organization and the insured persons.
- Employment Practices (optional).

Customization optional.

First Installation: 1989.

Total Installations: 23.

Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.

Features: Packaged modules include membership/eligibility, providers, claims, billing, correspondence, references, general ledger, accounts payable, accounts receivable, PPO repricing, provider withhold, risk funds, capitation, referral and authorization processing, primary care provider processing and utilization review reporting. Optional modules include flexible spending, bundling/unbundling, electronic claims and ACCESS/MHS (PC reporting system).

User support: User groups/meetings, onsite training*, telephone assistance 11 hours per day*, custom programming.

* Included in system price.

Staff: 36 total, 35 professionals.

Clients: 23 total, including three benefit departments. Sold systems to 11 clients in 1993.

1993 revenues: \$2.5 million total, all from employee benefit information systems sales and services: 10% from hardware sales, 10% from software sales, 80% from software services.

Officers: Tom Patterson, president; Paul Reaves, vp; Roy Sailor, vp-operations; Dick Waggener, vp-technology development.

Contact: Amy Knowles, director-marketing.

Tesseract

475 Sansome St., San Francisco,
Calif. 94111; 415-834-4196;
fax: 415-981-4600

Software products:

■ Tesseract's Benefit Plan Administrator (BPA).

System requirements: IBM compatible PC or mainframe. Operates in DOS, Windows, OS/2, UNIX, OS/MVS or DOS/VSE.

Customization optional.

First Installation: 1980.

Total Installations: 122, all in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, COBRA, retirement/pensions.

Features: Administration of medical, dental, life, disability and vision plans; current/retrospective payroll deduction calculations; carrier and stop loss payments; election and confirmation forms; financial/administrative reporting. Optional employee communication features include benefit kiosks and voice response system. Optional modules include defined contribution and defined benefit administration.

User support: User groups/meetings, onsite training, telephone assistance eight hours per day.

Staff: 186 total, all professionals.

Continued on next page

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Executive Risk
Management Associates

Continued from previous page

Officers: Woodson M. Hobbs, president/CEO; Ron Ellis, vp-sales; Lyn Jensen, CFO; Gary Durbin, vp-technology; Val Vaden, vp-marketing.
Contact: Julie Reber, marketing coordinator.

Towers Perrin

1500 Market St., Centre Square E., Philadelphia, Pa. 19102-4790; 215-246-6000; fax: 215-246-6251

Benefit systems since: 1970.

Software products:

■ AccountManager.

System requirements: Mainframe. Operates in MVS.

Customized system.

First Installation: 1988.

Total Installations: 135, all in employee benefit departments.

Benefits managed: 401(k) plans.

Features: Recordkeeping system which values accounts at any frequency (including daily); prospective compliance testing; customized, standard and ad hoc reporting; check production with clients' checks; customized statements; integrated telephone and on-line access systems for inquiry/data entry (including loan and withdrawal modeling); stand-alone ADP/ACP projection and testing.

■ FlexManager.

System requirements: IBM compatible PC. Operates in UNIX.

Customized system.

First Installation: 1987.

Total Installations: 60, all in employee benefit departments.

Benefits managed: Flexible benefits.

Features: Administration of flexible benefit plans and flexible spending accounts; communicates benefit programs to employees.

■ PensionManager.

System requirements: IBM compatible PC. Operates in DOS.

Customized system.

First Installation: 1986.

Total Installations: 260, all in employee benefit departments.

Benefits managed: Retirement/pensions, Social Security benefits.

Features: Maintains data base of defined benefit plan information, performs pension/Social Security calculations, assists in actuarial data preparation and government compliance, communicates benefit programs to employees.

User support: User groups/meetings *, on site training *, telephone assistance *.

* Included in system price.

Staff: 4,700 total, 3,400 professionals.

Clients: 625 total. Sold systems to 50 clients in 1993.

Officers: John T. Lynch, chairman/CEO.
Contact: W. David Thompson, 215-246-6505.

Travis Software Corp.

P.O. Box 820469, Houston, Texas 77282; 713-496-3737; fax: 713-496-4022

Benefit systems since: 1986.

Software products:

■ Corporate Cobra Manager.

Price: \$1,295.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1986.

Total Installations: 3,243; 2,797 in employee benefit departments.

Benefits managed: Leave of absence, COBRA.

Features: Automatically produces all required letters and notices for COBRA administration, tracks enrollment periods, bills premium, provides full reporting of premium collected and other COBRA activity. Optional modules include custom letter writer, report writer, downloading and network module.

■ Retiree Premium Billing System.

Price: \$1,295.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1988.

Total Installations: 494; 486 in employee benefit departments.

Benefits managed: Group health plans.

Features: Creates premium notices using multiple billing frequencies, provides receivables aging capability and full reporting of premiums collected. Optional modules include custom letter writer, report writer and networking.

■ T-BAR (Travis Benefit, Administration & Reporting System).

Price: \$995.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1994.

Total Installations: 10, all in employee

benefit departments.

Benefits managed: Group health plans.

Features: Collects data concerning benefit plan participation by employees and dependents, produces FORM H2, communicates benefit participation employees via printouts. Optional modules include custom letter writer, report writer and networking.

■ TravisFlex.

Price: \$1,295.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 701; 656 in employee benefit departments.

Benefits managed: Flexible benefits.

Features: Cafeteria plan enrollment and administration, accounts for flexible spending account contributions and disbursements, provides printouts for benefit election and eligibility. Optional modules include custom report writer and networking.

User support: Telephone assistance eight hours per day *, training at Travis offices.

* Included in system price.

Staff: 17 total, 10 professionals.

Clients: 3,192 total, including 2,894 benefit departments. Sold systems to 143 clients in 1993.

1993 revenues: \$1.79 million total; all from employee benefit information systems sales and services including, 34% from software sales, 66% from software services.

Officers: Alan H. Williams, president; John Worner, vp.

Contact: Alan H. Williams.

Trilog Inc.

1 Logan Square, Philadelphia, Pa. 19103; 215-564-3404; fax: 215-564-3455

Benefit systems since: 1966.

Parent: CIGNA.

Software products:

■ MicroShare Thrift 401(k).

Price: \$6,000.

System requirements: IBM compatible PC, 256K RAM. Operates in MS-DOS, PC-DOS or Novell.

Customization optional.

First Installation: 1984.

Total Installations: 120; 20 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing, ESOPs.

Features: Defined contribution recordkeeping, including 401(k), employee post-tax, IRA and ESOP plans; handles a combination of contribution and accounting methods; uses standard and customized schedules; generates administrative reports, statements and tax forms; supports data export and payroll contribution/loan data import; batch data entry program provided.

User support: On site training *, telephone assistance eight hours per day *.

* Included in system price.

Staff: 52 total.

Clients: 37 total, including 12 benefit departments. Sold systems to two clients in 1993.

1993 revenues: \$5.5 million total. \$200,500 from employee benefit information systems sales and services, 10% from software sales, 90% from software services.

Officers: Edward Jasudowich, president; Charles Affel, vp-technical services; Ron

Flegal, vp-customer services.

Contact: Charles Affel.

W

WLT Software of Florida Inc.

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

Benefit systems since: 1981.

Software products:

■ CHEKCLAIMS.

System requirements: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customization optional.

First Installation: 1993.

Benefits managed: Workers comp, group health plans, prescription drugs.

Features: Complete provider bill editing and billing system; provides edits for appropriate diagnosis, procedure, place of service, age, sex, frequency and modifiers; checks primary and as-

Continued on next page

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Continued from previous page
sistant surgeon fees, unbundled procedures, duplicate procedures, duplicate bills, frequency, cosmetic, incidental and elective procedures; checks followup days, non-specific diagnoses and necessity. Optional modules available.

■ **COMPCLAIMS.**

System requirements: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customization optional.

First Installation: 1985.

Benefits managed: Workers comp.

Features: Workers comp claims administration system, including reinsurance tracking; accounting; fee schedule and PPO processing; billing; claims processing; attorney tracking; management, administrative, government and safety engineering cost management reporting; bill review; 24 hour coverage. Optional modules available.

■ **MEDICCLAIMS.**

System requirements: IBM compatible PC; single user and LAN versions. Operates in DOS, Windows or OS/2.

Customization optional.

First Installation: 1981.

Benefits managed: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance, supplemental accidents, dental, vision, prescription drugs.

Features: Health claims administration/billing system including PPO processing, agent commissioning, electronic claims and automatic adjudication. Optional modules available.

User support: User groups/meetings, on site training, telephone assistance 9.5 hours per day, modem assistance, annual retrainings, newsletters and hotlines *.

* Included in system price.

Officers: William L. Tiner Jr., president; Ann M. Tiner, vp.

Contact: Tom Brooks or Chuck Brooks.

■ **WTR Data Services Inc.**

7979 Old Georgetown Road, Suite 200, Chevy Chase, Md. 20814; 301-951-7254; fax: 301-907-8212

Benefit systems since: 1985.

Parent: Williams, Thacher & Rand.

Software products:

■ Admini*Flex.

Price: \$25,000.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customized system.

First Installation: 1985.

Total Installations: 45, all in employee benefit departments.

Benefits managed: Flexible benefits, group health plans.

Features: Enrollment, eligibility for major insurers, full featured flex administration, full range of reports including ad hoc and easy-writers. Optional modules include voice response, flexible spending accounts, benefit statement generator.

■ **Hidden Pay Check.**

Price: \$1,295.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1989.

Total Installations: 40, all in employee benefit departments.

Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.

Features: Recordkeeping, graphics im-

port, benefit statements. Includes manual and sample statements.

■ **SAM-III.**

Price: \$3,500.

System requirements: IBM compatible PC, 640K RAM. Operates in DOS.

Customization optional.

First Installation: 1987.

Total Installations: 45, all in employee benefit departments.

Benefits managed: Flexible benefits.

Features: Enrollment, claims management, reporting, discrimination testing. Optional voice response module.

User support: Onsite training, telephone assistance nine hours per day *, modem support *, overnight communications *.

* Included in system price.

Staff: 141 total.

Clients: 150 total, all in benefit departments. Sold systems to 15 clients in 1993.

1993 revenues: \$200 million total. \$100 million from employee benefit information systems sales and services, 10% from hardware sales, 30% from software sales, 60% from software services.

Officers: Rich Macy, Charles G. Thacher, Jeff Levy, Thomas O. Rand.

Contact: Henry Salley, marketing director.

■ **The Wyatt Co.**

601 13th St N.W., Suite 1000, Washington, D.C. 20005; 202-508-5600; fax: 202-508-4688

Benefit systems since: 1983.

Software products:

■ **Flex Benefit Enrollment.**

Price: \$35,000-\$75,000.

System requirements: IBM compatible PC. Operates in Windows.

Customized system.

First Installation: 1993.

Benefits managed: Flexible benefits, group health plans, life insurance.

Features: Broad-based benefit administration system. Handles all aspects of enrollment, status changes, benefit tracking, deduction calculations. Personalized employee communications include enrollment materials and confirmation/benefit statements. Optional modules include flexible spending account administration and voice response.

■ **Participant Administration Software System (PASS).**

Price: \$30,000-\$50,000.

System requirements: IBM compatible PC, 560K RAM; single user and LAN versions. Operates in DOS or Windows.

Customized system.

First Installation: 1984.

Total Installations: 90; 70 in employee benefit departments.

Benefits managed: 401(k) plans, profit sharing.

Features: Supports defined contribution administration, including inquiry against account activity, transaction processing, report writing and generation of employee confirmation letters. Integrated with commercial word processing.

Continued on next page

■ **RIMS Preview - April 11th**

Ad Closing: March 30th

Highlighting upcoming events and sessions of the 32nd Annual RIMS Conference in New Orleans including a special "take out" section full of information for conference attendees.

■ **Captives/Risk Manager of The Year - April 18th**

Ad Closing: April 6th

This issue, distributed at the RIMS conference, profiles the 17th annual Risk Manager of the Year and the Risk Management Honor Roll and also includes our exclusive Directory of Captive Managers.

■ **RIMS Report: Employee Benefits & Workers Comp - April 25th**

Ad Closing: April 13th

BI editors will provide an in-depth perspective on the issues and trends highlighted at the RIMS employee benefits & workers comp sessions.

■ **RIMS Report: Risk Management - May 2nd**

Ad Closing: April 20th

This final, comprehensive look at the RIMS Conference will detail the presentations and conclusions of the RIMS risk management sessions.

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* Nationwide Survey on Business Insurance, The Wall Street Journal, 1992

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Continued from previous page
cessing packages and interactive voice response system.

■ **PREVIEW.**

Price: Starts at \$30,000.

System requirements: IBM compatible PC, 640K RAM. Operates in Windows. Customized system.

First Installation: 1990.

Total Installations: 50; three in employee benefit departments.

Benefits managed: Group health plans.

Features: Simulation model estimates the value of health plan by repayment of claims. Requires substantial claims preprocessing.

■ **PULSETAKER.**

Price: \$8,000.

System requirements: IBM compatible PC; single user and LAN versions. Operates in DOS.

Customization optional.

First Installation: 1991.

Total Installations: 30; 10 in employee benefit departments.

Features: Conducts employee surveys by telephone. Allows client to construct survey questions and response scales. Includes results reporting. Options include job-posting system.

■ **Reimbursement Account System.**

Price: \$10,000.

System requirements: IBM compatible PC, 560K RAM; single user and LAN versions. Operates in DOS or Windows.

Customization optional.

First Installation: 1983.

Total Installations: 165, all in employee

benefit departments.

Benefits managed: Flexible benefits.

Features: Administration of Section 125, health and dependent care reimbursement plans.

■ **WyCOMP/WyMAP.**

Price: \$10,000-\$30,000.

System requirements: IBM compatible PC, 520K RAM. Operates in DOS or Windows.

Customization optional.

First Installation: 1989.

Total Installations: 200, all in employee benefit departments.

Features: Fully integrated human resource planning system. Allows clients to select from compensation, job evaluation, performance management, training and development, career pathing and skills inventory modules. Generates various employee communications.

■ **WyPEN.**

Price: \$70,000-\$150,000.

System requirements: IBM compatible PC, 640K RAM; single user and LAN versions. Operates in Windows.

Customized system.

First Installation: 1990.

Total Installations: 40; 35 in employee benefit departments.

Benefits managed: Retirement/pensions, Social Security benefits.

Features: Complete pension administration including data maintenance and pension calculations.

User support: Onsite training*, telephone assistance*, modem support*.
* Included in PASS, WyPEN and WyCOMP/WyMAP system price.

Staff: 3,400 total, 2,350 professionals.

1993 revenues: \$410 million total.

Officers: A.W. (Pete) Smith Jr., president/CEO; Paul R. Daoust, executive vp/COO. **BI**

Fraud

Continued from page 2
nett, a consultant.

Louisiana regulators charge that the four men used a network of companies, including a Bahamas reinsurer, to divert \$7.7 million from Physicians National. The alleged diversions and other actions ultimately caused as much as \$40 million in losses for the medical malpractice insurer, regulators charge.

Mr. O'Keefe denied the charges in an interview.

"No money was diverted by anyone," he said, adding that "a large number of statements in (the complaints) are totally inaccurate."

None of the other defendants could be reached for comment. None has yet filed an answer.

Physicians National was ordered into liquidation in November 1991, a few months after it was placed in conservation and after it had been hit with cease and desist orders in about 14 of the 44 states where it wrote malpractice coverage.

The collapse triggered a barrage of charges and countercharges: The Insurance Department filed a lawsuit in 1992 that it has since amended to include 40 defendants, among them former Physicians National President Douglas S. Crucet, several of the insurer's

former directors and a number of affiliated companies.

The suit charges that Physicians National was improperly capitalized with borrowed money when it was formed in 1987; that it wrote malpractice coverage at rates 50% to 60% below those offered by other markets; and that Mr. Crucet and others conspired to siphon money out of the insurer through a network of affiliates (BI, May 17, 1993).

Mr. Crucet responded with a defamation suit against Louisiana Insurance Commissioner Jim Brown. A federal judge dismissed the suit as frivolous in February and fined Mr. Crucet \$10,000.

Mr. Crucet and other Physicians National officials have separately sued Mr. O'Keefe and others.

Meanwhile, Louisiana authorities in January arrested Johnny Moore, a Baton Rouge lawyer hired by the Insurance Department to represent Physicians National policyholders in the liquidation. Mr. Moore was charged with misappropriating \$527,105 from a Physicians National trust fund.

The Louisiana department fired the latest shots in the Physicians National court battles with petitions filed earlier this month in a Baton Rouge court naming Messrs. O'Keefe, Schmidt, O'Brien and Bennett.

One of the petitions charges that the four men used a group of companies they controlled to divert \$7.7 million in Physicians National funds.

In March 1991, six months before it entered conservation, Physicians National entered a management agreement with Associated Auditors Inc., a company

controlled by the four defendants, court papers note.

The following month, Mr. Schmidt took over as president of the malpractice insurer, and in May 1991 Mr. O'Brien was named director of operations for Physicians National.

Physicians National officials were told by the company's outside auditor in March 1991 that the company was insolvent by \$25 million, regulators allege. However, Mr. Schmidt and Mr. Bennett told Physicians National directors that they could still file an "acceptable financial statement" with regulators if—among other things—they entered into a reinsurance contract with Lloyd's Assurance of Louisiana, a company that Mr. O'Keefe and Mr. Schmidt controlled.

The reinsurance contract, which was never finalized, was intended only to inflate Physicians National's financial statement and was to be canceled after the statement was filed, regulators charge.

After Physicians National entered conservation, the defendants began searching for markets to take over some of its business, according to regulators. In October 1991, Mr. Schmidt signed off on a reinsurance agreement that ceded part of the malpractice book to Builders & Contractors Insurance Ltd., a Bahamas company managed by Charles A. Donaldson, the complaint says.

BCI, in turn, placed excess-of-loss reinsurance with Sphere Drake Underwriting Management (Bermuda) Ltd. Sphere Drake reinsured \$900,000 excess of \$100,000 per claim over a BCI aggregate retention of \$2.25 million. *Continued on next page*

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Continued from previous page confirmed Julian M. Griffiths, director of Bermuda-based Griffiths & Wanklyn Reinsurance Brokers Ltd., which brokered the coverage.

Regulators charge, however, that Mr. Donaldson had no authority to bind the BCI reinsurance agreement and that the Sphere Drake retrocession was intended to mislead regulators into believing that BCI had more financial support than it had.

BCI later commuted the Sphere Drake agreement, receiving a return premium of \$125,000 of the \$500,000 it had paid, Mr. Griffiths said.

Messrs. Schmidt, O'Brien and Bennett diverted about \$5.7 million in premiums from Physicians National policyholders through the reinsurance arrangement with BCI, the complaint charges. The three men wired the money to Mr. Donaldson, who immediately wired it back to Associated Insurance Consultants Inc., a New Orleans firm the defendants controlled, the complaint alleges.

The four defendants then shifted the money into other companies they controlled, including Leme Reinsurance Ltd. of the Bahamas and Lloyd's Assurance of Louisiana, regulators charge.

Mr. Schmidt, Mr. O'Brien and Mr. Bennett also received another \$2 million in fees paid to AIC, which was then managing the Phy-

Loss experience on the business was 'better than anybody expected,' says Michael O'Keefe.

sicians National malpractice book and processing claims, the suit alleges.

AIC refused to cover numerous claims that should have been assumed under the BCI agreement, generating "substantial" additional losses for the Physicians National estate, the suit charges.

Associated Auditors, AIC, Leme Reinsurance and Lloyd's Assurance all have been taken over by Louisiana regulators, according to court papers and Mr. O'Keefe.

In an interview, Mr. O'Keefe said the \$5.7 million wired to AIC represented profits on the malpractice business owed under a 90% profit commission agreement between BCI and AIC.

Experience on the business was "better than anybody expected," he maintained.

The Sphere Drake coverage was commuted because the surprisingly good loss experience made it unnecessary, Mr. O'Keefe said.

He also said that the BCI reinsurance agreement had been approved by Louisiana regulators and a state judge, and that Mr. Donaldson had the authority to bind the reinsurer.

Mr. Donaldson could not be reached.

Meanwhile, the Louisiana department also amended its earlier lawsuit against Mr. Crucet and others to add Messrs. Schmidt, O'Brien and Bennett as defendants.

Among other things, the suit alleges that the three men conspired to file false financial statements on behalf of Physicians National; negligently allowed the insurer to invest in mortgage pools through Citywide Mortgage Co., a firm owned by Mr. O'Keefe's son; and breached their fiduciary duties by investing \$3.5 million of Physicians National funds in a promissory note of Towers Financial Corp., a New York debt collection company now in bankruptcy. **BI**

NAIC delays surplus lines model law

By MEG FLETCHER

DENVER—Surplus lines brokers and insurers contend a National Assn. of Insurance Commissioners' proposal that **NAIC** would tighten financial requirements for some non-admitted insurers may dry up needed capacity.

Nearly a dozen people voiced their concerns before an NAIC working group meeting in Denver earlier this month to finalize a proposed model law on non-admitted insurance after nearly two years of work.

Word of their apprehension reached the ears of the Surplus Lines Task Force, to which the working group reports. Ultimately, a majority of state insurance regulators on the task force voted to delay further action on the proposed model law, the Non-Admitted Insurance Act, until the NAIC's next quarterly meeting in June.

The proposed model law would merge three current NAIC model laws: the Surplus Lines Model Law, the Unauthorized Insurers Model Act and the Non-Admitted Insurance Model Act.

The model law is designed to ensure U.S. policyholders are protected when non-admitted companies fail. Among other things, the act increases financial requirements for non-admitted insurers.

The working group was prepared to adopt a version of the model law in December, but delayed a vote until this month's meeting to allow for additional comments about the draft's proposed financial requirements for non-U.S. insurers, according to Stewart Keir, a New York regulator who is chairman of the working group. The working group rejected most changes proposed after the December meeting, except for adding a new provision that would establish separate financial requirements for the Institute of London Underwriters and other similar underwriting organizations.

Previously, individual ILU companies would have had to comply with stricter requirements that would apply to other individual insurers.

The new provisions would apply only to incorporated insurers that are under common administration, such as the insurers that make up the ILU. It would require such companies to have aggregate capital and surplus of \$10 billion, a three-year history of insurance business transacted outside of the United States and a \$100 million joint trust fund maintained in the United States. In addition, each company within the group must individually maintain \$25 million in capital and surplus.

Tom Dawson, an attorney with LeBeouf, Lamb, Greene & MacRae who represents 28 foreign insurers, including 14 that are ILU members, said they had "grave reservations" about establishing a \$100 million joint asset.

However, an ILU executive told the working group he would ask ILU leaders to review the measure and provide a formal response within 30 days.

Surplus lines brokers expressed their concerns that the proposed model law could lead to a reduction in surplus lines capacity in several states, especially Califor-

nia, Colorado, Texas and Washington.

Massachusetts Insurance Commissioner Linda Ruthardt agreed that unnecessarily tight regulation would inhibit new markets and make it difficult for buyers to find surplus lines coverage, especially when the current soft market hardens.

According to Mr. Keir, however, the working group expects that

a proposed model law for regulating administrative services only contracts, as well as on a proposal for regulating pilot projects designed to test 24-hour health care coverage.

The NAIC also is seeking comment on whether the property/casualty component of the Risk Based Capital Model Act should become one of the laws a state must adopt to receive accredita-

such an operational decision should be made by NAIC Executive Vp David Simmons with advice from the group's Executive Committee. Also, Mr. Walsh said confusion could result because the NAIC handles some international issues, like trade policies, in its Washington office.

• Discussed breaking down insurer underwriting data by ZIP code.

Insurers' generally fear that such information could be made public and misused or misconstrued by competitors and critics, for example, to support allegations of redlining.

The Insurance Availability and Affordability Task Force decided that it will release only aggregate data from insurers in its study of alleged redlining, said District of Columbia Commissioner Robert Willis, who is the task force's chairman.

However, insurer-specific data will be confidentially provided to individual insurance commissioners, who can decide whether or not to impose sanctions on any insurer found to be engaging in discriminatory underwriting.

In addition, the Commercial Lines Property and Casualty Insurance Committee decided to continue studying the appropriateness of providing loss data by ZIP code. **BI**

The NAIC's model law is designed to ensure that U.S. policyholders are protected when non-admitted companies fail. Among other things, the act would increase financial requirements for non-admitted insurers.

"the marketplace will probably be able to absorb shifts (in capacity)."

In addition, the working group responded to complaints from brokers and developed a new provision in the model act that would provide "a safe harbor" exempting surplus lines brokers from liability when they only provide consulting services and do not actually place coverage.

Also at the meeting in Denver, NAIC regulators:

• Asked for public comment on

tion. Risk-based capital standards for life/health insurers have been adopted as part of the accreditation program.

• Shelved a proposal to change the name of the Non-Admitted Insurers Information Office, which is located in New York, to the NAIC International Department. This proposal received unexpected resistance from NAIC President David Walsh during a meeting of the Special Insurance Issues Committee.

Mr. Walsh later explained that

This announcement appears as a matter of record only.

January 1994

\$25,250,000



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Price \$146 per Share

The undersigned acted as financial advisor to Discover Re Managers, Inc., assisted in the negotiations and arranged the private placement of the Shares.

Smith Barney Shearson Inc.

Insider Trading

American International Group: Patrick J. Foley, vp, sold 1,000 shares of common stock at \$87.25 each on Jan. 3. He now directly and indirectly holds 17,058 common shares.

Jeffrey Wayne Greenberg, vp, acquired by gift 113 shares of common stock at an unreported price on Dec. 15. Mr. Greenberg also acquired by gift 452 common shares on the same day and now directly and indirectly holds 24,993 common shares.

Maurice Raymond Greenberg, chairman, disposed of by gift 117 shares of common stock at an unreported price on Jan. 21. Mr. Greenberg indirectly acquired by gift 117 shares at an unreported price on Jan. 8. He now directly and indirectly holds 11,179,010 common shares.

John G. Hughes, vp, sold 3,500 shares of common stock at \$88.38 each on Jan. 21. He now directly holds 8,409 common shares.

Thomas Ralph Tizzio, president, exercised an option for 3,000 shares of AIG common stock at \$22.63 a share on Dec. 17. He now holds 44,211 common shares.

American International Group stock closed at \$83.63 per share on March 11.

Chubb Corp.: Glenn A. Montgomery, vp, exercised an option for 1,250 shares of Chubb common stock at \$28.63 a share on Dec. 10. To cover transaction costs, he sold 450 of the shares for \$79.38 each on Dec. 10 and now holds 3,040 common shares.

Chubb stock closed at \$73.13 per share on March 11.

The Continental Corp.: William F. Gleason, divisional officer, exercised an option for 3,000 shares of Continental common stock at \$24.31 per share and sold them at \$28.38 each on Dec. 20, 1993. He no longer holds shares in the company.

Kenneth B. Zeigler, vp, sold 510 shares of Continental common stock at \$27.63 per share on Dec. 31. He now directly and indirectly holds 6,142 common shares.

Continental stock closed at \$23.50 per share on March 11.

Arthur J. Gallagher & Co.: Walter F. McClure, officer and director, sold 1,500 shares of common stock at \$35.13 per share on Dec. 28. He now directly holds 20,306 common shares.

Gallagher stock closed at \$28.88 per share on March 11.

NAC Re Corp.: John P. Birkelund, director, bought 2,000 shares of common stock at \$29.50 each on Dec. 15. He now directly holds 23,921 common shares.

NAC Re stock closed at \$28.63 per share on March 11.

Ohio Casualty Corp.: James A. Metz, vp, indirectly sold 2,000 common shares at \$62.75 each on Jan. 3. He now directly and indirectly holds 4,273 common shares.

Ohio Casualty stock closed at \$63.00 per share on March 11.

Old Republic International Corp.: Jimmy A. Dew, director, sold 5,516 shares of common stock at \$22.28 each on Dec. 17. He now directly and indirectly holds 135,702 common shares.

William F. Schumann, vp, sold 6,000 shares of common stock between \$22.75 and \$23.13 each from Dec. 6 to Dec. 14. He now directly and indirectly holds 68,074 common shares.

William A. Simpson, officer and director, sold 5,516 shares of common stock at \$22.25 each on Dec. 20. He now directly and indirectly holds 104,856 common shares.

Old Republic stock closed at \$23.88 on March 11.

Phoenix Re Corp.: Beneficial owner Phoenix Home Life Mutual Insurance Co. sold 10,000 shares of common stock at \$31 each on Dec. 7 and now directly holds 628,700 common shares.

Phoenix Re stock was closed at \$23.75 per share on March 11.

SCOR U.S. Corp.: Maunoury M. Schneider, retired, sold 3,000 shares of common stock at \$13.63 each on Dec. 9 and now directly holds 100 common shares.

SCOR U.S. stock closed at \$11.25 per share on March 11.

Transamerica Corp.: Myron DuBain, director, exercised an option for 1,000 shares of common stock at \$39.75 each on Dec. 9. To cover transaction costs, Mr. DuBain turned in 696 of the shares for \$57.06 each on Dec. 9. He now directly and indirectly holds 5,074 common shares.

Sammie L. Ginn, director, exercised an option for 1,000 shares of common stock at \$39.75 each on Dec. 13. To cover transaction costs, Mr. Ginn turned in 695 of the shares for \$57.13 each on Dec. 13 and now directly and indirectly holds 2,494 common shares.

Gordon E. Moore, director, exercised an option for 1,000 shares of common stock at \$39.75 per share on Dec. 13. He now directly holds 3,041 common shares.

Raymond F. O'Brien, director, exercised an option for 1,000 common shares at \$39.75 each on Dec. 13, 1993. To cover transaction costs, Mr. O'Brien turned in 695 of the shares for \$57.13 each on Dec. 13. He now directly and indirectly holds 1,510 common shares.

Charles R. Schwab, director, exercised an option for 1,000 shares of common stock at \$39.75 each on Dec. 15. He now directly holds 5,000 common shares.

Forrest N. Shumway, director, exercised an option for 1,000 common shares at \$39.75 each on Dec. 9. To cover transaction costs, Mr. Shumway turned in 696 of the shares for \$57.06 each on Dec. 9 and now directly holds 10,515 common shares.

Peter V. Ueberroth, director, exercised an option for 1,000 shares of common stock at \$39.75 each on Dec. 9. To cover transaction costs, Mr. Ueberroth turned in 696 of the shares for \$57.06 each on Dec. 9. He now directly and indirectly holds 4,507 common shares.

Transamerica stock closed at \$52.63 per share on March 11.

Travelers Corp.: James Lee Morgan, divisional officer, exercised an option for 2,296 shares of common stock at \$16.88 each on Dec. 28. He no longer holds shares in the company.

Travelers stock closed at \$36.00 per share on March 11.

U.S. Healthcare Inc.: Leonard Abramson, officer and director, indirectly sold 4,000 shares of common stock at \$63 each on Jan. 19. Mr. Abramson now directly and/or indirectly holds 1,571,473 shares of common stock and 10,022,322 Class B common shares.

Marshall V. Rozzi, officer, sold 6,000 shares of common stock at \$56.75 each on Dec. 21, and now directly holds 45,105 common shares.

U.S. Healthcare stock closed at \$65.50 per share on March 11.

Insider Trading is compiled by Invest/Net Trading Group Inc. of Fort Lauderdale, Fla., from reports filed with the Securities and Exchange Commission, tracks stock sales and purchases by insurance industry directors and officers. The column is distributed by Tribune Media Services Inc.

For the Record

Cover denial upheld for cancer treatment

CHICAGO—A judgment supporting an insurer's denial of coverage for a woman's breast cancer treatment highlights the perils of obtaining health insurance during the course of treatment, an appellate judge said.

New England Mutual Life Insurance Co. denied more than \$100,000 in insurance benefits for Madelaine Bullwinkel because it found her breast cancer to be a pre-existing condition excluded by the July 31, 1991, effective date of its policy.

Ms. Bullwinkel, who was eligible for coverage as a dependent under a group policy through her husband's law firm, Bullwinkel Partners Ltd., sought medical treatment on July 20, 1991, for a cyst in her breast. During that visit, the doctor said the cyst was probably not cancerous. But, when the cyst was removed in September, it was found to be malignant.

The insurer claimed the initial treatment for the lump predated the policy's July 31 effective date and denied her claim seeking coverage for its removal and subsequent cancer treatments.

On March 7, Judge Daniel A. Manion affirmed a district court's summary judgment ruling in favor of the insurance company, saying New England Mutual's pre-existing condition limitation made clear that no benefits would be paid for conditions treated within six months prior to the policy's effective date.

Michael J. Smith, a Chicago attorney representing the Bullwinkels, declined to comment.

South Dakota passes health reform laws

PIERRE, S.D.—About a dozen new health care insurance reforms signed by Gov. Walter Dale Miller are designed to help small business and individuals find affordable health coverage.

Among the most noteworthy reforms, the state will allow small groups and individuals to band together to purchase group health coverage. The law gives the Insurance Department broad authority to regulate these groups. State law previously had barred multiple employer welfare associations.

To control costs, small group insurers' rates must reflect a 75% loss ratio.

To prevent job lock, individuals are guaranteed coverage under their new employer's health plan even if they have a pre-existing condition. But, the new employee must have been covered by another plan within the prior 30 days.

The governor also signed a measure that creates a state-subsidized assigned risk pool for individuals who cannot find health insurance.

Workers comp bill defeated in Minnesota

ST. PAUL, Minn.—Minnesota's state Senate Jobs Committee defeated a bill under which Minnesota would have adopted Wisconsin's workers compensation system.

Business groups and Gov. Arne Carlson had been lobbying heavily for the measure, which they say would put Minnesota em-

ployers on an even playing field with employers in the neighboring state. Proponents of Wisconsin's workers comp system, which generally has lower comp benefits, say it would save Minnesota employers an average of 33% and help keep businesses from leaving the state.

Labor groups had lobbied against the bill, claiming any savings would come from enormous benefit cuts for injured workers.

Sen. Steve Novak, DFL-New Brighton, and chairman of the Senate Jobs Committee, will now introduce his own workers compensation reform bill to the committee.

Outside clients use COMPARE network

MINNEAPOLIS—United HealthCare Corp. and HealthCare COMPARE Corp. have entered into an agreement to jointly offer United HealthCare health plan clients access to HealthCare COMPARE's national provider network.

Multi-site employers that offer the health maintenance organization but have employees living outside of United HealthCare's service areas now will be able to seek treatment from providers in Downers Grove, Ill.-based HealthCare COMPARE's preferred provider network.

Information in brief

California regulators have issued a cease and desist order against Cayman Islands-based Association Insurance Co. Ltd. and several others charged with illegally soliciting auto insurance in the state. AIC, operated by Florida businessman Anthony J. Damoulis, had its Cayman license revoked last August. Mr. Damoulis was implicated in corruption charges brought against former Cayman Insurance Superintendent Gilbert C. Connolly last month (BI, Feb. 14; Sept. 20, 1993). . . **Cook County, Ill.**, employees for the first time have to pay a portion of their health insurance costs under a new contract but will receive dental, vision and expanded life insurance and some work/family benefits in return. The two-year contract between the county and 6,000 members of Council 31 of the American Federation of State County & Municipal Employees union includes pay increases to offset the copayments. . . **William H. McCartney**, former director of the Nebraska Department of Insurance, has joined the Omaha, Neb., law firm of Kutak Rock. . . **CareAmerica Health Plans**, an HMO subsidiary of Uni-Health America, will buy San Francisco-based **C.E. Heath Compensation & Liability Insurance Co.**, known as Heath Cal, for \$95 million. Heath Cal, a unit of Sydney, Australia-based C.E. Heath International Holdings, writes annual premiums of \$140 million. . . California Department of Insurance agents searched 23 locations, including medical clinics throughout Los Angeles as well as the records of 20 banks in a crackdown earlier this month against allegedly one of the largest Southern California **workers comp fraud rings**, the department said. Separately, agents arrested five suspects in connection with an alleged auto fraud ring that staged phony accidents. **BI**

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INTERNATIONAL

Members agent appeal to get prompt action

By ADRIAN LADBURY

LONDON—Britain's House of Lords is expected to break with tradition this week and announce a decision at the close of proceedings in the appeal by Lloyd's of London members agents of rulings that hold them liable for managing agents' actions.

Normally, the law lords' judgments are available only in written form four to six weeks after a case is heard. But the House of Lords and Lord Justice Cresswell, the U.K. High Court judge in charge of the Lloyd's litigation, appear determined to avoid unnecessary delay in these cases (BI, March 14).

The House of Lords began hearing evidence last Tuesday in the appeal, which will determine the amount of cash available to Lloyd's members litigating over their losses.

Members agents are appealing an October 1993 High Court ruling that held them liable for the actions of managing agents to which they delegated underwriting responsibility on behalf of members. The liability is not explicit under the contract between members agents and managing agents. But, the High Court applied tort law to expand members agents' liability under the contracts.

The U.K. Court of Appeal upheld that decision late last year (BI, Dec. 20, 1993).

Last week, Anthony Temple, the barrister representing Merrett Syndicates Ltd. and Merrett Underwriting Agency Management Ltd. in the litigation, said the lords would set a dangerous and far-reaching precedent if they widened the scope of U.K. contract law by sanctioning the earlier decisions.

The issue is a simple case of targeting deep pockets, which is an "inappropriate" approach in this situation, he said.

Three sample cases against managing agents Gooda Walker Ltd., Feltrim Underwriting Agencies Ltd. and Merrett Syndicates Ltd. are under review because, among them, they cover both pre-1987 and 1987-1990 forms of Lloyd's contracts between members, members agents and managing agents. The cutoff date of 1990 was chosen to prevent the scope of the case from becoming unmanageable.

If the lords rule that members agents are not liable, the litigating members will be denied access to the members agents' assets and errors and omissions insurance coverage. "Such a decision would be disastrous for the names," said the Gooda Walker Action Group, which represents more than 3,000 litigating members.

But Mr. Temple sees a different type of disaster.

"When parties have chosen to express their relationship in a written contract or set of contracts, there is a compelling factor against imposing a duty of care in tort—and we add that this is particularly so in a commercial relationship," he argued.

"In this case, your lordships are asked to expand tortious liability in a tripartite situation (members, members agents and managing agents). I therefore ask what will happen if we develop this new category, and the answer is that all subagents are liable or part liable in tort... and we would have to rewrite a great many commercial transactions."

German employers displeased with nursing care bill

By DON LEWIS KIRK

BONN, Germany—German employers are critical of legislation that would require them to contribute to the cost of nursing care coverage.

German lawmakers are making their "worst mistake in decades," said Klaus Murmann, president of the German Employer Assn. in Cologne.

"At a time when costs for social services are already high, initiation of yet another form of social insurance is economically irresponsible," he said. "It will create an upward spiral of costs and demand, which will have a disastrous effect on the labor market."

The legislation, which was approved March 11 by the Bundestag, must pass the Bundesrat, the upper house of Parliament, to become law. The Bundesrat is expected to approve the measure April 29.

If passed, the legislation would require the country's sickness funds to provide coverage for long-term nursing care, whether at home or in

a hospital setting. For the 10% of the population that buys private health insurance, those insurers would be required to provide the coverage.

Employers and employees would be required to contribute equal amounts toward the cost of coverage. The government would pay for coverage for the unemployed.

Currently, the burden of long-term nursing care is mostly borne by individuals and the government. Sickness funds provide limited coverage of up to 750 deutsche marks (\$442.50) monthly for in-home care for the severely disabled.

Care in a nursing home, though, can cost up to 4,000 deutsche marks (\$2,360) per month, said a spokesman for Deutsche Krankenversicherung A.G., one of Germany's largest health insurers.

Individuals can purchase private nursing care policies, but only a small percentage of the population chooses to do so.

The program, which would go into effect Jan. 1, 1995, is designed

Continued on page 47

Nuclear power privatization slowed by insurance issues

By ADRIAN LADBURY

LONDON—Uncertainty surrounding long-term liabilities, catastrophe risk, coverage availability and the U.K. government's commitment as a reinsurer of last resort could again derail privatization plans for the British nuclear power industry.

The British government shelved plans to privatize nuclear power generating plants in 1989, partly because John Wakeham, who was secretary of state for energy at the time, was unwilling to give potential buyers guarantees that the plants' potential catastrophe and long-term decontamination liabilities would be

indefinitely indemnified by the government.

Mr. Wakeham then announced that another review of the nuclear industry would be carried out by 1994, which would include a privatization plan. No such plan has yet been published.

The current government is believed to be committed to privatizing the nuclear power industry before the next election, scheduled for 1996.

But, a spokeswoman for Nuclear Electric, which operates 11 of the United Kingdom's 13 nuclear plants, said Nuclear Electric expects "something" to emerge "within the next three weeks."

Some observers say that Tim Eggar, the current energy minister, will encounter the same problems as his predecessor.

At a recent London conference titled "The Future Electricity Market," John Reynolds, a leading energy analyst with James Capel U.K., pointed out that the government would have to allay investor fears over responsibility for both decontamination and catastrophic liabilities before attempting to sell its 13 nuclear plants.

Mr. Reynolds also said that the government would have to force the nuclear industry to compete on cost with other forms of energy. And he

Continued on page 47

Tanker losses insured

Both ships totaled, but oil spillage not as bad as feared

By ADRIAN LADBURY

The collision of two Cypriot vessels in the Bosphorus strait in Turkey last week will not result in a major environmental or hull loss, underwriters say.

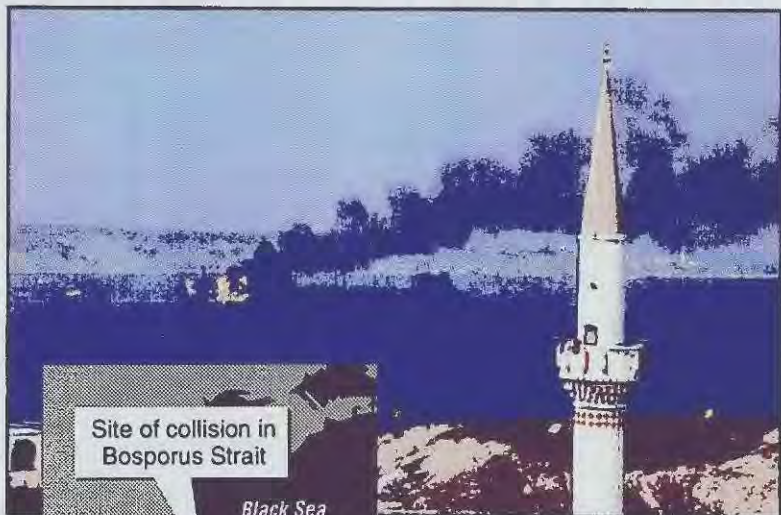
Even though both vessels are expected to be total losses and one was carrying almost 100,000 tons of Russian crude oil, the total claim will not be particularly expensive.

Nevertheless, the collision prompted the Turkish government to immediately close the narrow waterway, which links the Black Sea to the Sea of Marmara, and to implement new measures to control shipping traffic in what it says has become one of the world's busiest and most dangerous shipping lanes.

The collision at the northern end of the strait between bulk carrier Shipbroker and oil tanker Nassia killed at least 19 crew members. Fourteen were still missing late last week and were presumed dead.

Despite the loss of life, the collision will not cause as much damage to the environment or insurance companies' pockets as was originally feared.

A Dutch salvage team that guided the crippled tanker to the Black Sea's eastern shore said there was a good chance of saving about 85,000



AP/Wide World photo



GRAPHIC BY JOHN HALL

Smoke billows from a burning oil tanker that collided last week with a freighter in Turkey's Bosphorus strait. Underwriters do not expect the collision to result in a large loss.

of the 95,800 tons of oil the tanker was carrying from Novorossiysk, Russia, to Genoa, Italy.

Only three of the tanker's 10 tanks were ruptured, and most of the spilled oil burned itself off by the end of the week. Salvagers hoped to douse the flames by the end of the week.

The Nassia has full collision, crew and pollution coverage through Copenhagen-based protection and indemnity club Assurance Foreningen Skuld.

London marine underwriters did not know any details of the tanker's hull and cargo coverage, but most agreed that the hull was probably worth about \$7 million.

The Shipbroker's owner has full crew and pollution liability coverage with the Newcastle P&I Club based in Newcastle, England. The club writes 25% of the vessel's collision coverage. The remaining 75% of the collision coverage is included within the vessel's \$5.75 million hull policy.

Continued on next page

German property rates to rise slightly

By DON LEWIS KIRK

MUNICH, Germany—Commercial property insurance rates in Germany will rise slightly for at least the next two years, an insurance executive predicts.

Manfred Illner, commercial property/casualty director for Munich-based Allianz Versicherungs A.G., said rates must be about one deutsche mark (approximately 59 cents) for each 1,000 deutsche marks of coverage (\$589) "for us to make underwriting profits, which we hope to reach by the end of 1995."

In 1993, commercial property and business interruption rates averaged 0.78 and 0.91 deutsche marks per 1,000 deutsche marks of coverage, which represented a 10% increase from 1991, according to the German

Assn. of Property/Casualty Insurers.

"Insurers are serious about hardening the market," a spokesman for the association said. "But at least 700 million deutsche marks (\$412.5 million) in additional premium is needed to return to profitability, and I'm afraid a good year could entice insurers to slash rates again."

However, commercial rates will not fall any time soon, Mr. Illner said. "Underwriting policy is dependent on the global industrial insurance environment. Changes in the global market not only affect companies, their risks and claims, but also the willingness of the insurer to accept that risk. Many industrial risks are so exposed and complex, insurers can't cover them—at least not under the conditions we have had in the past."

Allianz reported improved results in 1993. Premium volume for its German property/casualty group rose 8.4% to 13.1 billion deutsche marks (\$7.5 billion). Its underwriting loss totaled 68 million deutsche marks (\$39.2 million), down from 144 million deutsche marks (\$88.9 million) in 1992.

Uwe Haasen, chief executive of Allianz's property/casualty group, said he expects premium volume to increase 7% to 14 billion deutsche marks (\$8.25 billion) this year.

"Higher rates and fewer claims will allow us to return to underwriting profitability by the end of the year," he said. Although much of the improvements will come from higher auto insurance rates, he said commercial insurance rates also have been on the rise.

INTERNATIONAL

Bosporus

Continued from previous page which is led by Lloyd's of London syndicate 633/1317 managed by Barder & Marsh Ltd. Only 42% of that policy is covered in London; the remainder is placed elsewhere.

Turkey is not a signatory to the international conventions that cover the cleanup of oil spills, so the cost will be covered by two voluntary agreements: the Tanker Owners Voluntary Agreement Concerning Liability for Oil Pol-

lution and the Contract Regarding a Supplement to Tanker Liability for Oil Pollution.

The agreements currently provide a total maximum cleanup compensation of \$99 million. TOVALOP, which binds the insurers of the tanker owners to pay, provides the first \$33 million. CRISTAL, which is funded by the cargo owners, provides the next \$60 million.

The Turkish government moved to immediately implement measures that had been scheduled to go into effect June 1, including a

new radar navigation system for the Bosporus strait. More than 200 ships were waiting for the reopening of the strait last week.

According to environmental organization Greenpeace, which helped with the rescue operation, more than 28,000 ships laden with 75 million to 80 million tons of oil, oil derivatives and industrial chemicals passed through the Bosporus in 1993. Only two days before the accident, Greenpeace had unfurled a banner on the Bosporus bridge, which proclaimed "Stop Death Ships Now."

There have been 167 major incidents in the 20-mile-long strait during the last decade.

Both Greenpeace and the Turkish government are worried about the huge increase in exports of gas and oil from the hard currency-hungry former Soviet states and Eastern Bloc countries, which is worsening the strait's traffic.

Insurers, however, do not believe the problem is that bad and do not expect the latest accident to alter underwriters' approach to the region.

A spokesman for the Newcastle

P&I Club said he does not believe clubs will alter rating or terms and conditions to account for vessels using these waters because "the clubs generally set their rates on a global basis."

"I wouldn't think (the increase in traffic and accidents) will lead to higher rates and tighter terms and conditions," said Michael Talbot, assistant underwriter on syndicates 633/1317, "but underwriters will probably push for more pilotage control or one-way traffic or some form of designated lane system in the strait." **BI**

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CEO's, Presidents, and Owners, 2681
Vice Presidents, General Managers
and Other Administrative Personnel 4140

Financial
Chief Financial Officers and Vice
Presidents of Finance 2495
Secretaries, Treasurers, controllers
and other Financial Personnel, 3702

Risk/Employee Benefits:
Vice Presidents, Directors, Managers,
and other related department
personnel of: insurance, risk em-
ployee benefits, personnel, compen-
sation, pension, safety, security, in-
dustrial relations, human resources
and employee/labor relations

15,094

Sub-total 28,112

Associations 385

Government, Unions and Educa-
tional Institutions 1,075

Commercial Consumers

Sub-total 29,572

Insurance Agents and Brokers

8,714

Insurance Companies 7,981

Accountants, Actuaries, Attorneys &
Consultants 3,532

Managers & Health Care Providers

1,936

Others Allied to the Field 1,936

TOTAL 52,816

★ Source Business/Occupational
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INTERNATIONAL

Privatize

Continued from page 45
suggested the plants be allowed to diversify into other areas of power generation and that the government monitor the safety standards and performance of the latest stations before launching the privatization.

Currently, under the 1983 Energy Act, the 13 plants are obliged to buy 20 million pounds (\$29.8 million) of liability coverage on the open market. The government bears unlimited liability above that level.

The coverage is arranged by the British Insurers Atomic Energy Committee, a nuclear pool that manages the coverage, which is written by Lloyd's of London syndicates and the London company market. BIAEC and the other 26 national nuclear pools worldwide have reciprocal reinsurance arrangements.

Last Wednesday, the House of Commons passed a Statutory Instrument to amend the 1983 Act, which proposes to raise the liability coverage limit to 140 million pounds (\$209.7 million). The House of Lords is expected to approve the measure.

Geoffrey Warren, chief executive of the BIAEC, said there is sufficient open-market capacity to meet the higher limits, and he does not foresee the government abandoning its reinsurance commitment.

The bigger problem facing potential investors, Mr. Warren said, are the "inherent unquantifiable liabilities" arising from the closure of sites, removal of waste and return of sites to a reusable state. No insurance or risk financing mechanism is yet available for those activities.

But Mr. Reynolds at James Capel said uncertainty over the cata-

strophic liability will deter investor interest. "Although the track record of nuclear generation in the U.K. is very good, there will continue to be a public perception of the high risks if something does go wrong," he recently wrote in a commentary.

In a later interview, Mr. Reynolds said he believes potential investors are concerned about the ability of the generating plants to find sufficient coverage at affordable rates, especially if the government is unwilling or unable to shoulder the lia-

bilities exceeding the 140 million pound limit. He is equally concerned about uncertainty over the decontamination liabilities.

"If these points are not solved, people will not want to invest. No equity investor would invest without a (liability) cap or sufficient insurance... There is also a question as to whether a government can commit future governments to such an unquantifiable liability," said the analyst.

A DTI spokesman said he was un-

able to comment on the government's commitment to reinsuring the nuclear plant's liabilities into the future, because it is still unclear when and whether the government intends to carry out the privatization. He also denied there is a link between the sevenfold increase in the liability limits and supposed plans to privatize the plants.

"It's all hypothetical, because the government hasn't decided to privatize (the nuclear industry) yet. We are waiting for a review of the nu-

clear industry, which was promised by John Wakeham back in 1989 and planned for 1994. We won't know until the terms of reference are out," said the DTI spokesman.

"At the moment we have adequate insurance coverage for our needs," said a spokeswoman for Nuclear Electric.

"We don't know if we are going to be privatized or not at the moment, but the nuclear review is coming up, and we would like to hear as soon as possible," she said. **BI**

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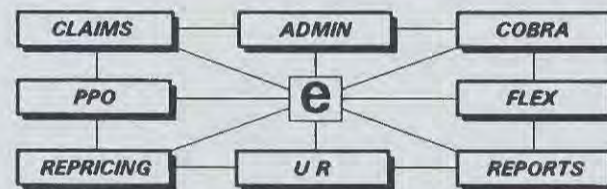
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Lloyd's

Continued from page 1

the main reasons why O'Brien-Krietzberg & Associates Inc. ceased purchasing professional liability coverage from Lloyd's last year.

O'Brien-Krietzberg, a San Francisco construction management firm, had bought \$15 million in architects and engineers liability coverage from Lloyd's syndicates in the three years prior to the August renewal. "We normally like to have continuity, especially with claims-made policies, but with what we were hearing about Lloyd's in the press and from our broker, we thought it would be in our best interest to change underwriters," said Risk Manager Lauren Ladd.

The company now purchases the coverage from Lexington Insurance Co., a unit of American International Group Inc.

Warren Perkins, risk manager for Boh Brothers Construction Co. in New Orleans, said he stopped buying excess liability, marine and other lines of coverage from Lloyd's underwriters in 1992 because he could obtain similar coverage in the United States from AIG. Even if Lloyd's syndicates offered equal terms, conditions and prices, Mr. Perkins said he would not necessarily place his business at Lloyd's "because of problems I have read about in the media as well as my personal experience with slow payment of claims and administrative hassles."

Brokers in the past seldom received questions about Lloyd's security and "now, we're getting lots of question from clients that are very specific (about individual syndicates)," said Charles McCrann, senior vp with Marsh & McLennan Inc. in New York.

Standard & Poor's Corp. rankings of individual syndicates have helped brokers screen syndicates more carefully, said Mary Lanning, executive director of the Insurance Brokers Assn. of New York.

"Ten years ago I would have thought of Lloyd's as being the pinnacle of reliability and innovation," said a risk manager for a medium-sized chemical company. He is now wary of Lloyd's financial losses.

"Sooner or later you start to think: When it becomes my turn to have a claim paid, will they be there?" he said.

The answer to that question is critical.

"Lloyd's recognizes that its commercial viability worldwide depends on its continuing its tradition to pay all valid claims in full," said Peter Demmerle, an attorney with LeBoeuf, Lamb, Greene & MacRae in New York, which represents Lloyd's in the United States.

Lloyd's has continued to pay all valid claims, despite the refusal of many members to pay the huge losses they owe (BI, Feb. 21; Feb. 7).

Lloyd's has launched a campaign to educate and reassure policyholders about its complex security arrangements, including the well-known Lloyd's Central Fund in London. In the United States, there is the \$9.55 billion Lloyd's American Trust Fund and separate \$100 million trust funds: one for surplus lines policyholders and the other for U.S. insurers that buy reinsurance from Lloyd's syndicates.

Lloyd's can muster impressive resources. Lloyd's estimates that as of December 1992 its total resources stood at 24.44 billion pounds (\$36.42 billion), including 16.6 billion pounds (\$24.82 billion) in syndicate funds; 6.38 billion pounds (\$9.54 billion) of members' declared wealth; and 1.15 billion pounds (\$1.72 billion) in the Central Fund.

But its liabilities are nearly as impressive: a total of 18.35 billion

pounds (\$27.43 billion) as of December 1992, leaving total net resources at Lloyd's of 6.09 billion pounds (\$9.1 billion). And Lloyd's faces an estimated 2 billion pound loss (\$2.9 billion) for the 1991 underwriting year, which will be announced in May under Lloyd's three-year accounting system.

In the United States, Lloyd's is licensed by the Illinois, Kentucky and U.S. Virgin Islands insurance departments. It operates on a surplus lines basis in other states.

Regulators in states where Lloyd's is licensed center their examinations of Lloyd's financial data for admitted and reinsurance business written in those states. Regulators in states where Lloyd's is not admitted generally rely either on a general financial review of Lloyd's by the NAIC's Non-admitted Insurers Information Office or on reviews by brokers that place coverage with Lloyd's.

In addition, Lloyd's is subject to two NAIC model laws that regulate surplus lines companies and credit for reinsurance. Both model laws contain special provisions that essentially require only that Lloyd's submit to examination when requested, follow good business practices and maintain the separate \$100 million trust funds.

Competitors and other close observers of Lloyd's believe that increased scrutiny of its U.S. operations, especially surplus lines and reinsurance underwriting, is overdue.

U.S. reinsurers, for example, complain that state laws covering credit for reinsurance and surplus lines insurers continue to treat Lloyd's syndicates differently from other insurers. These laws essentially allow syndicates to conduct non-admitted business in the United States without being examined or required to fully comply with some financial requirements, such as reporting liabilities for U.S. business or verifying the adequacy of loss reserves.

These laws have evolved over the years, primarily because of Lloyd's unique nature: individuals join syndicates but still underwrite for their own accounts. Members faced unlimited individual liability until limited liability was allowed this year.

And as Lloyd's grew, evolving from its 18th century coffeehouse origins to its present ultramodern, percolator-style headquarters, so did the mystique around the institution. An important part of that mystique in the United States has been the little-understood Lloyd's American Trust Fund.

"Most people who know it exists presume it represents some level of security for paying claims, that it would benefit U.S. policyholders and all policyholders equally," said Alan Levin, managing director with Standard & Poor's Insurance Rating Services in New York.

Most people are more wrong than right.

On a scale of one to 10—with 1 being total ignorance of the purpose of the LATF and 10 being complete understanding—most people deserve only a 2, Mr. Levin said.

"I've got to believe there has been some unintentional misrepresentation of the fund," he said. However, no one really is to blame because of the complexity of the subject, Mr. Levin added.

Held at New York's Citibank, the LATF is not meant to be a guaranty fund, but rather is essentially a bookkeeping account for individual Lloyd's names that is used to pay claims and expenses.

Lloyd's set up the account in 1939, just as Hitler turned his sights on Britain.

The fund was designed "to provide greater security for policies written on American risks and to satisfy insurance regulatory requirements in New York and other

states," explained Richard Byrnell Leathes Prior, deputy solicitor of the Corporation of Lloyd's, in a 1992 affidavit in a suit by Travelers Corp.

Over the next half century, the fund has served several purposes, Mr. Demmerle said. It has demonstrated Lloyd's commitment to U.S. business, while it also has satisfied security regulations that permit Lloyd's to do business in the United States without concern for currency fluctuations.

The fund is composed of premiums paid on behalf of "U.S. dollar risks," which are any risk denominated in U.S. dollars, including premiums paid by international airlines and other companies based outside the United States.

All Lloyd's members have individual accounts in the LATF; however, if one member's account has insufficient funds to pay his or her share of a claim, other members' accounts theoretically cannot be tapped. If a member is unable to pay his or her share of a claim, that amount must be earmarked from Lloyd's Central Fund.

Although a U.S. policyholder has no right to inquire about the status of an individual member's account in the LATF, a policyholder with a valid claim who obtains a judgment against Lloyd's could ask a U.S. court to order the LATF trustee to pay the claim, Mr. Demmerle and regulators agree.

Competitors of Lloyd's and other close observers contend that the LATF has long been used as a shield against regulatory scrutiny, even though it does not guarantee payment of claims.

That criticism "is probably fair," concedes Vincent Laurenzano, a New York regulator who has dealt with Lloyd's issues at the NAIC. He is assistant deputy superintendent and chief examiner of the New York Insurance Department's Property Companies Bureau.

Now, in the wake of Lloyd's "tremendous problems," regulators are

taking a more active look at Lloyd's, he said. For example, New York is considering requiring Lloyd's to provide more detailed financial data. In addition, "the potential exists for the (department) to examine the LATF, but the department hasn't exercised it—yet."

Recently, regulators declined to tighten the rules on the LATF. U.S. reinsurers unsuccessfully urged officials to require that the trust be held as a joint asset; be for the exclusive benefit of U.S. policyholders; and be held for reinsurance liabilities only.

Meanwhile, some individual state regulators are taking actions based on their concern about Lloyd's financial health.

Michigan regulators were sufficiently dubious about the security afforded by Lloyd's that about a year ago they discontinued a special Lloyd's exemption. Now, a handful of insurers must obtain more concrete security, like letters of credit, for reinsurance recoverable from Lloyd's syndicates, the same type of security that would be required of other non-admitted reinsurers.

Six, Michigan-based insurers were affected, all companies so dependent upon Lloyd's reinsurance recoverables that they were deemed "crucial" to their solvency, said Robert Bailey, first deputy commissioner of the Michigan Insurance Bureau.

The Lloyd's syndicates put up the LOCs, but only "grudgingly." Doing so amounted to "double funding" since premiums paid on that business are already in the LATF for members to pay any claims, said Mr. Demmerle of LeBoeuf, Lamb.

Stricter security agreements generally make coverage more expensive for policyholders.

Some Michigan lawmakers hope a bill pending in the state Legislature would avoid that. The bill would require Lloyd's to do a better job of calculating and disclosing its liabilities in return for receiving credit for its reinsurance.

That proposal would require

Lloyd's syndicates to be examined by some unspecified state and to file data on loss reserves and the aggregate amount of reinsurance ceded and assumed on U.S. business.

"We won't give credit until Lloyd's complies with all of these provisions," which may take a year, said Mr. Bailey.

At the same time, Louisiana Insurance Commissioner Jim Brown is among those pushing for the NAIC "to do more" to help states assess the strength of individual Lloyd's syndicates.

Louisiana is particularly dependent on surplus lines insurers, like Lloyd's, primarily for essential oil, gas and marine coverages, Mr. Brown said.

Specifically, he urges that the NAIC establish a "reinsurance certification" program for non-U.S. insurers, like Lloyd's, so the NAIC can beef up its role as gatekeeper.

"It is something that we are looking at very seriously," said NAIC President David Walsh, who is Alaska's insurance director.

In addition, an NAIC reinsurance subgroup is studying the extent to which Lloyd's should be required to fund incurred-but-not-reported reinsurance liabilities of U.S. ceding companies.

While the trend continues toward increased oversight of Lloyd's, a few regulators are not as concerned as their counterparts.

"I don't believe there is a real concern about Lloyd's not being able to deliver on their policies on reinsurance," Mr. Laurenzano said.

"Obviously, I'm a little less comfortable than I used to be," said Stewart Keir, a New York regulator and NAIC expert on non-admitted insurers.

But, "I think at the end of the day, all obligations should be met. I hope it continues to be 100 cents on the dollar," added Mr. Keir.

Stacy Shapiro and Gavin Souter contributed to this report.

Security of Lloyd's U.S. trust at issue

By STACY SHAPIRO

LONDON—A New York court will consider next month whether Lloyd's of London's American Trust Fund offers adequate security for policyholders.

The April 4 hearing will be just the latest action in an ongoing reinsurance dispute between Travelers Insurance Co. and Lloyd's underwriters over asbestos claims.

Since 1947, Travelers and two of its subsidiaries have reinsured casualty risks with Lloyd's. The reinsurance agreements stated that disputes would be arbitrated in the United States.

From 1947 to 1969, Travelers insured several asbestos producers and product distributors that now have thousands of personal injury and property damage claims. These losses were ceded to Lloyd's.

However, following a dispute about the coverage, Travelers and Lloyd's drew up a "market agreement" in 1983 to give the "correct interpretation" of the reinsurance policies, court papers show.

In particular, Lloyd's questioned the way in which certain asbestos-related premises claims were covered by the reinsurance contracts.

The agreement stated that Travelers could combine premises claims and asbestos-related product liability claims under one retention and limit for each policyholder in each underwriting year. But, in certain circumstances, Travelers could not submit claims for any expenses in excess of two times the original policy limit without the reinsurers' approval.

The market agreement gave rise to

new disputes that weren't settled quickly enough for Travelers. So in mid-1991, Travelers filed a lawsuit against Lloyd's underwriter Richard Keeling and others in the U.S. District Court for the Southern District of New York, alleging the Lloyd's underwriters "never had any intention of entering in good faith negotiations and misrepresented their intention to Travelers during the settlement negotiations in order to obtain Travelers' agreement to delay commencement of proceedings against them in the United States."

Travelers sought \$33 million in compensatory damages and \$500 million in punitive damages for "alleged fraudulent conduct" by Lloyd's underwriters in stalling the claims payments. Lloyd's filed a countersuit in London but voluntarily dropped it in October 1991.

U.S. District Judge John F. Keenan agreed that the dispute should be heard in the United States but didn't decide whether it should be heard in arbitration or in court. His decision on the appropriate forum was upheld last July by the 2nd U.S. Circuit Court of Appeals.

Travelers sought a declaratory judgment from the New York Supreme Court that the case should be heard in open court rather than arbitration and asked the court to force Lloyd's to post security in compliance with New York insurance law until the disputes were settled.

Supreme Court Justice Beatrice Shainswit concluded in January, though, that the disputes should be heard in arbitration.

The Lloyd's underwriters urged Justice Shainswit to waive the post-

ing of security because the market maintains trust funds in New York totaling \$8.72 billion and had a trust surplus of \$830.7 million as of Dec. 31, 1991.

Lloyd's also maintains funds in New York's jurisdiction of not less than \$100 million for the protection of U.S. ceding companies under its reinsurance policies, Lloyd's stated.

But Justice Shainswit said, "Those figures are impressive, but given the enormity of the claims involved, the fact that these figures are not current, as well as Lloyd's deteriorated financial condition, the court cannot reach a determination as to whether this sum is actually sufficient security with the information which is presently available to it."

"A hearing is necessary to determine whether the trust sums on deposit within this state are sufficient and, if they are not, to what extent they should be augmented to comply with the security provision."

On Feb. 16, Justice Shainswit ordered a special hearing to decide whether Lloyd's trust funds were adequate security to cover the Travelers dispute. The hearing is to take place April 4 before retired Justice Seymour Schwartz.

The hearing is a sign of further pressure by Travelers to "put the heat on us" to pay the losses, Mr. Keeling, the Lloyd's underwriter, said. "Although Travelers says all sorts of things in court, it doesn't diminish them from wanting to do business with us."

But Mr. Keeling has refused to continue reinsuring Travelers. He said he is hoping for a "sensible resolution" of the disputes. **BI**

Reform

Continued from page 1
sponsored by subcommittee Chairman Pete Stark, D-Calif.

The amendment, offered by Rep. Fred Grandy, R-Iowa, would have essentially killed the Stark proposal, whose centerpiece is the employer mandate.

An employer mandate, warned Rep. William Thomas, R-Calif., "is a dagger at the heart of small business. It is the mother of all entitlements."

However, any health care reform proposal lacking an employer mandate would be vetoed by President Clinton, Rep. Stark noted.

The decision to retain the employer mandate was one of a number of amendments to the Stark bill considered by the subcommittee. Other amendments approved last week included proposals to:

- Require employers to pay 80% of premiums for both individual and family coverage.

Under the original Stark bill, employers only would have had to pay 80% of the premium for the employee and his or her children, but not for the employee's spouse.

Under an amendment proposed by Rep. Gerald Kleczka, D-Wis., and approved on a 7-4 vote, employers also would have to pay 80% of premium for spousal coverage, a provision aimed at subsidizing coverage for families with non-working spouses.

In the case of two working spouses with children, the spouses would decide which employer would provide the coverage and pay the major portion of the premium. The other employer would pay a much smaller amount; together, the two employers would pay 80% of the family premium.

- Establishing a four-tier premium structure. Those tiers would be single adult, two adults, single adult with children and two adults with children.

The estimated annual premium would be \$2,000 for single coverage, \$4,000 for two adults, \$4,150 for a single adult with children and \$6,075 for two adults with children.

By contrast, Rep. Stark proposed a two-tier premium structure: \$2,500 for a single adult, with or without children, and \$5,000 for two adults, with or without children.

Under the original proposal, single adults, through higher premium payments, essentially would have subsidized coverage for families.

Meanwhile, a number of amendments, many of them beneficial to employers, were defeated, with Republicans generally in favor and Democrats opposed. Those proposals would have:

- Repealed a maintenance of effort provision that requires employers offering richer benefits than the nationally guaranteed basic package to continue to offer those benefits for five years.

- Eliminated a provision that requires employers currently paying at least a portion of health care benefits for retirees age 55-64 to pay 80% of the premium for the nationally guaranteed benefit package for these retirees.

- Lowered to 100 from 1,001 the number of employees an employer must have to be allowed to self-insure its health care plan.

- Limited an employer's tax deduction for health care expenses to the cost of an average plan in a specific geographic region. The amendment, introduced by Rep. Jim McCrery, R-La., also would have allowed individuals to take a tax deduction for their 20% share of premium payments.

But, the most significant action taken by the panel last week was to approve the employer mandate, the centerpiece of both the Stark proposal and the much different health care reform package proposed by the Clinton administration.

The vote on the employer mandate is an auspicious sign for Rep. Stark that he has lined up enough votes from Democratic members of the subcommittee to approve his proposal.

The only Democratic to oppose the employer mandate was Rep. Mike Andrews, D-Texas, who also opposed Rep. Stark on a number of other votes.

With Democrats outnumbering Republicans 7-4, Rep. Stark can move his bill out of the subcommittee as long as he does not lose any other Democrats. Rep. Jim McDermott, D-Wash., who advocates a single-payer health care system, continues to be a question mark, though he so far has supported Rep. Stark on key votes, including the employer mandate.

Last week's debate revealed the deep differences between Republican and Democratic members of the panel.

Republican members repeatedly turned to one theme: Mandates cost jobs.

"We keep heaping costs on small employers so that the disincentive to add employment is very real," said Rep. Nancy Johnson, R-Conn.

But Democrats accused the Republicans, through their opposition to an employer mandate, of lacking concern for the uninsured.

"If tens of millions of people are without coverage, so be it. That essentially sums up your position," Rep. Sander Levin, D-Mich., told Republicans on the panel.

Republicans and Democrats also clashed on the Grandy amendment

to delete the provision in the Stark proposal that requires employers that paid a portion of pre-Medicare retirees' health care costs as of Oct. 1, 1993, to pay at least 80% of the cost of the basic benefit package for these retirees.

While the language of the provision is ambiguous, subcommittee staffers say it is only meant to apply to retirees who were at least age 55 as of Oct. 1, 1993.

Rep. Thomas said the amendment was inequitable, explaining that employers that have not provided early retiree health care coverage would not have an obligation, while companies that have voluntarily paid at least a portion of early retirees' coverage could face even larger costs.

Rep. Stark acknowledged that the provision would have an uneven impact on employers. However, he labeled the provision a compromise—or "middle ground"—compared with the Clinton administration's early retiree proposal. Under that proposal the government would pay 80% of early retiree health care obligations.

While the cap limiting employer tax deductions to the average cost of health plans died on a 6-5 vote, several Democrats said the issue is worth reconsidering.

"We can no longer look at an unlimited deduction," said Rep. Benjamin Cardin, D-Md.

During the nearly 20 hours of debate on the Stark proposal, the Clinton administration's reform bill was scarcely mentioned, an indication of the lack of interest the panel members have in President Clinton's measure. **■**

Several amendments killed

WASHINGTON—Besides agreeing on major provisions included in its health care reform bill, the House Ways and Means Health Subcommittee also debated a slew of other amendments that were later withdrawn.

In most cases, the amendments were pulled because the sponsor realized during the debate that the amendment would be defeated if a vote were taken. In other cases, the sponsor had introduced the amendment simply to make a point or decided for tactical reasons that the amendment might have a better chance if considered later.

Amendments that were considered but later withdrawn included:

- Striking general non-discrimination rules from the bill. The sponsor of the amendment, Rep. William Thomas, R-Calif., warned that the subcommittee bill contains non-discrimination rules similar to Section 89, a part of the tax code that became infamous because of its administrative complexity and was repealed in 1989.

The non-discrimination provisions in the bill introduced by Rep. Pete Stark, D-Calif., are broad. One provision, for example, would prohibit employers from providing more generous benefits for certain full-time employees. Without non-discrimination rules, Rep. Stark said, employers could purchase richer benefit packages for executives than for secretaries.

- Limiting annual deductibles to \$200 for individual coverage and \$400 for family coverage with a \$1,500 cap on individual out-of-pocket expenses and \$3,000 for fam-

ily expenses.

While the Stark bill currently would cover hospital care in full, deductible for non-hospital care for individual and family coverage would be \$500 and \$750, respectively, with no cap on out-of-pocket expenses.

"We are going to put people into a very skimpy house with a lot of shaky aspects to it," said Rep. Jim McDermott, D-Wash., who introduced and then withdrew the amendment to lower out-of-pocket costs.

- Establishing a new federal long-term care program. This program, to be known as Medicare Part D, would be funded by a new 1% payroll tax paid by employers.

Noting that the Stark bill already includes a 0.8% payroll tax to help fund coverage for the uninsured, Rep. Fred Grandy, R-Iowa, said the subcommittee already was considering more than doubling the initial payroll tax before it even completed action on the bill.

Rep. McDermott, who introduced the amendment, responded: "I have never said health care didn't cost anything."

- Imposing a \$2 per pack cigarette tax. Most of the revenues raised by the tax, proposed by Rep. Mike Andrews, D-Texas, would be used to subsidize health care premium payments by small employers.

The proposal was withdrawn after Rep. Thomas said it would have no chance of passage "in the real world," a reference in this case to the full Ways and Means Committee. The amendment is expected to be considered again.

—By Jerry Geisel

Superfund

Continued from page 1

legal costs and fees, whereas the administration's plan called for a 20% penalty.

The coalition proposal also would require that at least 85% of the PRPs nationwide must agree to the settlements offered by the fund, or the EIRF would be terminated, insurers' tax payments would be refunded and the current liability system would be reinstated.

The coalition's proposal would require insurers to initially pay \$500 million in taxes per year to finance the EIRF and the duration of the tax could be expanded, if necessary, up to 10 years. The tax could be increased by \$100 million annually after the third year, rising to a maximum of \$1.2 billion per year in the 10th year.

The administration proposal also would require insurers to pay a tax to finance the EIRF, though only for five years. The tax would initially generate \$500 million per year, but that amount could rise in the third through fifth years.

The Coalition on Superfund's proposal was unveiled during a Washington press conference less than 24 hours before the House Energy and Commerce Committee's Transportation and Hazardous Materials Subcommittee opened a hearing on the insurance implications of Superfund reform.

U.S. Environmental Protection Agency Administrator Carol Browner and two key lawmakers—Sen. Frank Lautenberg, D-N.J., and Rep. Al Swift, D-Wash.—each praised the coalition's effort but declined to endorse the proposal. They cited the lack of specific legislative language for their reticence.

However, Rep. Swift, chairman of the Transportation and Hazardous Materials Subcommittee, was far from reticent on his desire to act quickly on Superfund reform. "We

are either going to mark up the bill or bury it in April."

Sen. Lautenberg, who chairs the Senate Environment and Public Works Committee's Superfund, Recycling and Solid Waste Management Subcommittee, also indicated that he wanted his panel to vote on Superfund reform by mid-April.

The Comprehensive Environmental Response, Compensation and Liability Act, which created Superfund, must be reauthorized by the end of September or the federal government could lose its ability to levy special taxes to fund cleanups at the 1,250 or so sites currently on CERCLA's National Priorities List.

Stephen R. Merrett, chairman of Merrett Holdings P.L.C. in London, wasted no time in endorsing the coalition plan. "We don't pretend or suggest that there's absolute fairness" but rather "substantially less unfairness" in the coalition proposal, he said.

That perception, however, was not shared by another insurance industry representative.

"We have always opposed an insurer-only solution," said Oakley Johnson, vp-corporate affairs in American International Group Inc.'s Washington office. AIG Chairman Maurice R. Greenberg has advocated for years the creation of a broad-based environmental trust

The members of the Coalition on Superfund are: Aetna Life & Casualty Co., the American Insurance Assn., American Telephone & Telegraph Co., Boeing Co., Browning-Ferris Industries Inc., Chrysler Corp., CIGNA Corp., Dow Chemical Co., E.I. du Pont de Nemours & Co., General Electric Co., ITT Hartford Group Inc., Occidental Petroleum Corp., Olin Corp., Travelers Insurance Co. and Xerox Corp./Talegen Holdings Inc.

fund to replace Superfund.

Mr. Johnson said that the coalition proposal would neither increase spending on cleanups nor accelerate the pace of cleanups. Instead, it would give rise to "an army of insurance archaeologists," who would seek to replicate old insurance policies on behalf of PRPs.

Edward Pollack, corporate senior vp of coalition member Olin Corp. in Stamford, Conn., defended the coalition's proposal. "I truly believe" that "the vast majority" of PRPs will accept settlements from the EIRF, he said, noting that the swiftness and certainty of payment and the elimination of time-consuming pre-trial discovery would make settlements extremely attractive.

Not so, countered Kenneth R. Dickerson, senior vp with Atlantic Richfield Co. in Los Angeles. "A very significant number of PRPs" will opt out of the fund, he said, explaining that under the coalition plan, many PRPs like ARCO would be forced to settle for less from insurers than they are entitled.

The coalition proposal is slanted far too much in favor of insurers, said Mr. Dickerson.

Insurers cannot support the administration's proposal because it would not guarantee that a sufficient number of PRPs would accept settlements from the fund and, thus, would not guarantee that insurers' expenses would decrease, said Mike McGavick, director of the American Insurance Assn.'s Superfund Improvement Project.

The coalition's proposal, which is endorsed by the AIA, could mean the "end of a holy war" among policyholders and insurers, he said.

Not all insurance groups are following the AIA and endorsing the coalition's proposal.

The Council of Insurance Agents & Brokers, the National Assn. of Independent Insurers and the National Assn. of Mutual Insurance Companies declined to support the measure. **■**

Death knell tolls for HIAA's 'Louise'

WASHINGTON—The health care reform battle has claimed its first "victim."

Last Thursday, Washington-area viewers saw "Louise" killed off in a spoof advertisement for President Clinton's health care reform plan.

The fictional Louise and her mate Harry are the stars of a controversial \$13 million ad campaign by the health insurance industry that bashes the Clinton reform plan.

The spoof was produced by a group of Hollywood producers that includes the Clintons' close friend Harry Thomason.

The 60-second spot opens with a narrator: "You've probably seen a young yuppie couple named Harry and Louise on television recently, questioning the President's health care plan."

"I thought I'd bring you up to

date," he says, standing in a graveyard as church bells ring.

"Harry lost his job and also his insurance. Louise owned a small and struggling company that could not afford group insurance, so she had always depended upon Harry's policy. Unfortunately, she had a pre-existing condition that prevented her from obtaining new coverage."

After Louise's death, Harry moved to another state and took a job, one with no health plan.

"Oh, by the way," he concludes, "if you see Harry, tell him to hang in there, the president's plan is just around the corner."

A Health Insurance Assn. of America spokeswoman responded, "The killing of Louise doesn't get rid of the serious questions being raised about health care reform."

—By Sally Roberts

ELIC

Continued from page 2

contract to fund its supplemental benefits system. When ELIC was seized in 1991, Alaska held six annuity contracts with a value of about \$134 million.

Like most policyholders that opted out, Alaska will receive a percentage—in its case, 82%—of the full value of its contracts due to the restructuring of ELIC's obligations.

But, unlike individuals with ELIC insurance policies, Alaska and most other GIC holders will not be made whole by state guaranty funds as part of the rehabilitation.

Meanwhile, the appellate court last week rejected a motion filed by California Insurance Commissioner John Garamendi seeking to block an earlier pleading to rescind the sale of ELIC's junk bond portfolio to the group of French investors led by Altus Finance.

The motion was filed by the underwriters of the junk bonds after they learned that the portfolio's

value had appreciated by more than \$2 billion since the ELIC takeover by California regulators.

The Insurance Department sold the bond portfolio for \$2.7 billion as part of a package deal in which French insurer Mutuelle Assurance Artisanale de France would take over ELIC's operations and Altus Finance, a division of Credit Lyonnais, would purchase the junk bond portfolio. In addition, the National Organization of Life & Health Guaranty Assns. offered to contribute an additional \$2 billion to make whole most policyholders with contracts valued at \$100,000 or less.

While few employers that purchased pension GICs from ELIC have stated publicly their reasons for either opting in or out of the rehabilitation, Xerox Corp., which held \$66 million in GICs for its defined contribution pension plan, opted out for the following reasons:

- Lack of guaranty fund coverage for most GIC holders.
- Insufficient information from Aurora management regarding their future business plans.
- The GICs, which typically have five-year life spans, were at or past maturity but could not be withdrawn for another five years because of a moratorium under the rehabilitation plan.

Holiday Inns Inc., which held a \$12.7 million GIC, said that it decided to opt out because of questions concerning the creditworthiness of Aurora.

Advisers for other GIC holders speculate that these same issues likely contributed to their decision to opt out.

"There was a lot of uncertainty about the company that would emerge after the election," said David Light, senior associate at Valuometrics Inc. in Oak Brook, Ill., which provided financial analysis to several pension GIC holders.

One problem was the fact that most of the pension GICs wouldn't receive coverage from state guaranty funds under the NOLHGA enhancement agreement, he said.

According to NOLHGA, only 12 states cover certain "unallocated annuities" like the GICs sold by ELIC. Nine states are silent as to the treatment of these contracts, while the remaining state guaranty funds do not cover them.

Under the NOLHGA agreement,

Baxter

Continued from page 2

in U.S. courts that name one or several of the companies, as well as 25 suits in Canada and 53 in Ireland.

The hemophiliacs charge the companies were negligent in providing contaminated blood products and seek damages for bodily injury, wrongful death, loss of consortium and other torts.

In addition, a suit filed last September in Illinois against the companies seeks class-action status for up to 10,000 hemophiliacs. That suit also names the National Hemophilia Foundation for allegedly delaying a declaration that Factor VIII is an infectious agent.

Armour is appealing a January 1993 Florida court award of \$2 million to the family of a hemophiliac who received Armour blood products. An Armour spokesman said the company currently is negotiating with insurers to determine coverage.

In its coverage suit filed last month in Los Angeles Superior Court, Baxter argues Zurich Insurance Co. should defend and indemnify it in the hemophiliacs' litigation. Zurich wrote primary comprehensive general liability policies for Baxter between Jan. 1, 1977, and July 1, 1986. The suit also names Columbia

only policyholders residing in states that provide guaranty fund coverage would be made whole.

Many of the GIC holders that attended a January meeting with Aurora management "came away a little bit frustrated" with the little additional information they received regarding the company's financial future, said Sandy Purcell, also a senior associate at Valuometrics.

"They expected Aurora would allow their advisers to dig a 'deep drill' into the organization and really see where their assets were," he recalled. "But all they got was a rearguard of the state insurance commissioner's election package."

Larry Gabriel, a partner with Pachtulski, Stang, Ziehl & Young in Los Angeles who represents about 50 GIC holders that make up the Group Annuity Participant Protection Assn., said the decision to opt in or out was "an independent decision made by each one of the fiduciaries based on the economics of the plan and the economic environment of reinvesting the money."

While Mr. Gabriel has not yet polled GAPP members to find out how they voted, he said "over 80% of the pension GICs opted out."

He also criticized the Insurance Department's description of the election's outcome as a "mischaracterization" of what actually occurred.

A March 10 release stated that 92% of ELIC policyholders chose to remain with the successor company, Aurora, but "when you look at the dollar amount, 30% of the money opted out," Mr. Gabriel pointed out.

In addition, while the GAPP members represent pension plans covering about 350,000 employees, the Insurance Department only considered them as 50 of ELIC's 337,357 policyholders who participated in the election process.

Few industry observers are concerned that the \$1.7 billion payout will adversely affect Aurora's financial viability, since it would still have a \$300 million policyholder surplus. The defection will simply make Aurora a smaller company, most believe.

In fact, Chicago-based Duff & Phelps already has given Aurora an interim investment grade rating of "A." Other rating agencies have not yet rated the new company's claims-paying ability. **BI**

Casualty Co., a unit of CNA Insurance Cos., which wrote excess coverage following the Zurich wording in 1985-86.

Zurich, according to the suit, has disputed coverage, alleging "that blood factors constitute 'products' for purposes of its policies of insurance and that its CGL policies exclude coverage for products and completed operations hazards."

Zurich would not comment.

Baxter says "the provision of blood factors fractionated by Baxter may constitute, for purposes of liability in the underlying actions, the provision of a service and not the sale of a product." Therefore, the exclusions in the Zurich and Columbia policies do not apply, it says.

In addition, Baxter is seeking coverage from hundreds of insurers who wrote coverage excess of the Zurich CGL policies and excess of Baxter's self-insured retention for product liability claims. Baxter argues that these insurers should provide coverage no matter if the blood factors provided by Baxter are considered a product or a service.

The excess insurers include many U.S. and foreign underwriters, including units of American International Group Inc., Chubb Corp., Fireman's Fund Insurance Co., The St. Paul Cos. Inc. and Lloyd's of London syndicates. **BI**

Updates

Empire misdeeds detailed

Continued from page 2

totaling \$307 million in 1991 and 1992, Empire's officers received \$1.27 million in incentive compensation and bonuses during this period; Empire shifted underwriting losses from its experience-rated segment to its community-rated segment to secure rate increases; and Empire officials hampered the report by delaying their response to requests for data and then providing incomplete data.

Insurance Superintendent Salvatore Curiale acknowledged that Empire now has a new management team that "has taken steps to begin correcting these deficiencies. However, more needs to be done. We have directed Empire to take a much more aggressive stance in uncovering and combating insurance fraud."

In a statement, Empire said employees had not hindered department examiners.

D&O settlement insured

SEATTLE—Immunex Corp.'s directors and officers liability insurance will cover about \$10 million of a \$14 million settlement of a shareholder suit.

Officials at the Seattle-based manufacturer of treatment products for cancer and other diseases would not identify the insurers.

The class action resulted from the consolidation of several suits filed in 1992 charging that Immunex violated federal and state securities laws as well as other laws.

Under the settlement, Immunex did not admit violating any laws, nor will the court make any determination on the merits of the allegations. The settlement still requires court approval.

Briefly noted

20th Century Insurance Co. is doubling its earlier net loss estimate (BI, Feb. 14) for California earthquake damages to \$325 million. . . The FBI is leading the formation of a **health care fraud task force** in Connecticut to investigate a broad range of health-related insurance fraud schemes. Also participating will be the Internal Revenue Service, U.S. Postal Inspection Service, the U.S. Attorney's Office, Connecticut law enforcement officials and several large insurers. . . Minnesota Gov. Arne Carlson will appeal a federal court decision granting insurers, not employers, a \$402 million refund from the state **workers compensation reinsurance fund**. . . **EMPHEYSYS Financial Group Inc.** began trading on the New York Stock Exchange last week following an initial public offering. EMPHEYSYS' principal operating unit, Employers Health Insurance Co. of Green Bay, Wis., provides group health insurance, managed care and administrative services for employers. The company had been a wholly owned subsidiary of Lincoln National Corp. . . Occidental Petroleum Corp. will not have to pay \$250 million in punitive damages in relation to the **Love Canal** pollution case, the U.S. District Court in Buffalo, N.Y., ruled. The Love Canal site was polluted in the 1940s and 1950s when Hooker Chemical Corp. dumped toxic waste at the site. Occidental bought Hooker in 1968. . . **Unocal Corp.** agreed to pay \$1.5 million to settle criminal charges that it failed to report more than 15 years of illegal chemical discharges off California's Central Coast. Unocal has spent \$2 million in cleanup costs and will spend at least \$2 million more. It is not insured for these costs, a spokesman said. . . **USF&G Corp.** suffered an estimated \$35 million in catastrophe losses during the first quarter of 1994. The losses from the Los Angeles earthquake and four severe winter storms were not large enough to trigger USF&G's catastrophe reinsurance cover. . . **Rep. Hamilton Fish, R-N.Y.**, announced last week that he would not seek re-election. Rep. Fish is the ranking Republican on the House Judiciary Committee and a longtime opponent of efforts to amend the McCarran-Ferguson Act. . . **John Swinglehurst** has resigned as chairman of Sedgwick Group P.L.C.'s marine and energy operations to join rival Lloyd's broker Bain Clarkson Ltd. as deputy chairman of both the marine and energy divisions. . . The Health Care Financing Administration is reorganizing several departments to create a new **Office of Managed Care**, which among other things will review HMOs seeking federal qualification and look for new ways to measure the quality of HMO services. . . **Abbott Laboratories** says it has insurance for part of the \$15 million a jury awarded to shareholders after finding that Abbott misrepresented information to them. Abbott is appealing. . . An Ohio Supreme Court ruling that a Dayton hospital is liable for care delivered by an emergency room physician whom it did not directly employ expands **medical malpractice liability** for private hospitals in the state, the Ohio Hospital Assn. said. Southview Hospital & Family Center, which contracts with a physician group to staff its emergency room, is self-insured for the \$730,000 award. . . Kemper National Insurance Cos. would not be significantly affected by a takeover of financial services giant **Kemper Corp.** because it holds only a 4% stake in the takeover target, a spokesman said. GE Capital Services Inc. is expected to decide this week whether it will continue to pursue Kemper Corp. . . A Florida appeals court will allow seven flight attendants who say they were harmed by passengers' **secondhand smoke** to pursue a class-action lawsuit against the tobacco industry. A Dade County Circuit Court had refused to give class-action status to the suit, which was filed on behalf of 60,000 flight attendants in October 1991 (BI, Nov. 11, 1991). . . The New York Supreme Court has stayed a lawsuit filed by liability insurers seeking to avoid paying **Bristol-Myers Squibb's breast implant claims** pending the outcome of a coverage suit the manufacturer filed last year in Texas. Meanwhile, Bristol-Myers, Dow Corning Corp. and Baxter International are moving closer to finalizing a proposed \$4.75 billion settlement with claimants (BI, Feb. 21). . . **Southern Pacific Transportation Co.** is insured for the \$32 million it agreed to pay last week to settle state and federal suits stemming from a 1991 train derailment that resulted in a toxic spill in the Sacramento River (BI, July 29, 1991).

Study

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employers' health care costs, any savings should be used to provide additional employee benefits. Sixteen percent said savings should be used for salary increases, 14% said savings should be shared with workers and 11% said savings should be used to reduce employee health plan contributions.

By contrast, only 5% of workers said employers should apply the savings to increase profits, and 3% said any savings should be reinvested in the business.

Workers at companies that stand to "lose" under President Clinton's reform plan, by paying higher health care costs for example, are no more generous, Ms. Abernethy pointed out. The majority—68%—say employers that have to pay more as a result of reform should take money from corporate profits or government subsidies. Seventeen percent said the money should come from increased employee health plan contributions, and 11% said it should come from reduced benefits.

Employees believe they have a lot to lose under health care reform in general—and under the president's plan in particular—the survey found. Most say they will have to pay more to get the same, or possibly less, health care coverage.

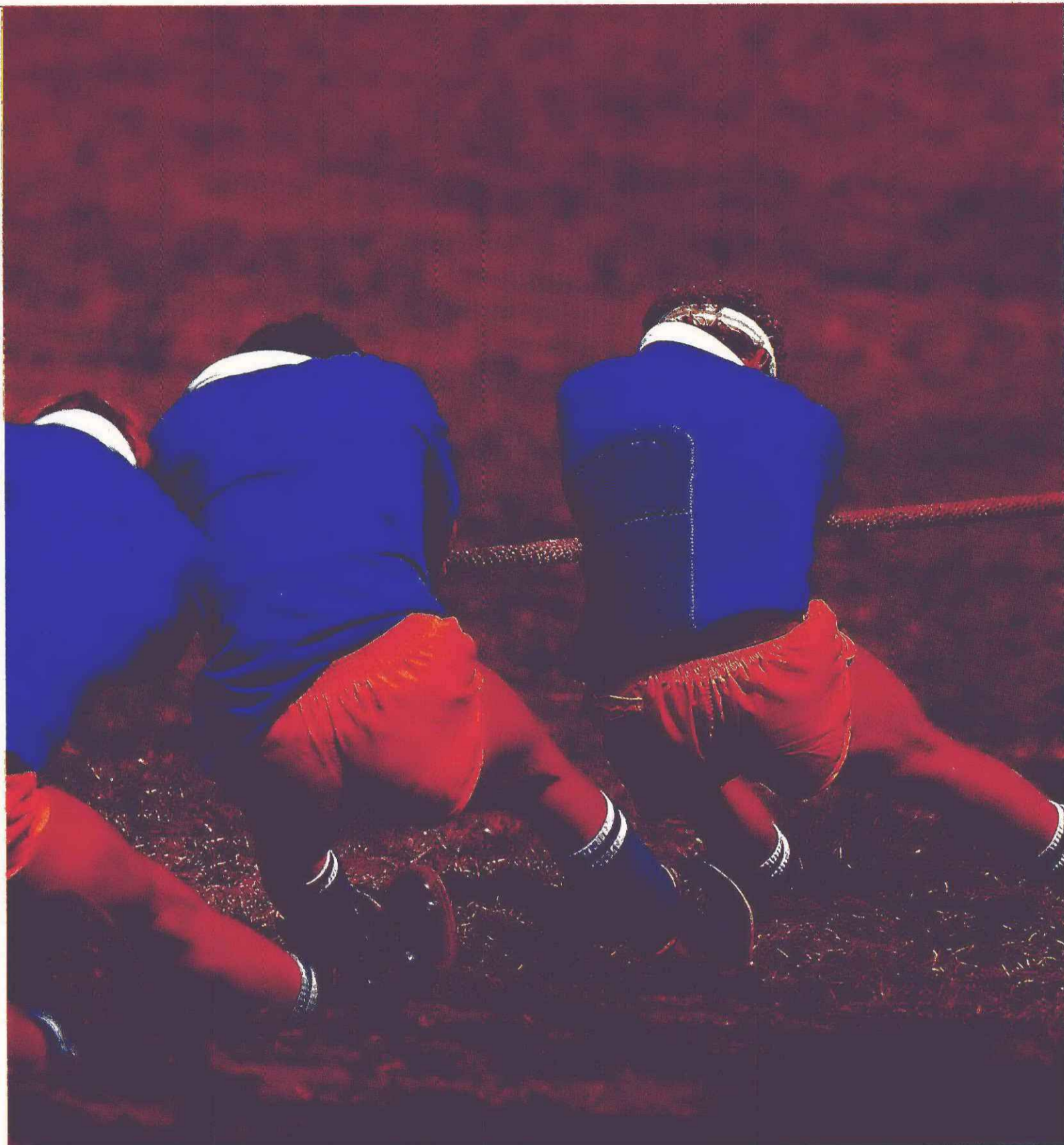
Sixty percent of U.S. workers interviewed expect to pay higher premiums for the same level of health care coverage they now have, regardless of the shape health care system reform ultimately takes.

Twenty-five percent of workers contacted believe they will pay about the same amount for the same coverage under a reformed health care system, while only 10% said they would pay less and 5% said they didn't know.

When asked about President Clinton's plan in particular, about half of the respondents said things would stay the same or said they were not sure how things would change. Some employees did express worries about President Clinton's proposed changes.

For example, about one third of employees fear the cost of provider visits will increase under Clinton's plan. And a similar percentage are concerned about the quality of care that would be provided under President Clinton's proposal.

For free copies of "Views from Working Americans," call Dionne Herrabin at Towers Perrin at 800-525-6741.



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