MARCH 2, 1998

Business Insurance

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

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Updates

Silicone supplier had no duty to warn of hazards, court rules

SAN DIEGO—General Electric Co. had no duty to warn women of any possible hazards from the use of silicone it supplied to a breast implant manufacturer, a California appellate court has ruled.

Generally, a manufacturer has a duty to alert customers to the risks of using its product. However, the 4th District Court of Appeal in San Diego ruled last month that GE transferred the duty to the company that made the implants.

This is the first time a California appellate

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Wyatt drops outsourcing venture

By JERRY GEISEL

BETHESDA, Md.—Roiled by steep financial losses and little likelihood of a turnaround anytime soon, Watson Wyatt & Co. is pulling out of Wellspring Resources L.L.C., the joint total benefit outsourcing venture it launched in 1996 with State Street Global Advisors.

In filings with the Securities and Exchange Commission, Watson Wyatt disclosed that it will discontinue its participation in Wellspring as soon as possible and write off its $58.7 million investment in the venture during the third quarter of this year. It also expects to record a reserve of about $60 million for liabilities, such as severance payments, relating to ending its relationship with Wellspring.

While Watson Wyatt will depart as a financial partner, Wellspring expects to continue in business, though on a more limited basis, with Boston-based State Street owning 100% of the Jacksonville, Fla.-based company.

Watson Wyatt will continue to provide administrative services for benefit plans, though not in a total outsourcing call center environment and not in competition with Wellspring, said Pete Smith, Watson Wyatt's president and chief executive officer in Bethesda, Md.

Watson Wyatt's difficulty in the benefit outsourcing business is yet another example of the turmoil and uncertainty in the industry, with some major players exiting the business or finding new, richer partners and others making massive investments to expand operations.

"This is such a capital- and systems-intensive business that it takes a real focused approach. Some of the consulting firms are not going to stay in, because they are finding that they are spreading themselves too thin," said Donn Bleau, principal of San Diego-based Global Resources Group, which does executive recruiting for benefit consulting firms.

Watson Wyatt officials say the decision to get out of the total benefit outsourcing business is part of a corporate strategy to concentrate on traditional and new strengths.

"This decision is very much of a focused strategy for the firm: concentrating our resources on what we always have done best," Mr. Smith said.

With the Wellspring situation behind it, Watson Wyatt can focus more on its traditional strengths, such as benefit plan design and strategy, human resources consulting, actuarial work and—more recently—helping clients design and operate their own benefit call centers, Mr. Smith said.

"We will be in the business of providing customized solutions in the HR area for clients," he added.

Others agree that the exit from total benefit outsourcing is a good business move for Watson Wyatt.

"Personally, I think this is a very good thing for them. This

See **Watson Wyatt** *on page 39*

El Niño's wrath not hurting insurers for now

By ROBERTO CENICEROS

The deadly El Niño-driven storms that ripped through California and Florida last month spared businesses and resulted in relatively light insured losses, but claims could mount if the weather pattern lingers into spring.

The National Oceanic and Atmospheric Administration's Climate Prediction Center said in a statement in mid-February that the next two months could follow a similar pattern of the recent abnormal weather.

While weather-related claims against insurance policies have risen, most insurers report that 1998's catastrophes have generated relatively few commercial claims.

"We have not seen a whole lot of claim activity yet, but it is still early," said Robin Critelli, region president for St. Paul Fire & Marine Insurance Co., a commercial lines unit in San Francisco. "As the ground continues to become more saturated, we will see more problems."

St. Paul underwriters had sent a letter to vulnerable California property insurance policyholders advising them of available loss prevention information.

"We are about to send another letter because when we sent the first one people still thought El Niño was a lot of hype," Ms. Critelli said. "If this goes through April, like they are predicting, we will have lots of problems."

Some insurers said the recent storms had not generated many commercial claims.

"El Niño is so easy to use as a category heading. But wind and rain catastrophes have been with us ever since we can remember, and so far this is not parting from the norm," said a spokesman for Fireman's Fund Insurance Cos. in Novato, Calif.

Recent California storms have had only a "low to moderate" impact on commercial customers, the Fireman's Fund spokesman said. There have been fewer than 200 related commercial claims and "only a handful of those can be categorized as severe."

Most of those claims were caused by damage from falling trees or windblown water.

See **El Niño** *on page 35*

New U.K. powerhouse

U.K. insurers' merger would heighten North American presence

By MATTHEW MacDERMOTT

LONDON—The proposed merger of British insurers Commercial Union P.L.C and General Accident P.L.C. would create the United Kingdom's largest multiline insurance company, based on 1997 net premiums of £14.84 billion ($24.31 billion).

The combined company, to be called CGU P.L.C., would consolidate both insurers' strong positions in the U.K. domestic insurance market, heighten their market presence in Europe and North America, and expand growth potential in the developing markets of the Asia-Pacific and Eastern Europe.

General Accident Chairman Sir Alick Rankin said the merger announcement is the result of two months of intensive discussions between the boards of London-based Commercial Union and Perth, Scotland-based General Accident.

He described CGU as a "major new U.K., European and worldwide force in insurance. . .a real premier-league player."

See **CGU** *on page 38*

Branching out from Britain

The merger of Commercial Union P.L.C. and General Accident P.L.C. will create the U.K.'s largest multiline insurer and a stronger international competitor.

	Commercial Union	General Accident	GCU
Net premiums written	$13.99 billion	$10.32 billion	**$24.31 billion**
Operating profit (pretax)	$707.7 million	$837.1 million	**$1.54 billion**
Net assets:	$7.35 billion	$6.19 billion	**$13.54 billion**
Employees:	26,000	26,000	**47,000**

Converted at 1997 exchange rate British pound=$1.6382

GRAPHIC BY MIKE GARVEY

Employers must wait and see if Oxford prescription works

By JUDY GREENWALD

NORWALK, Conn.—Employers will have to take a wait-and-see approach to determine the impact on their group health plans of the turmoil at Oxford Health Plans Inc.

It is too soon to tell whether boosting the company's capital and cash and installing new leadership will be enough to rescue the financially troubled health maintenance organization, benefit experts say.

Dr. Payson

Oxford last week announced that it had obtained a $350 million capital infusion from an outside investment group, as well as plans to raise another $350 million in debt. In addition, Oxford has named Dr. Norman C. Payson, founder of Healthsource Inc., chief executive officer. He will begin when the transaction is complete.

"If you're an employer out there and you have coverage with this group, you might have to say to yourself, 'Is this a player that's going to be around for the long

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NEWSPAPER

Updates

GE not liable for implant risk

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court has addressed the issue. However, the ruling is consistent with one issued last August by U.S. District Court Judge Sam Pointer in which GE was dismissed from the multidistrict breast implant litigation the judge has been overseeing, said a spokesman for Fairfield, Conn.-based GE.

Writing for the unanimous panel, California Appellate Court Justice Patricia D. Benke said GE merely provided bulk quantities of silicone and had little to do with the design and development of the end product. The appeal court also pointed out that the product GE passed down the line—silicone—is not an inherently dangerous product.

According to court papers, GE provided implant maker McGhan Medical Corp. of Santa Barbara, Calif., with silicone-filled drums that were accompanied by a notice: "Each user of the material should make his own tests to determine the material's suitability for his own particular use."

A GE spokesman said the company was pleased with the decision in *Artiglio vs. General Electric Co.*

"We're pleased that the California appellate court has upheld the lower court ruling that manufacturers, rather than raw materials suppliers, are the appropriate parties and in a better position to provide end users with information about their products," the spokesman said.

Plaintiffs lawyers could not be reached for comment.

States rule on pollution

OLYMPIA, Wash.—Insurers are liable for all of a policyholder's environmental cleanup costs even if they only insured the policyholder for part of the period during which the pollution occurred, the Washington Supreme Court has ruled.

Insurers agree to pay "all sums" policyholders face due to environmental property damage, and the liability should not be pro-rated over different insured and uninsured periods, the court ruled in a majority decision.

Also last month, the Georgia Supreme Court ruled that the plain language of the "own property" exclusion deprived a policyholder of coverage for the remediation of contaminated ground water.

In the Washington case, *B&L Trucking and Construction Co. vs. Northern Insurance Co.*, the policyholder had bought coverage from the insurer but not for the entire period when it had been deemed it had polluted a landfill. The insurer argued that its liability should only cover the periods when its policies were in force.

The court ruled: "Once a policy is triggered, the policy language requires an insurer to pay all sums for which the insured becomes legally obligated, up to the policy limits. Once the coverage is triggered in one or more policy periods, those policies provide full coverage for all continuing damage, without any allocation between insurer and insured."

In the Georgia decision, *Boardman Petroleum Inc vs. Federated Mutual Insurance Co.*, the policyholder sought coverage after underground gasoline storage tanks leaked and contaminated the ground and ground water. The policyholder sought coverage, despite the "own property" exclusion in the policy, arguing that the contamination of the ground water would lead to the contamination of third-party property.

In its majority decision, the Georgia court ruled that the policyholder owned the ground and the ground water and coverage was excluded.

Law firm's settlement insured

PHILADELPHIA—A prominent Philadelphia law firm's professional liability insurer will cover all of a proposed $35 million settlement stemming from the looting of two Pennsylvania insurers by one of the law firm's former partners.

Vermont-domiciled Attorneys' Liability Assurance Society Inc., a Risk Retention Group, will make the lump-sum payment to settle litigation between Morgan, Lewis & Bockius and the Pennsylvania Insurance Department, said Francis Milone, the law firm's managing partner.

Allen W. Stewart, a former Morgan Lewis partner, was convicted in December on 135 counts of racketeering, money laundering and mail fraud for draining the assets of two insurers he controlled, Summit National Life Insurance Co. and Equitable Beneficial Life Insurance Co. He is scheduled for sentencing this month and faces 14 to 17 years in prison and millions of dollars in fines (*BI*, Jan. 5; Jan. 27, 1997).

Pennsylvania regulators placed the two insurers in liquidation in 1994 and later sued Morgan Lewis, charging the firm—which represented the insurers—should be partially liable for losses caused by their collapse.

Morgan Lewis does not admit any wrongdoing in the settlement, which a state court must approve.

John Foley, president and chief executive officer of ALAS Inc. in Chicago, confirmed that Morgan Lewis is a member of the group captive but said the insurer's practice is not to comment on claims.

A $35 million settlement would not be the largest ever paid by ALAS, he added, noting that lawyer malpractice claims severity is increasing as claim frequency declines.

Tainted-beef suit settled

SAN DIEGO—A group of meat suppliers has paid $58.5 million to settle lawsuits filed by the operator of the Jack in the Box restaurant chain after a 1993 outbreak of food-borne illness at its stores.

San Diego-based Foodmaker Inc., operator of the Jack in the Box chain, said that after taxes and litigation costs, it will collect slightly more than $30 million.

The 1993 outbreak caused at least two deaths and made several hundred people ill after eating hamburgers tainted with E. coli at several Jack in the Box locations in the Pacific Northwest (*BI*, March 6, 1995). Litigation brought by injured restaurant patrons was concluded last year after lawsuits were settled, a Foodmaker spokeswoman said.

Foodmaker's settlements were covered by insurance, she said.

Foodmaker in 1993 sued its meat suppliers, and the recent settlement ends that litigation.

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PBM deal might cut prices

By ROBERT KAZEL

ST. LOUIS—Lower prescription drug prices for employers could result from the planned merger of Express Scripts Inc. and ValueRx, company executives and consultants say.

ValueRx's customer base, dominated by large employer groups and insurers, also will complement Express Scripts' base of managed care companies and third-party administrators, industry watchers say.

Employers also might see improvements in clinical studies and better disease management programs, sources say.

What won't change is that the newly merged company will continue to market itself as an alternative to pharmaceutical manufacturer-owned PBMs—but this time as an entity with considerably more clout.

St. Louis-based Express Scripts and Plymouth, Minn.-based ValueRx, the two largest independent prescription benefit management companies in the country, announced last month that Express Scripts had reached a definitive agreement to buy ValueRx from Columbia/HCA Healthcare Corp. for $445 million in cash (*BI*, Feb. 23). The large hospital chain had bought ValueRx in January 1997 as part of a $1.3 billion acquisition of Avon, Conn.-based Value Health Inc. (*BI*, Jan. 20, 1997).

The buying of ValueRx represents a rare opportunity for Express Scripts, a medium-size PBM by industry standards, to move into the industry's No. 3 slot behind PCS Health Systems Inc. and Merck-Medco Managed Care Inc. Those PBMs are owned by drug giants Eli Lilly & Co. and

See **PBMs** *on page 36*

Rules to aid MCO review

By MEG FLETCHER

Employee benefit managers are looking forward to using a new solvency yardstick that will allow them to assess the financial stability of all types of managed care organizations.

Under financial filing rules developed by the National Assn. of Insurance Commissioners, benefit managers in most states will be able to check public records as early as March 1999 to learn the risk-based capital status of most managed care organizations, including: health maintenance organizations; some provider-sponsored organizations, which are risk-bearing groups of physicians or hospitals; and hospital medical-dental indemnity plans, which some Blues plans offer.

In addition, "The Health Risk-Based Capital Working Group is working toward making this applicable to commercial health insurers and the health portion of life insurers' business, but no deadline has been set," said working group Chairman Lou Felice, principal insurance examiner for the New York Department of Insurance.

The risk-based capital approach to monitoring financial stability changes the basis for determining, for example, an HMO's required capital from the typical flat amount of $1.5 million to an individually determined amount that reflects the risks of the HMO's

See **Capital** *on page 29*

Liability limit key to tobacco deal

Large awards to initial plaintiffs could leave less for others

By MARK A. HOFMANN

WASHINGTON—Limiting cigarette makers' legal liability will be the hinge upon which turns the fate of the proposed $368.5 billion global settlement between the tobacco industry and most of the nation's state attorneys general.

Without the settlement, tobacco companies and those who claim to have been injured by smoking—including states paying smoking-related Medicaid costs—will have to fight it out in court repeatedly, several witnesses told members of the Senate Commerce Committee during two days of hearings on the liability aspects of the proposal last week.

Mississippi Attorney General Mike Moore, who led the negotiations that led to the proposed settlement last June, said plaintiffs might win some cases and lose others. But even a few major awards could bankrupt some tobacco companies and lead to what Commerce Committee Chairman John McCain, R-Ariz., called an "asbestos-type situation," where plaintiffs who won their cases early would receive far more than those whose cases went to trial later.

The settlement got a boost from Senate Judiciary Committee

See **Tobacco** *on page 37*

BI launches online archive

CHICAGO—*Business Insurance* has launched a searchable online archive containing the full text of all articles and directories in the magazine from January 1994 to the present.

The *BI* Article Archive provides easy access to a database containing the industry's most comprehensive information on news and trends in risk management, employee benefits, commercial insurance and managed care. The archive is a useful source of information for market research, data gathering, speech writing, competitive analyses and legal inquiries.

The Article Archive, located on *Business Insurance*'s home page on the World Wide Web at www.businessinsurance.com, may be browsed at no charge for a six-week trial period. Beginning April 13, one-year subscriptions providing unlimited access to the archive will be available at a rate of $80 for subscribers to *Business Insurance* magazine and $120 for non-subscribers. Major credit cards will be accepted online for subscriptions offering immediate access to the Article Archive.

At all times, the most recent two issues in the archive may be searched for no charge.

Inside

- Employers ought to take advantage of OSHA's compliance program rather than fight it in court, this week's editorial says. **PAGE 8**

- Policy wording likely will leave uncovered much of the commercial losses resulting from a massive power outage in Auckland, New Zealand. **PAGE 35**

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Business Insurance (ISSN 0007-6864) Vol. 32, No. 9, is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207. $4 a copy and $87 a year in U.S. $105 in Canada and Mexico (includes GST). All other countries $205 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444. Printed in U.S.A. Copyright 1998 by Crain Communications Inc.

Benefits Administration & Online Resources

Benefit managers must face Year 2000 now

By ROBERT KAZEL

Picture these three scenarios: The benefits department of a major corporation returns to work on Jan. 3, 2000, after celebrating the New Year's holiday. The staff notices that the computer system is behaving erratically and data for its profit-sharing plans, cafeteria plans and cash balance plans makes no sense.

A service provider that handles benefits outsourcing for several dozen large employers finds numerous computer glitches occurring throughout 1999 for multiyear benefit plans that extend into the year 2000. Like an insidious virus, the contractor's data infects the computers owned by employers to which it is connected.

Early in the year 2000, an employee seeks urgent medical attention at a clinic that attempts to verify coverage. The worker's health maintenance organization computer says the employee's insurance expired in 1900. During the delay and confusion, the employee gets sicker. He later sues the employer for breach of fiduciary duty.

These hypotheticals illustrate what could confront benefit managers in less than two years as the so-called Year 2000 problem approaches. Thousands of computers and other electronic devices worldwide, including many computers that track employee benefits, were programmed with two-digit codes to represent dates. They store 1967 as 67, 1979 as 79, and so on. The year 2000, however, in many cases will register as "00," fooling the system into interpreting the date as 1900, "01" as 1901, and so forth. The results, for benefits departments largely dependent on dates for their calculations, may be a nightmare.

"Dates are very, very key (for employers)," said Ann Coffou, managing director of Boston-based Giga Year 2000 Relevance Service, a consulting firm.

"Birthdates, employment dates, anniversary dates. The whole insurance industry is rife with dates. You just don't want to mess with people's money and benefits. People are just extremely sensitive."

There is no industry agreement on how to fix the problem in time, nor how to prepare for the legal ramifications of computer snafus that experts say will inevitably occur despite employers' efforts. A warning flag went up last month when Olena Berg, head of the Department of Labor's Pension and Welfare Benefits Administration, sent a memo to benefit administrators and processors.

"This is a cybernetic minefield that will take considerable time and effort to clear," she wrote. "(Plan) administrators and service providers cannot afford to gamble on a last-minute, technological fix. They must act now."

What complicates preparation for the Year 2000 problem is that it goes beyond rewriting software belonging to the company systems. It must include contacting all service providers to make sure progress is being made to update their systems as well, experts say. In many cases, plan sponsors appear to be slow to address the problem internally or with their contractors.

"We have a general sense that many benefit managers are not addressing this as much as they should," said Raymond Goetz, counsel for Gardner, Carton & Douglas in Chicago. Mr. Goetz and several other attorneys at the firm have formed a Year 2000 problem task force that has presented educational seminars on the topic.

Considering how long the correction process takes, and considering that errors are expected to begin appearing in droves in 1999, the time pressure on employers is great, said Jim Woodward, senior vp of New York-based Cap Gemini, an informa-

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Demand for outsourcing outstripping supply

Benefit consultants scrambling to meet employer needs

By ROBERTO CENICEROS

In a sign that benefits outsourcing has been successful with employers, consulting companies can't seem to hire new staff fast enough to keep pace with customer demand.

Even though benefits outsourcing has been around for years, benefits observers say the practice is still in its formative years and that it will spread into new areas.

Yet it remains unclear exactly to what degree it has delivered on some of its early promises, such as cost reduction and the freeing up of employers to focus on planning and strategy.

But evidently benefits outsourcing has proven successful enough that employers continue to contract out more administrative functions. They are doing so because their own experiences with outsourcing have been mostly positive; they want to limit investment in computer systems while improving their benefit mix; and they can no longer afford to spoon-feed employees with in-house assistance the way they once did.

"We're very comfortable with outsourcing as a concept," said Stuart Forman, director of global compensation and benefits for Coors Brewing Co. in Golden, Colo.

"We are in the business of making and selling beer, not in the business of managing benefits," he continued. "Given the complexities associated with benefit programs and given the systems requirements, it's just not worth it to us. Especially when you can hire people who do it for a living and do it very, very well."

As of Jan. 1, Coors outsourced its health and welfare administration functions to Watson Wyatt Worldwide, Mr. Forman said. The move came after years of outsourcing the administration of 401(k) plans with few employee complaints.

Four years ago, benefits administrators at Warren, N.J.-based Hoechst-Celanese Corp. launched into outsourcing so that its shrinking benefits staff could spend more time planning.

So far, outsourcing probably has made it a little easier for the company's benefits administrators to focus on planning and strategy, said Jennifer D'Andrea, Hoechst's manager of employee benefits. That has come about not so much because the company's remaining administrators have more time, but because their benefit vendor's computer system is much more responsive and flexible than the company's system. The flexibility allows more freedom in plan design.

"Our system had handcuffs on us," Ms. D'Andrea said. "We couldn't do certain things because the system wouldn't allow us to."

As of Jan. 1, Hoechst outsourced the administration of its flexible benefits, including health plans, to Seattle-based consultant Howard Johnson & Co., Ms. D'Andrea said.

"If it goes as we plan, it should be the right move for us and quite successful," she said. "It is certainly less costly than having to purchase a new system, which is what we really needed."

Hoechst's move to outsource the health side of its benefit offerings came after positive experiences in other areas, such as employee retirement savings accounts and COBRA administration.

Outsourcing also has played out well for

See **Outsource** *on page 13*

Web-based self-service helps virtually everyone

By SALLY ROBERTS

World Wide Web-based employee self-service applications are fast becoming the technology of choice for employee benefit and human resource departments.

By giving employees online access to personalized benefit information, analysis and modeling tools to make informed decisions about their benefits, and the ability to make benefit transactions online, employers can create a virtual HR department where employees service their own benefit needs.

This cyber environment not only frees from administrative burdens HR staffs that are under downsizing pressure, but also increases satisfaction among employees, improves employee communications and saves companies money, experts say.

Many employers today are moving in the direction of employee self-service and are evolving beyond simply offering static benefit plan information via a company intranet or Internet site. Many now are offering employees access to their personalized benefit information and to analysis tools that enable employees to model the impact of life event scenarios when making benefit decisions.

Permitting actual transactions, such as plan contributions or loans, via online systems remains limited among employers, though benefit experts expect 1998 to be the year that transactional capabilities gain in popularity.

Already, though, more and more HR and benefit departments are taking advantage of the easy-to-use and relatively inexpensive Web technology.

According to a recent Watson Wyatt Worldwide survey, the use of Web technology in HR departments nearly doubled over the past year. Of the 450 respondents, 50% said they use Web technology now, compared with only 27% in 1996.

A survey by the International Society of Certified Employee Benefit Specialists and Deloitte & Touche L.L.P. found that among the 354 benefit specialists surveyed, evaluating/implementing Internet/intranet applications ranked as the fifth-highest priority for them in 1998, behind providing investment education, improving managed care programs, monitoring and responding to health care reform, and improving employee communications.

"We continue to see tremendous interest in the Web for employee self-service," said Tim Stentiford, a Web communication consultant and practice leader for the Web communications group at William M. Mercer Inc. in New York.

Employee self-service "is the way everyone wants to go," agreed Curt Morgan, a principal with The Kwasha Lipton Group in Fort Lee, N.J. "There is no question that self-service tools are better than any other medium we have today" with the exception of an HR representative, he said. This technology is available 24 hours a day, seven days a week and is not work specific. "If developed intelligently, it's a tool that will help employees make more complicated decisions and absorb more information more

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Spotlight Editor: Robert Kazel

Spotlight report

Year 2000

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tion technology services company.

"Companies are getting started too late, they're too optimistic, and they're moving too slow," he said. "The later you start, the greater the number of people you have to employ, because the runway is shorter."

According to attorneys, the Year 2000 terrain is especially precarious for benefit managers because employers administering benefit plans under ERISA are legally responsible as fiduciaries for administering their plans prudently—that is, for taking all necessary steps that a reasonable person would take to guarantee the health of the plans. A failure to prepare for Year 2000 difficulties could cause plan fiduciaries and their employers to be held liable to the plan, to employees, to beneficiaries and for any losses, said Carol M. Hines, an associate with Gardner, Carton & Douglas.

Plan sponsors may be held liable for computer problems experienced by investment managers, record-keepers, third-party administrators, actuaries, insurers, managed care companies, and outsourcing and payroll firms, Ms. Hines said.

ERISA suits conceivably could be filed against an employer even when it had little control over a computer problem. For example, if an investment firm handling a plan sponsor's pension fund investment directs funds toward companies that have not corrected their own Year 2000 woes and employees lose money on their investments as a result, the employer could be accused of being liable.

ERISA plans also could be forced to pay government fines if employers' computer problems cause lapses in qualification, reporting and disclosure requirements, as well as violations of tax regulations, Ms. Hines said.

'If all you do is get your own data in order, you may have accomplished nothing,' says William Fenwick.

Most at risk are employee medical information and pension fund records, due to the growing proportion of equity funds held by employees through their companies, according to William Fenwick, a partner in Palo Alto, Calif.-based Fenwick & West, another law firm that has formed a Year 2000 problem task force.

"It's probably more serious in the area of insurance and benefits than other areas," Mr. Fenwick said.

The number of computer links in the world of insurance is the reason, he said; benefits data forms a complex network of streams and tributaries.

"If all you do is get your own data in order, you may have accomplished nothing," he said Especially hazardous to private sector computers may be link-ups to government computers, generally far behind corporate America in being reprogrammed for Year 2000 readiness, he said. Links to European computers are even more precarious because the continent has for the most part postponed facing the issue, he said.

Despite the warnings of lawyers and consultants, some benefit managers report that real progress already has been made in solving their Year 2000 challenges.

"We're fixing our own in-house system and checking with our outside vendors—HMOs primarily," said Robert Dankmyer, vp of corporate benefits for Bethesda, Md.-based Marriott International Corp.

Changes at Marriott began last year. An internal committee has updated the centralized payroll system already and within a month or two will adjust the software for hotel reservations, general ledger and employee disability records.

The company has 230,000 employees in 160 HMOs and has been in touch with all of them regard-

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Guidelines for tackling Year 2000 problem

Here is a general framework for employers seeking to minimize their year 2000 problems, according to the Chicago law firm of Gardner, Carton & Douglas:

- Tackle the problem aggressively and document all preparations carefully so your company can prove fiduciary duties were carried out.
- Prepare an inventory of benefit computing systems, both inside the company and those belonging to external processors. The content of all employee benefit plans should be evaluated. Any potential Year 2000 problems should be identified.
- The plan sponsor needs to determine if it can solve its Year 2000 problems with internal staff or if it needs to hire outside technical assistance.
- The employer must determine which service providers are maintaining or processing benefits data and which are sharing date-dependent information with the plan sponsor's computer.
- The employer should ask its vendors about their Year 2000 readiness. This can be accomplished through a questionnaire sent to the providers.
- Benefits, compensation, human resources, information systems and legal staff should study the questionnaires as they come back and determine if the answers are satisfactory.
- The plan sponsor should keep track of the progress made by service providers, staying in touch through the mail or over the phone to be sure they are performing due diligence with respect to the Year 2000 problem. This will help cement the plan sponsor's own due diligence record.
- Legal staff or outside counsel should analyze existing contracts with outside computing vendors to see if they protect the employer against Year 2000 problems.
- New or renewed contracts with service providers can be written to protect the plan sponsor through Year 2000 warranties and indemnifications.

—*By Robert Kazel*

There's a reason most environmental insurers don't scratch beneath the surface.

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Opinions

Take OSHA up on its offer

WHILE A BATTLE is waged in court over how a new safety program was introduced, an opportunity to improve safety at some of the country's most hazardous industries could be lost.

As we reported last week, several employer groups won a court order staying the Occupational Safety and Health Administration's cooperative compliance program until a court hears their challenge to how the program was implemented. The groups behind the legal action contend that OSHA's program is coercive, whereas the agency characterizes it as an "instruction."

We can sympathize with the groups' complaint that the program was not implemented according to normal procedures. However, other OSHA efforts are more deserving of employer scrutiny, such as recent progress by the safety agency on an ergonomics standard despite a congressional ban on such activity (*BI*, Feb. 16).

We also think those employer groups challenging the cooperative compliance program should keep in sight the program's purpose: OSHA designed the program to encourage employers in the country's most hazardous industries to clean up their acts.

Those employers would get a choice: Make a commitment to establish a comprehensive health and safety program or face comprehensive inspections and the possibility of fines.

Although unsafe worksites *already* face the risk of OSHA inspections and penalties, some business groups seem to believe the cooperative compliance program would essentially force employers to adopt new safety programs or face a new risk of being penalized.

Instead of seeing it as an ax over their heads, employers should see the OSHA proposal as a carrot.

The cooperative compliance program offers employers with unsafe worksites an opportunity to make corrections without risk of penalty. Consider it similar to a tax amnesty program: Come clean, pay what you owe, and you won't run the risk of greater expense after an audit.

Viewed this way, the fundamental issue is whether employers have a moral and legal obligation to provide employees a safe workplace; we believe they do.

We also believe the OSHA program offers a good opportunity for employers that have not already done so to voluntarily take steps needed to ensure their workers are protected from hazards. Many employers already make safety a priority at their worksites and would be immune from this program. If employers think they have been unfairly lumped into OSHA's category of the most hazardous worksites, it should be relatively simple to prove otherwise.

OSHA is offering a carrot to those employers; if this program is shot down in court, the agency can just as easily achieve the desired effect the hard way: targeting unsafe employers, levying hefty fines and laying down how safety programs should be structured. Now *that* would be coercive.

Letters

We shouldn't question safety queries

To the editor: In Paul Winston's Feb. 23 Commentary, "Germ Scare Shows Need for Preparation," I was interested to read the following sentences:

"Most travelers by now are weary or annoyed at the security mantra—'Did you pack your bags yourselves? Have they been in your possession the whole time?'—and question its effectiveness. After all, would it be that hard for a terrorist to lie when asked these questions?"

The latter sentence appears to assert that the public at large believes that the motivation for the questions is a child-like attempt to catch a terrorist blushing, or showing some other sign of agitation, when answering.

I believe the article overlooks the absolute necessity of the questions and that the cooperation of the public in countering terrorist threats is an extremely useful tool. Therefore, I think the chance to inform this public that such questions are not inefficient "time-wasters" should not be overlooked.

Consider, if the questions are not asked and a bomb is subsequently discovered in someone's bag. The owner would be able to claim—truthfully or otherwise—"I didn't put the bomb in my bag," thus making the investigative task that much harder.

In promoting preparation against terrorism, explaining why certain security preparations are necessary, rather than repeating attitudes based on erroneous beliefs, would, I suspect, be a more useful policy.

Joseph Duggan
Risk Management Department
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& Fire Insurance Co.
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Study supports chiropractic

To the editor: I wish to compliment Meg Fletcher for her Feb. 16 article, "Less is More in Back Care, Payers Find."

It is ironic that it has taken decades for payers to realize that in many instances not only is less often more, but it is also therapeutically more effective.

Long-term bed rest, which debilitated patients, and unnecessary surgical interventions were commonplace procedures for low-back injuries because no one was looking at the now-magic word: outcomes!

Additionally, procedures once scoffed at as being unscientific, invalid, unorthodox or just plain worthless now are proving to be the standard of care. The Agency for Health Care Policy and Research document clearly demonstrated that non-steroidal anti-inflammatory drugs and spinal manipulation were the top procedures that pass the test of scientific scrutiny. The only difference is that NSAIDS can and do cause liver damage and can result in more serious complications and side effects. The safety and effectiveness of spinal manipulation is unsurpassed by any therapeutic measure in place today.

There is a lesson to be learned by the payer community if it reads the article by Ms. Fletcher and studies the latest scientific articles on effectiveness and outcomes. The use of chiropractic in early interventions can literally save billions of dollars to the payer community in long-term disability.

If studies are to be done prospectively by the payer community, and if all costs associated with the condition are to be calculated, i.e., drugs, physical therapy, surgery and disability, it soon will become obvious that more chiropractic care earlier will result in less costly dollars in the long term.

This article at least provides the business and insurance community with some cause for pause and reconsideration of their outdated views regarding chiropractic care, cost, outcomes and patient satisfaction. It is difficult to break long-held myths and shift paradigms, but articles like this go a long way to dispel those myths.

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SUBSCRIPTIONS: Detroit: 888-446-1422

Business Insurance is published by Crain Communications Inc.

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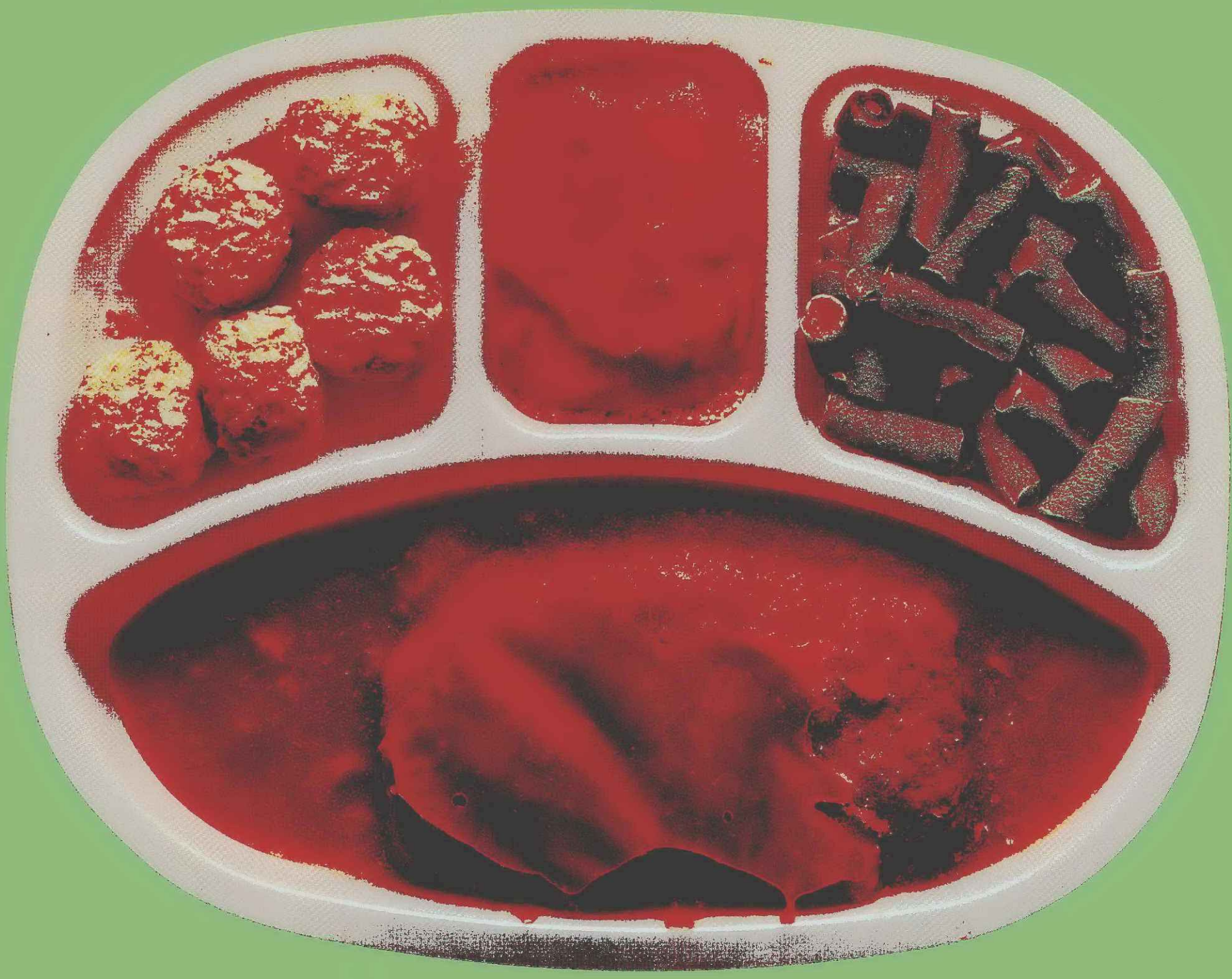

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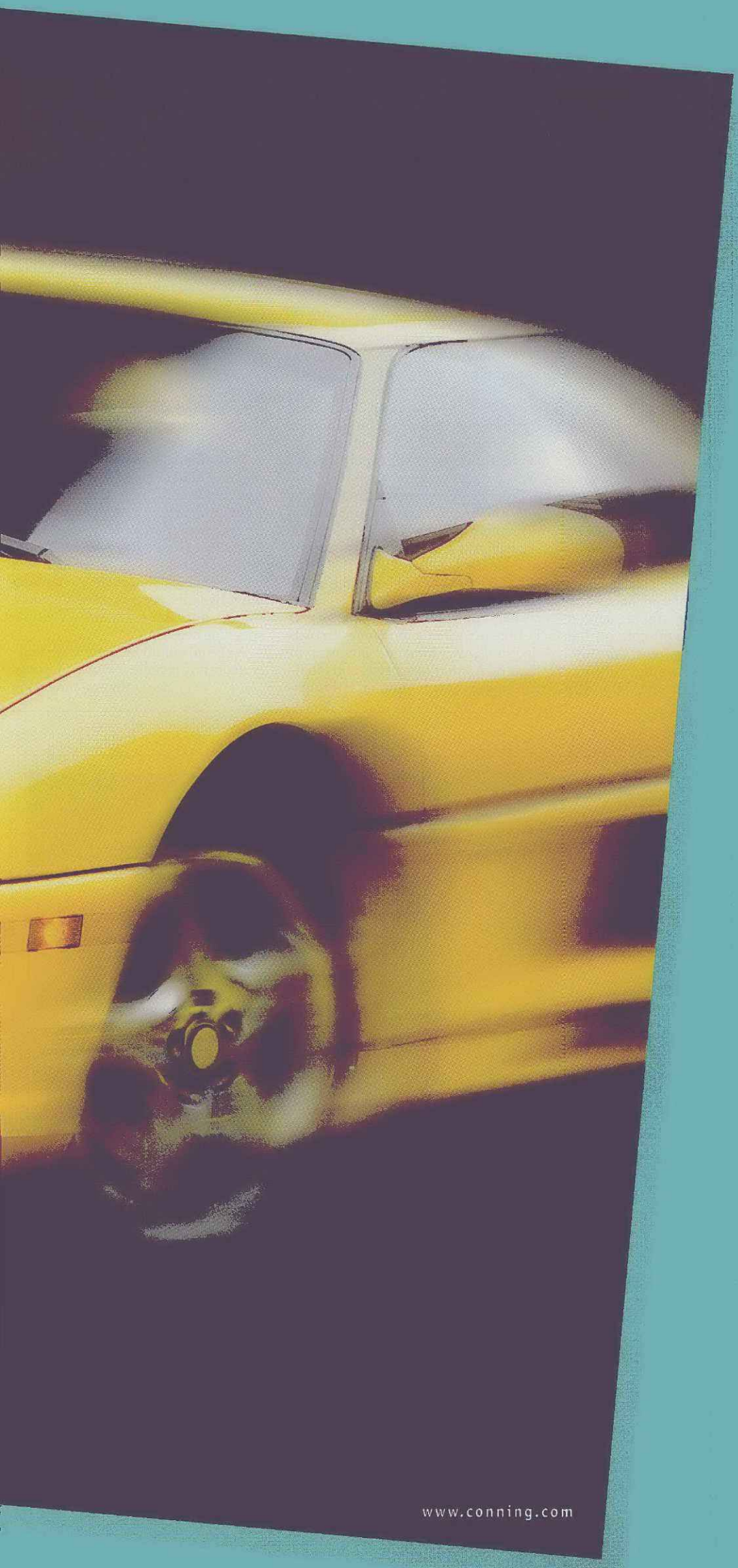

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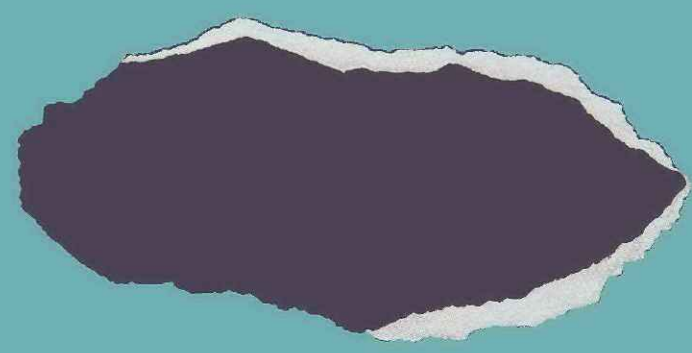

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Spotlight report

Security

Continued from page 6

But an advantage to the lack of standards is that hackers have to deal with a wide variety of systems and devices, so their task is made more difficult, Mr. Randolph said.

Fidelity Institutional Retirement Services Co. last year started offering Internet access to participants in 401(k) and 403(b) plans it administers, said a spokesman for the Marlborough, Mass., unit of FMR Corp.

The option, called NetBenefits, currently is open to 3 million participants in 2,000 plans, he said.

The participants are able to access their personal accounts for up-to-date information and move money around the funds available under their plans, he said.

All of the transactions carried out over the Internet are followed up with confirmation in writing, the spokesman said.

Also, participants have to register to access their accounts online, the data is encrypted, and the participant has a user ID and a PIN, he said.

So far, there have been no security breaches, the spokesman said.

Companies that intend to go a step further and allow employees to make significant financial transactions relating to their benefits over the Internet or intranet will have to consider additional security measures, said Curtiss Butler, a principal director of new media at Buck Consultants Inc. in New York.

"Obviously, people don't want their 401(k) accounts being open to fraud, so we are all looking at the higher levels of security," he said.

Consultants and benefit managers seeking to secure financial transactions are often looking at public key/private key encryptions, Mr. Butler said.

Using these devices, employees must have an electronic identity that matches the electronic identity of the system it is accessing, he said.

"The SSL ensures that the messages are not being cracked, but it does not ensure that you are who you say you are, so today you combine that with a PIN. The public key/private key will create a unique identity for people," Mr. Butler said.

'Obviously, people don't want their 401(k) accounts being open to fraud,' says Curtiss Butler of Buck.

The devices are being pilot-tested, he said.

Even though the complex encryption devices and the use of PINs so far have been sufficient security for benefits systems that use the Internet and intranet, employers must ensure they communicate to employees that the system is secure, Mr. McCormick said.

When any new medium is used to access personal or financial information, employees naturally are guarded about security regardless of how safe the system is, he said.

To address the communication issue, some employers use the Web site itself, Mr. McCormick said.

"On the home page, they'll put a statement saying that they have made significant efforts to secure information, and if you want to know how, click here and we'll show you what we did," he said.

Companies that first allow employees to access benefits information through an intranet help build up employees' comfort with the technology on a secure network, said Mr. Butler of Buck.

"The employees know that there is a firewall and the company is watching who is trying to get through. . .so it feels like a safe environment," he said.

As employees access the system over the Internet or intranet more frequently, they become more and more comfortable with the process, said Mr. Randolph of KPMG Peat Marwick.

"The employees are for the most part delighted by the technology," he said.

Also, more employees still are only accessing information on their benefit and pension plans over the Internet or intranet, so concerns are normally limited to privacy rather than financial security, Mr. Randolph said.

But through the gradual introduction of more security options and the convenience of accessing data immediately on a screen rather than through convoluted telephone access systems, employees are rapidly becoming comfortable with the process, he said. BI

Online

Continued from page 3

readily."

One of the first steps toward full employee self-service is offering more personalized benefit information.

What is happening is that "companies are now saying that they've put all the information out on the intranet to employees, and the employees are saying they can't find what they need and what is of value to them," said Steven C. McCormick, national practice leader-virtual HR for Watson Wyatt Worldwide in Washington.

"They don't have time to sit and search around to find what is of value to them. Employees are looking for their own personalized information and data that revolves around their own life events," he said.

"Integration around the employee is the key focus where content is going," Mr. McCormick said.

Curtiss Butler, a principal and director of new media at Buck Consultants Inc. in New York, agreed: "This year's version of the Holy Grail opens up integrated life event approaches where all benefits and human resource functions are incorporated into Web application scenarios."

Providing employees with sufficient high-quality information and analysis ultimately will lead to "self reliance," contends Michael Kirshner, president of SelexSys, a wholly owned subsidiary of Health Select Inc. in Los Altos, Calif., that provides Web-based system applications. Employees will be able to make their own health plan decisions, weighing and factoring in their own situations, needs and medical concerns, with minimal HR intervention.

Corning Inc. is looking to do just that.

The Corning, N.Y.-based manufacturer is in the process of making the final touches on a major new Web site that will move the company from just providing "static" benefits material on its internal intranet to providing a new "life changes" application on the intranet as well as on a new Internet site, said Tina Trunzo, Corning's benefit communications manager.

Because Corning wants to provide benefit information to employees in a variety of methods, the new Internet site will allow employees and their families to access the company's benefit site from home on their own personal computers, she said.

The new application, set to be released sometime this spring, is called "life changes but the need for benefits doesn't." It allows employees to access three key links labeled: "at home," "at work" and "finances," Ms. Trunzo explained.

By clicking onto the "at home" link, for example, employees will see a variety of choices—such as marriage, divorce, child and adoption—to click on.

From there, a newly married employee would click on the "marriage" link and then would be provided information on how to add a dependent to a medical plan and how to change a beneficiary on a life insurance plan, Ms. Trunzo said. The employee also would be asked to consider changing other benefits, such as deferring more money into the company's flexible spending account.

While an employee cannot currently make any changes online, "if things

See **Online** *on next page*

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Online

Continued from previous page
go according to plan," Ms. Trunzo said Corning will be offering transactional capabilities, including online open enrollment, by this fall.

She said the online enrollment transaction will be an alternative to the company's existing interactive voice response system and that employees always will have the option to seek help from the benefits or HR department.

Employee self-service also is the ultimate goal for American Express Co., said Carla Heffron, manager of benefits for the New York-based financial service company.

The company is working on putting out summary plan descriptions on a Lotus Notes platform for employees to access benefit information and do searches.

"This is a stepping stone to Web-based technology," Ms. Heffron said. American Express hopes to have an intranet set up by the end of the year. "Ultimately, we'd like to do online enrollment," she said. "We really want to have the focus of ownership pushed down to the end user. We want people to be able to go online to change their address or if they have a life event, to make enrollment decisions online."

Indeed, "the buzzword now is employee self-service," Buck's Mr. Butler said. "We're starting to see some short-term solutions."

John Nail, chief executive officer of Employease Inc., an Atlanta-based integrated Web-based application service provider, said what he sees "is employee self-service focused on at very, very large corporations, but very few have done anything successful" in terms of transactions.

He estimates that among employers, about 5% are conducting transactions from Web-based applications.

"1998 will really be the year it all breaks out," Mr. Nail predicts. By 1999, up to 20% of employers will be conducting transactions online.

At least one employer, though, already is well on its way.

Eastman Chemical Co. began its intranet employee self-service project last April, and 70% of its 15,000 eligible employees enrolled in the company's flexible benefits program online last October, said Wayne Armbrister, senior benefits representative in charge of the Kingsport, Tenn.-based company's benefits systems and administration.

Eastman employees, most of whom are factory workers, gain access to the company intranet site through various workstations throughout the company, Mr. Armbrister said. Via the intranet site, employees have access to roughly 200 applications from eight categories, including employee benefits, payroll, personnel and regular employee communications, he explained. Employees clicking on the "employee benefit" drop-down box, for example, can go to the "life events" category and then choose among 40 life event scenarios. From there, the site will give the employee a "to-do list" for any event chosen, be it marriage, divorce or having a baby, he said.

While employees are not able to make any benefit changes online, like increasing tax withholding or changing addresses and names, Mr. Armbrister said the company hopes to implement that transactional application sometime in 1999.

Eastman also is working with its 401(k) record-keeper to build a retirement link on the company intranet site that would enable employees to calculate retirement benefits and conduct various other financial transactions and modeling online, Mr. Armbrister said. Currently, employees can access the vendor's 401(k) site on the Internet, but no link exists on the company's intranet.

Indeed, experts say one sticking point behind online benefit and retirement transactions is the lack of a one-point access to various vendors' benefit sites.

Because all the benefit and retirement plans are found on separate vendor Web sites, an employee must "literally leave" the employer's site and go to a provider's site to make transactions, Buck's Mr. Butler said.

So, if an employee wants to make three benefit transactions, he or she has to go to three separate sites. "It's not convenient."

Employees want to log on to their company's system, identify themselves one time, hit the 401(k) site to change a fund distribution, then hit the life insurance site to change a beneficiary, and then hit the benefit plan site to add a spouse to their medical plan. They do not want to make three log-ons and deal with three different interfaces, he said.

"More and more, the issue will be about how convenient it is," Mr. McCormick said. "The interface has to feel the same."

"We'll start to see this in '99," he predicts. BI

Keeping kiosks up to date

Internet technology expands ability to deliver information

By SALLY ROBERTS

A progression toward self-service human resources for employees is occurring not only on corporate intranet or Internet sites, but also on kiosk machines.

Once thought of as big, free-standing machines that provided vendor-specific benefit or retirement information, kiosks today are developing into interactive PCs that can enable employees to access benefits data and make transactions using World Wide Web-based technology.

While the overall use of kiosk machines in human resource departments may be on the decline—a Watson Wyatt Worldwide survey found that 12% of the 450 respondents use kiosks now compared with 22% in 1996—the terminals will always serve a very important need, experts say.

"There is no better way to get to an employee population with no PCs on desktops," said Curtiss Butler, a principal and director of new media at Buck Consultants Inc. in New York. "We really run the risk of creating information haves and have-nots if we don't extend the Internet as a tool ubiquitously to every employee in the company."

However, some consultants think it is the Web-based technology increasingly used by kiosks that may ultimately cause their demise.

"Personally, as Internet applications become more and more prevalent, employers will replace traditional kiosks with centrally located PCs," predicts Curt Morgan, a principal with The Kwasha Lipton Group in Fort Lee, N.J.

With the advent of Web-based technology, "companies are simply making shared workstations and do not think of those as kiosks anymore," agreed Steven C. McCormick, national practice leader-virtual HR for Watson Wyatt in Washington. "The notion of having employees share a PC to access benefit information and human resource transactions is increasing," he said.

Referring to the Watson Wyatt survey results, Mr. McCormick said employers "obviously are saying, 'No,' " to the traditional definition of a kiosk: the big, free-standing multimedia machine that employees walk up to in a company cafeteria or benefits office.

"The kiosk as we know it today may morph into something other than the box, as it is known," said Robert A. Campbell, an interactive communication specialist for Benefits Communication Corp., also known as BenefitsCorp., the kiosk marketing and communications arm of Great-West Life & Annuity Insurance Co. of Englewood, Colo.

'We cater to a diverse group of individuals. The kiosk is just another interface toward onsite customer service,' says Dan Matusiewicz of the City of Newport Beach, Calif.

"In the world of kiosk manufacturing, they can build you anything you want," said Mr. Campbell.

The point is, there "will always be a need for a central location" to disseminate information, he said.

BenefitsCorp. introduced its third-generation BenefitsExpress kiosk about eight months ago and is testing the new model in the offices of six government entities across the United States.

The new model, which is a proprietary product of Great-West Life, combines Web browser and video conferencing technology.

With a click of a mouse, for example, employees can access personalized retirement account information and keep tabs on their account balances, contribution histories, transfer histories and contribution levels.

Employees also have access to asset allocation modeling to help make decisions on their retirement plan as well as access to daily valuation of individual funds.

Beginning last month, BenefitsExpress began offering transactional capabilities so employees can now transfer money and change their fund allocations, Mr. Campbell said.

Not only does the BenefitsExpress kiosk allow employees without a PC to gain access to their retirement information on the Internet, but employees not comfortable with the Internet technology also can pick up the phone and through real-time video conferencing technology talk with a BenefitsCorp. representative who will walk them through the process, explained Charles P. Nelson, president of BenefitsCorp.

For companies looking to reduce their overall costs, Benefits-Express is "much more cost effective than a full-time human resource customer service representative," he added.

For Dan Matusiewicz, accounting manager for the City of Newport Beach, Calif., the city's BenefitsExpress kiosk compliments its internal intranet site and human resource customer service representatives.

"We cater to a diverse group of individuals," Mr. Matusiewicz said of the city's 650 full-time employees. "The kiosk is just another interface toward onsite customer service."

Some people are too shy or not comfortable going into the HR department and asking questions about their benefits. They feel more comfortable obtaining and querying information through a Web browser.

"I don't think this type of technology will replace onsite representation," he added. "But I think it compliments it well."

The BenefitsExpress kiosk, in the city's administration building, provides Newport Beach city employees with access to information on their retirement account balances, past transactions and retirement modeling tools. Mr. Matusiewicz hopes to provide transactional capabilities soon.

Outsource

Continued from page 3
Public Service Enterprise Group, a Newark, N.J.-based energy company with 11,000 employees.

"It's met all of our expectations and then some," said Dick Quinn, PSE&G's director of performance and rewards. Over time, his company has increased the functions it has outsourced. The company's defined benefit, defined contribution plans and health and group benefits are handled by Lincolnshire, Ill.-based Hewitt Associates L.L.C.

Because of outsourcing, PSE&G employees recently began using a World Wide Web site to enroll in plans and access benefits information, Mr. Quinn said. He expects outsourcing eventually will save his company money, but that remains to be seen.

"I don't know at this point if it is saving us money because of startup costs," he said. "I'm sure as soon as we recover the startup, it will be saving us money. At this point it is saving a lot of effort."

PSE&G has trimmed its benefits staff to 10 people from 30 when it started down the outsourcing path, Mr. Quinn said. Additional benefits staff positions were eliminated at remote facilities.

"Plus we no longer have any records related to benefits in-house," Mr. Quinn said. "We don't have to worry about maintaining the system or modifying it, or Year 2000 problems. It's all being taken care of."

Employers often can't quantify the savings derived from outsourcing because they are not certain what they spent before, said Scott Peterson, a business leader in outsourcing for Hewitt Associates. But clients like the dollar value derived from outsourcing, including the ability to provide employees quality services while avoiding investment in technology and staff training.

"I think they tend to look more at value than at specific hard dollar trade-off analysis," Mr. Peterson said.

Outsourcing may even cost more than conducting the services in-house, said John McGlone, a principal and outsource practice leader for Buck Consultants Inc. in Secaucus, N.J.

"Many employers wind up paying more for administration, but they get improved customer service, and they get access to technology that they couldn't afford to build on their own," he said.

Mr. Quinn rates the service PSE&G receives as "high-level," though he notes that employees would like personal contact and local help from benefits staff.

"But that just isn't going to happen," he said. "We don't have the resources to do that any longer."

Losing touch with employees was an employer concern often heard years ago, Mr. Peterson said. But consultants are not hearing it as much because now they have proven they can provide employees necessary information while giving feedback to employers.

Consultants report that few employers have taken their benefits administration back in-house after an attempt at outsourcing. Industry-wide, Buck's Mr. McGlone knows of two large employers who have done that, including one that is once again moving to outsourcing, using Buck.

The employer found that the benefit consultant it first contracted with could not deliver the services promised because of the client's large number of employees and its plan complexity.

But over the years, "first-tier" benefit vendors have made large improvements in their outsourcing processes, Mr. McGlone said. Still, there are challenges.

"When you outsource a client with a very complex plan history, you are dealing with an accretion of data errors and poor record-keeping over a number of years that now you have to clean up and digest before you are successful at it," he said.

Strong growth in outsourcing is also presenting consultants with the challenge of assuring they have enough staff to meet large client demands.

"Certainly staffing is a challenge, not from the standpoint of knowing what to do, but just to make sure we are staying ahead with staffing and as we take on one of these engagements it takes a large number of associates, and making sure we are staffed properly is one of the first things we need to do," Hewitt's Mr. Peterson said.

Outsourcing is the fastest growing part of Hewitt's business, generating about 50% of Hewitt's revenues, Mr. Peterson said.

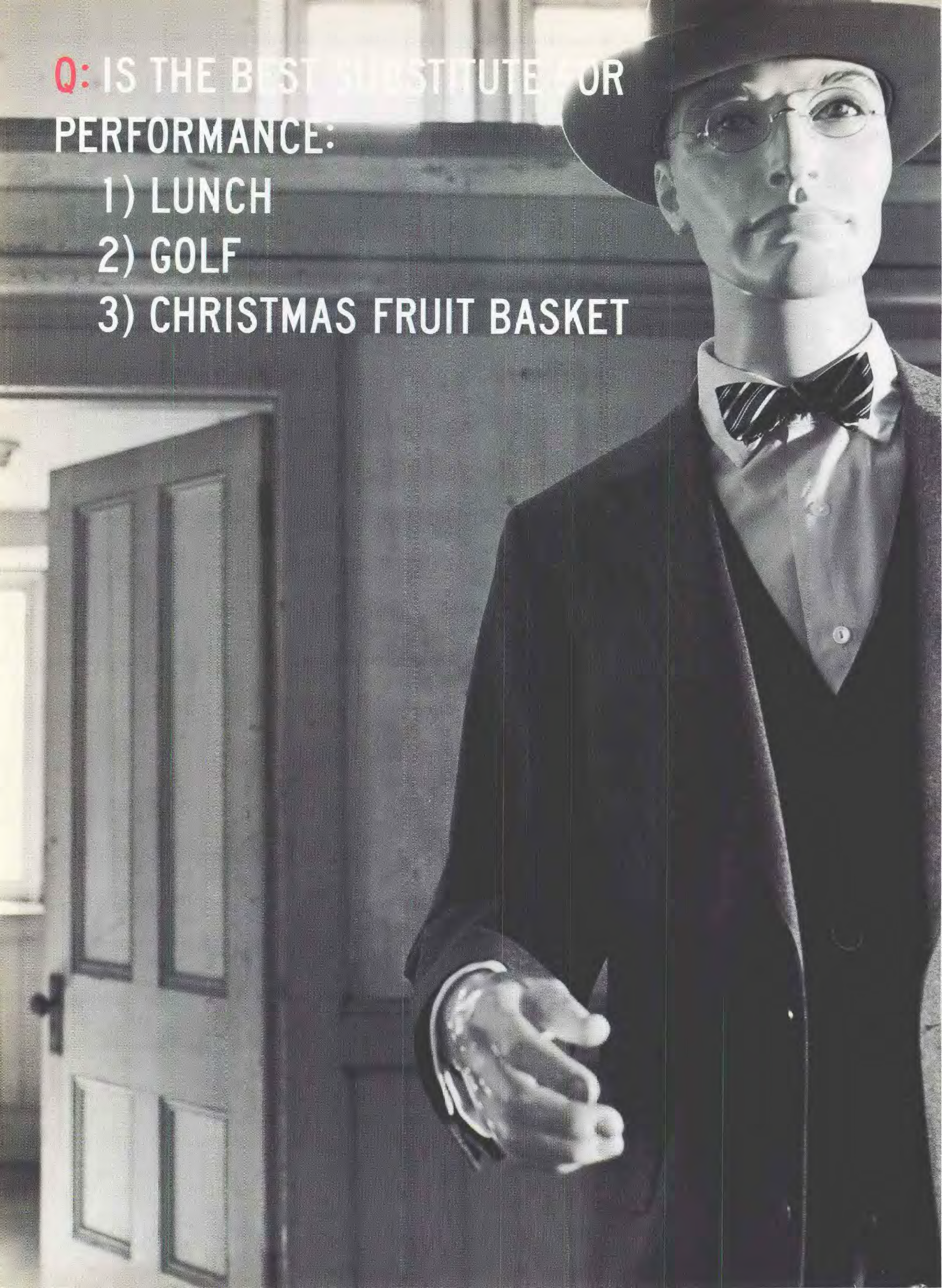
Hewitt is expanding existing outsourcing centers in Toronto; Orlando, Fla.; The Woodlands, Texas; and Lincolnshire. One new area seeing demand growth at Hewitt is the outsourcing of expatriate employee benefits.

While other demand growth now is coming from employers expanding on the outsourcing of benefit functions, consultants foresee companies outsourcing all human resource responsibilities, including policy and procedure development as well as employee training and staff development.

Only leading edge employers are currently weighing complete outsourcing of human resources, consultants said. BI

Q: IS THE BEST SUBSTITUTE FOR PERFORMANCE:

1) LUNCH
2) GOLF
3) CHRISTMAS FRUIT BASKET



A: NONE OF THE ABOVE.

As an agent, you know that long-lasting relationships are not built on gimmicks. They are built on performance. This means having the foresight to eliminate problems before they become problems. It means constantly creating new and better ways to help agents serve their customers. And it means carrying the full range of financial products that Americans want most—annuities, health and life insurance, and mutual funds. That is why we have dedicated ourselves to the kind of performance that requires no substitutes. **PERFORMANCE IS WHAT MATTERS**

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CONSECO

BI directory of benefit information and claims systems

A

AMI Risk Consultants Inc.

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

Benefit systems since: 1995.
Software systems:
■ Claims
Price: $12,000. Quoted individually.
System requirements: 486 PC; Windows 3.1; 12MB RAM, 30MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, IBM LAN Manager and Windows 95/NT Network; database management systems supported include NT SQL and Microsoft Access.
Internet/intranet access.
Customization optional.
First installation: 1995.
Total installations: Four in employee benefit departments.
Benefits managed: Workers comp, group health plans, dental/vision plans.
Features*: Full claims file processing/management, integrated notepad, integrated scheduler, mail merge/automatic letters, full financial management/accounting reporting, terminal security, health care utilization reporting, health plan provider contract management/reporting (group health and dental/vision versions only), disability duration monitoring (workers comp version only).
Optional benefit communication features are available.
Optional modules: Computer check generator, policy tracking, litigation management reporting, vocational rehabilitation reporting, workers comp self-insurance reporting.
User support: User groups/meetings**, onsite training**, online support**, telephone assistance eight hours per day**, software upgrades**.
Staff: Eight total, four professionals.
Clients: Three total, including three benefit departments. Sold systems to one client in 1997.
Officers: Bob Ingco, president; Carie Ingco, vp.
Contact: Bob Ingco.
** Four versions are available: workers compensation, group health, dental/vision and liability. ** Included in system price.*

Acclamation Systems Inc.

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

Benefit systems since: 1991.
Software systems:
■ LuminX
Price quoted individually.
System requirements*: Pentium PC; DOS, Windows or UNIX platform; 512MB RAM, 10,000MB hard disk; SVGA video; multiple user; network operating systems supported.
Internet/intranet access.
Customization optional.
First installation: 1991.
Total installations: 25 in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans.
Features: Document imaging, optical character recognition, automated enrollment system, automated batch adjudication, medical coding unbundling, automated verification of benefits, managed care capabilities, full accounting, group administration, billing and reporting system, ad hoc reporting, stop loss tracking/reporting, auditing.
Optional benefit communication features include interactive voice response system and remote access.
User support: User groups/meetings**, onsite training**, online support**, telephone assistance 24 hours per day**.
Staff: 50 total, all professionals.
Clients: Six total.
Officers: Joe Ott, president; Mark Brown, vp-sales/marketing; Sue Pastoff, senior vp; Jim Senge, vp-operations.
** Software must be purchased with proprietary hardware. ** Included in system price.*

American Technical Services Inc.

28050 U.S. Highway 19 N.,
Suite 400, Clearwater, Fla. 33761;
813-799-2818; fax: 813-799-9826

Benefit systems since: 1986.
Software systems:
■ ATS for Windows 4.01
System requirements: Pentium PC; Windows 95 or NT platform; 32MB RAM, 300MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Windows NT; database management systems supported include Oracle, NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1986.
Total installations: 45 in employee benefit departments.
Benefits managed: Workers comp, disability, group health plans.
Features: Enrollment, eligibility verification, claims management, health care utilization review, medical case management, disability, ad hoc report generation, ad hoc data analysis, medical coding, asset management, accounting, medical coding, tracking reinsurance liability.
Benefit communication features include computer terminal/telephone access and computer-generated forms/letters.
Optional modules: Claims administration for workers comp, disability and property/casualty; policy/premium billing; 1099 generation.
User support: User groups/meetings, onsite training, online support, telephone assistance 12 hours per day.
Staff: 15 total, 10 professionals.
Clients: 45 total, including 30 benefit departments. Sold systems to five clients in 1997.
Officers: Cheryll Wing, president; Craig Zivolich, director-technology.
Contact: George A. Moore, 800-654-7611 ext. 22 or Cory A. Wilkinson, ext. 26.

Apex Data Systems

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

Benefit systems since: 1975.
Software systems:
■ CognacPlus and Geronimo*
Price: $20,000 to $400,000. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 or above or UNIX platform; 16MB RAM, 1 GB hard disk; VGA or SVGA video; single user or multiple user; network operating systems supported include Novell Netware, IBM LAN Manager and Windows NT; database management systems supported (Geronimo only) include Oracle, Sybase, NT and SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1980.
Total installations: 40 in employee benefit departments.
Benefits managed: Disability, COBRA, group health plans, life insurance, long-term care.
Features: Enrollment, eligibility verification, health care precertification, claims management, health care utilization review, tracking reinsurance liability, reasonable and customary review, disability duration monitoring/control, PPO and EPO dual/triple option, claim processing, COBRA, diagnostic code recognition.
Optional benefit communication features are available.
User support: User groups/meetings**, onsite training, online support**, telephone assistance**.
Staff: 20 total, 10 professionals.
Clients: 30 total. Sold systems to five clients in 1997.
1997 revenues: $3 million total, 80% from software sales, 20% from software services.
Contact: Dwight Babcock, president.
** Available Spring 1998. ** Included in system price.*

B

Benefit Resource Management Inc.

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

Benefit systems since: 1990.
Software systems:
■ DOCSQL
Price quoted individually.
System requirements: 486 or Pentium PC; DOS, Windows 3.1 or above platform; 16MB RAM, 100MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL.
Internet/intranet access.

Continued on next page

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Explanation of terms used

The directory of employee benefit information and claims systems lists companies that produce and supply proprietary software products to employee benefit personnel for the purpose of managing their own benefit plans.

Companies that produce and supply software products used primarily to communicate benefit programs to employees will be listed in a separate directory that will be published in the November 23, 1998, issue of BI.

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

Information on **software systems** follows. Software can be purchased without hardware unless noted otherwise. Information about the average **price** of a completely installed system is provided, as well as whether the **price is quoted individually**. The **system requirements** detail the hardware required use the system, including type of computer, operating platform, memory and video; whether the system is for a single or multiple users; the names of network operating systems and database management systems supported; whether the system is an **online system**; whether **Internet/intranet** access is available; and whether the system requires or provides **customization** to user specifications. Also included is the year of the **first installation** and the **total number of installations** in employee benefit departments.

Next, a list of **benefits managed** by the system is provided. The **features** section provides a brief description of standard functions performed by the system, as well as employee benefit communication features. **Optional modules** that can be added to the system also are included.

Information on the company follows the product listings. This section includes **user support** offered, whether user support is included in the system price and **staff** figures, both total and professional, given in full-time equivalents for year-end 1997. Also provided is the total number of employee benefit information system **clients** in 1997, including the number of corporate benefit department clients (both sales and service) and the number of clients who bought systems in 1997. The next section states the organization's total **1997 revenues**. The revenues from employee benefit information systems sales and service are also provided, and these revenues are broken out by percentage into these categories: hardware sales, software sales and software 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, the companies listed were required to complete a questionnaire provided by *BI*.

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

These acronyms and abbreviations have been used throughout the listings: AD&D-accidental death & dismemberment; EDI-electronic data interchange; EOB-explanation of benefits; FSA-flexible spending account; IVR-interactive voice response; LTD-long-term disability; HIPAA-Health Insurance Portability & Accountability Act; MSA-medical savings accounts; PBGC-Pension Benefits Guaranty Corp.; QDRO-qualified domestic relations order; SSA-Social Security Administration; STD-short-term disability.

Continued from previous page

Customization optional.
First installation: 1992.
Total installations: Eight in employee benefit departments.
Benefits managed: Disability, life insurance.
Features: Graphical user interface; user-maintainable tables; plan descriptions; automatic calculations; reserving; reinsurance; case management; electronic claim transfer; vendor payment; automatic adjudication of claims; integrated benefits, duration protocol, online history, tax management, coverage edits and alert profiles for rehabilitation/administration.
Benefit communication features include messaging via EOB, letter writing system, electronic vendor interchange, remote claim entry, electronic claim access.
User support: Onsite training*, online support*, telephone assistance 10 hours per day*.
Staff: Seven total, all professionals.
Clients: 17 total, including eight benefit departments. Sold systems to nine clients in 1997.
1997 revenues: $1 million total, all from employee benefit information systems sales and services, 80% from software sales, 20% from software services.
Contact: Ted Mahler.
** Included in system price.*

Benefit Systems & Services Inc.

760 Pasquinelli Drive, Suite 320,
Westmont, Ill. 60559; 630-789-2082;
fax: 630-789-2093

Benefit systems since: 1984.
Software systems:

■ Data-Plus Administration System
System requirements: IBM AS/400 Mainframe; OS/400 platform.
Online system.
Customization optional.
First installation: 1985.
Benefits managed: Flexible benefits, workers comp, COBRA.
Features: Automatic benefit calculation supporting all contract/pricing arrangements, including enrollment, payment and reporting.
Benefit communication features include word processing, auto follow-up and online notebook.
Optional modules: Front end graphical user interface, NEIC EDI interface.
User support: Onsite training, online support, telephone assistance 12 hours per day.
Staff: 55 total, eight professionals.
Clients: 10 total, including five benefit departments.
Officers: David Lloyd, president; Carmen J. Morreale, executive vp; Roy Wapiennik, vp.
Contact: Carmen J. Morreale, ext. 200.

BeneSoft Inc.

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

Benefit systems since: 1987.
Software systems:

■ Flexible Software
Price quoted individually.
System requirements: 486 or Pentium PC; DOS or Windows platform; 8MB RAM, 256MB hard disk; VGA video; single user or multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
Internet/intranet access.
Customized system.
Total installations: 100 in employee benefit departments.
Benefits managed: Group health plans, flexible benefits, FSAs.
Features: Administration, management and analysis of flexible/traditional benefits and FSAs.
Benefit communication features include enrollment forms, benefit statements and confirmation statements.
Optional modules: Voice response system, accounts receivable program.
User support: User groups/meetings, onsite training*, online support*, telephone assistance 12 hours per day*, emergency pager access*.
Staff: 40 total, 20 professionals.
Officers: Faisal A. Saleh, president; Steve Froebel, vp.
Contact: Faisal A. Saleh.
** Included in system price.*

Buck Consultants Inc.

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

Benefit systems since: 1970.
Parent: Mellon Bank Corp.
Software systems:

■ BASIS
Price quoted individually.
System requirements: Pentium PC; DOS, Windows 95 or NT platform; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Windows NT; database management systems supported include Oracle, NT SQL, IBM DB2 (mainframe).
Online system.
Internet/intranet access.
Customized system.
First installation: 1996.
Total installations: Two in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Integrated employee benefits administrative system, including data editing and reporting; interfaces with existing payroll and/or human resource systems; produces management reports, participant statements, balance projections and what-if calculations; health and wellness plan enrollment/eligibility, including flex, payroll and insurance interfaces; ad hoc reporting and data analysis.
Benefit communication features include computer terminal and voice response access to participant service center for information involving plan benefits, eligibility and counseling.

■ BASK (Buck Actuarial Systems Kit)
Price quoted individually.
System requirements: Pentium PC; Windows 3.1 or NT platform; 8MB RAM, 250MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
Customized system.
First installation: 1970.
Total installations: 30 in employee benefit departments.
Benefits managed: Retirement/pensions (actuarial valuations).
Features: Actuarial valuation of pensions and other post-employment benefits, cash-flow projections, gain and loss analysis, plan mergers and spinoffs, up to 40 decrements, salary increase tables, management of census data.

■ Buck-Health and Welfare Benefit Administration System
Price quoted individually.
System requirements: AS/400 version 3.1; 36GB hard disk; multiple user; database management systems supported.
Online system.
Customization optional.
First installation: 1985.
Total installations: 35 in employee benefit departments.
Benefits managed: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance, FSAs, vacation, flexible credits, survivor income, wellness plans.
Features: Enrollment, eligibility, calculation of credits, FSA administration, payroll and insurance interfaces, discrimination testing for FSAs, ad hoc reporting/data analysis, can accommodate multiple benefit options, variations by division/operating company, tracking by election/type of money used.
Benefit communication features include enrollment forms and election confirmation statements, coupon booklets and leave of absence and COBRA letters. Optional benefit communication features include benefit statements.
Optional modules: Telephone (touch-tone) enrollment/inquiry, electronic file transfers.

■ Recordkeeping Plus
Price quoted individually.
System requirements: 386 PC; Windows 3.1 or 95 platform; 80MB RAM, 66MB hard disk; VGA video; multiple user; database management systems supported.
Online system.
Customized system.
First installation: 1987.
Total installations: 175 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing, post-retirement life insurance, retirement/pensions, post-retirement medical.
Features: Administers defined contribution plans, including online data entry/modification of account balances/requests, investment elections, pending voice transfers, distribution and withdrawals; integration with voice response/service center; pre-retirement/financial planning; management reports and participant statements; balance projections and what-if calculations.
Optional benefit communication features include computer terminal, voice and service center access.
Optional modules: Windows-based graphical user interface for client-server processing.

■ Value Index
Price: $12,000 to $30,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 or 95 platform; 8MB RAM; SVGA video; single user.
Customized system.
First installation: 1995.
Total installations: Four in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, disability, group health plans, profit sharing, life insurance, retirement/pensions.
Features: Comparative analyses of benefit programs.
Optional benefit communication features are available.
Optional modules: Total compensation analyses.
User support*: Onsite training, online support, telephone assistance eight hours per day, project and implementation support.
Staff: 2,700 total.
1997 revenues: $304 million total.
Officers: Joseph A. LoCicero, president/CEO; Merril S. Delon, secretary; Karl W. Lohwater, general counsel; Gary S. Stephen, treasurer.
Contact: Edward Gadowski, marketing department, 201-902-2565.
** Priced on a client-by-client basis.*

C

Cantor & Co.

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

Software systems:

■ MQMS Plus
Price quoted individually.
System requirements: 486 or Pentium PC; DOS, OS2, Windows 3.11 or above platform; 16MB RAM, 100MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, IBM LAN Manager and Windows NT.
Internet/intranet access.
Customization optional.
Benefits managed: Workers comp, disability, leave of absence, group health plans, life insurance, retirement/pensions, social security benefits.
Features: Claims management; health care utilization review; medical coding/unbundling; case management; disability duration monitoring; reinsurance liability; ad hoc data analysis and reporting of claims; utilization, case and quality management activity and trends; letter processing; modules/templates for incident reporting and claims management.

■ Riskmap
Price quoted individually.
System requirements: 486 or Pentium PC; DOS, Windows 3.11 or above platform; 16MB RAM, 100MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, IBM LAN Manager and Windows NT.
Internet/intranet access.
Customization optional.
Benefits managed: Workers comp, disability, leave of absence, group health plans, life insurance, retirement/pensions, social security benefits.
Features: Forecasting of frequency, severity and total benefits cost; paid reserve and incurred loss development; multiple risk financing modules for discounted after-tax cash flow and budgeting analyses.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance nine hours per day*.
Staff: Six total, four professionals.
Clients: 115 total, including 55 benefit departments. Sold systems to five clients in 1997.
Officers: Alan B. Cantor, president; Judith J. Szarka, vp.
Contact: Alan B. Cantor.
** Included in system price.*

Cascade Technologies Inc.

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

Benefit systems since: 1985.
Software systems:

■ Passport
Price quoted individually.
System requirements: Client: Pentium PC; Windows 95 or NT platform; 32MB RAM, 500MB hard disk. Server: Multi-Pentium PC; Windows NT server; 256MB RAM, multiple-GB hard disk. Client/Server: VGA video; multiple user; network operating systems include any supported by Windows NT and Windows 95; database management systems supported include SQL server.
Internet/intranet access.
Customization optional.
First installation: 1994.
Total installations: 60 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Client/server-based record keeping system for defined contribution administration; supports money purchase plans, ESOPs and employee savings plans; periodic and daily processing; high-level data conversion facilities; transaction data imports/exports; compliance testing; tax reporting; parameterized plan/loan setup; multitasking capabilities; online access for remote sites; year 2000 compliant.
Optional benefit communication features include a Windows NT-based interactive communication system and a call center that routes calls to administrators.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance eight hours per day*, bulletin board service*, software updates*, documentation*.
Officers: Vigdis Austad, president; Frank Joicy, executive vp; Edwin Dietrich, director-client services; Neil McAdorey, director-new business development; Frank Russo, director-research/development.
Contact: Jackie Laguna.
** Included in system price.*

Celerity Technologies Inc.

4995 Bradenton Ave., Suite 120,
Dublin, Ohio 43017; 800-810-3477
or 614-792-6450; fax: 614-792-6657

Benefit systems since: 1994.
Software systems:

■ Admin-Connect
Price: $1,500 to $2,500. Quoted individually.
System requirements: Pentium PC; Windows 95 or NT platform; 640K RAM, 5MB hard disk; VGA video; single user or multiple user; network operating systems supported include Novell Netware; database management systems supported include Sybase.
Customization optional.
First installation: 1994.
Total installations: 200 in employee benefit departments.
Benefits managed: Workers comp.
Features: Transmission of workers compensation claim information to/from state jurisdictions.

■ Employer-Connect
System requirements: 486 PC; Windows 3.1 or above platform; 32MB RAM, 100MB hard disk; VGA video; single user; database management systems supported.
Customization optional.
First installation: 1997.
Total installations: 200 in employee benefit departments.
Benefits managed: Workers comp.
Features: Transmission of workers comp claims to carriers.
Optional modules: Management reporting.
User support: User groups/meetings*, onsite training, telephone assistance 11 hours per day*.
Staff: 19 total, 10 professionals.
Clients: 200 total. Sold systems to 200 clients in 1997.
Officers: Niles Overly CEO; Greg Smith, CFO; Shawn Maloney, director-business development; Catherine Dominguez, director-operations.
Contact: Jodi Carpenter, ext. 816.
** Included in system price.*

Ceridian Employer Services

8100 34th Ave. S.,
Minneapolis, Minn. 55425;
800-729-7655; fax: 612-853-5390

Parent: Ceridian Corp.
Software systems:

■ Source 100 for Windows
System requirements: 486 PC; Windows 3.11 or 95 platform; 16MB RAM, 150MB hard disk; VGA video; single user or multiple user; network operating systems supported include Novell Netware and Windows NT server.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1995.
Benefits managed: Flexible benefits, disability, COBRA, life insurance, OSHA.
Features: Enrollment, eligibility verification, asset management, ad hoc data analysis, ad hoc report generation.
Benefit communication features include computer terminal, kiosk, phone and intranet access to what if scenarios, eligibility/enrollment information and information view/update.
User support: User groups/meetings, onsite training, online support*, telephone assistance*.
** Included in system price.*

Computer Workware Inc.

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

Benefit systems since: 1984.
Software systems:

■ Fast Benefits System
Price: Begins at $25,000. Quoted individually.
System requirements: 486 or Pentium PC; DOS, OS2, Windows 3.1 or above platform; 16MB RAM, 100MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES, IBM LAN Manager and Windows NT; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Online system.
Internet/intranet access.
First installation: 1984.
Total installations: 225 in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.
Features: Enrollment, eligibility verification, health care precertification, tracking reinsurance liability, accounting, discrimination testing, ad hoc data analysis/reports, full-file import/export capability, EDI.
Benefit communication features include network, kiosk, Internet/intranet access to data verification and what-if scenario modeling.
Optional modules: Trust Accounting Module, Fastchoice Enrollment System.
User support: User groups/meetings, onsite training*, online support, telephone assistance 10 hours per day.
Staff: 14 total, 10 professionals.

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Clients: 3,000 total, including 2,400 benefit departments. Sold systems to 225 clients in 1997.

1997 revenues: Of revenue from employee benefit information system sales and service, 80% from software sales, 20% from software services.

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

Contact: Keith Formosa.

** Included in system price.*

Corbel & Co.

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

Parent: SunGard Data Systems.

Software systems:

■ Quantech

Price: Begins at $7,000. Quoted individually.

System requirements: Pentium PC; Windows 3.11 or above platform; 16MB RAM, 500MB hard disk; VGA video; single user or multiple user; network operating systems supported include Novell Netware and Windows NT; database management systems supported include Oracle.

Internet/intranet access.

Customization optional.

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

Features: Full recordkeeping, administration, compliance testing and reporting tasks for daily/balance forward defined contribution/401(k) plans, including electronic census import/export, standard and custom reports, participant loans, multi-plan transaction import/export, client management, batch reporting, financial institution links, portfolio modeling and fee calculations.

Benefit communication features are available.

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

Staff: 200 total.

Clients: 1,000 total.

Contact: Marketing/sales support, ext. 1100.

** Included in system price.*

D

Deloitte & Touche L.L.P.

10 Westport Road, P.O. Box 820,
Wilton, Conn. 06897-0820;
203-761-3000; fax: 203-834-2200

Benefit systems since: 1984.

Software systems:

■ Superior Resource and Plan Administration System (SURPAS)

Price: $30,000. Quoted individually.

System requirements: 486 PC; Windows 3.1 or 95 platform; 16MB RAM, 10MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported.

Online system.

Customization optional.

First installation: 1987.

Total installations: 21 in employee benefit departments.

Benefits managed: Disability, leave of absence, COBRA, group health plans, life insurance, retirement/pensions, social security benefits.

Features: Storage/display of data for enrollment, eligibility dates, participation dates, vesting dates, multiple pay types, premium deductions, employees, spouses, dependents, beneficiaries, employment history and pay history; tracks pension payments; provides trust notification process; data imports and exports; standard reports; ad hoc queries and reports; audit trail; user security levels; electronic post-it notes; data validations.

Optional benefit communication features include printed statements or voice response for current elections in flexible benefits and retirement plans; generation of employee/participant correspondence with calculated data, including flexible benefit confirmation statements, COBRA letters, vested certification letters, estimate letters; and individual retirement planning/forecasting.

Optional modules: Health/welfare: calculations/communication of eligibilities, available coverages and payroll deductions; Defined benefit: calculation/communication of participation, eligibility, vesting and service. Plan benefits and all optional forms can be calculated, including estimates, finals, deferred, projected, death, disability and commencements.

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

Staff: 11 total, 10 professionals.

Contact: James R. Zook, 612-397-4014.

** Included in system price.*

Digital Insurance Systems Corp.

4150 Tuller Road, Suite 204,
Dublin, Ohio 43017; 614-760-3472;
fax: 614-760-3472

Benefit systems since: 1986.

Software systems:

Price quoted individually.

System requirements: Open VMS platform; multiple user.

Online system.

Internet/intranet access.

Customization optional.

First installation: 1986.

Benefits managed: Group health plans.

Features: Enrollment, utilization review/utilization management, medical/dental claims adjudication and payment, medical/dental benefit plan administration, provider contracts, premium billing, authorizations/referrals.

Optional benefit communication features include customization via the Internet.

Optional modules: Provider capitation, agent/broker commission, trust fund account, EDI.

User support: User groups/meetings, onsite training, telephone assistance 10 hours per day.

Staff: 18 total.

1997 revenues: Of revenue from employee benefit information systems sales and services, 5% from hardware sales, 45% from software sales, 50% from software services.

Officers: Donald F. Demers, president; Paul Balcerzak, vp.

Contact: Paul Balcerzak, ext.102.

Dorn Technology Group Inc.

38705 Seven Mile Road,
Suite 450, Livonia, Mich. 48152;
313-462-5800; fax: 313-462-5807

Benefit systems since: 1982.

Software systems:

■ RISKMASTER/WIN

Price: $20,000 to $80,000. Quoted individually.

System requirements: Pentium PC; UNIX, Windows 95 or NT platform; 32MB RAM; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Sybase, NT SQL, Access and Informix.

Internet/intranet access.

Customization optional.

First installation: 1982.

Total installations: 200 in employee benefit departments.

Benefits managed: Workers comp, disability.

Features: Employee registration, occurrence management, OSHA administration, first report of injury, adjuster notes, policy management, safety analyses, reserve evaluation, loss control, check processing, ad hoc reporting, physician treatment history.

Optional modules: Administrative tracking.

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

Officers: Mark Dorn, CEO; Paul Hafeli, treasurer.

Contact: Mark Dorn.

** Included in system price.*

E

Empire Medical Review Services Inc.

209 Green Bay Road,
Thiensville, Wis. 53092;
414-238-1310; fax: 414-238-1312

Benefit systems since: 1991.

Software systems:

■ Electroniclaim

Price: $5,000 to $50,000. Quoted individually.

System requirements: Pentium PC; Windows 95 or NT platform; 32MB RAM, 800MB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include NT SQL.

Internet/intranet access.

Customization optional.

First installation: 1994.

Total installations: 10 in employee benefit departments.

Benefits managed: Workers comp, group health plans.

Features: Electronic transmission/receipt of claims information; insurer direct in HCFA; supports all major electronic claim formats, including UB92 and ANSI 837; clearinghouse support for NEIC medical and hospital claims; enhanced error checking and reporting; unattended file upload and download through electronic bulletin board system, code files included; laser printing of forms and data, help windows.

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

Staff: Five total, three professionals.

Clients: Four total.

Contact: Robert W. Thickens, president.

** Included in system price.*

Erisco

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

Benefit systems since: 1968.

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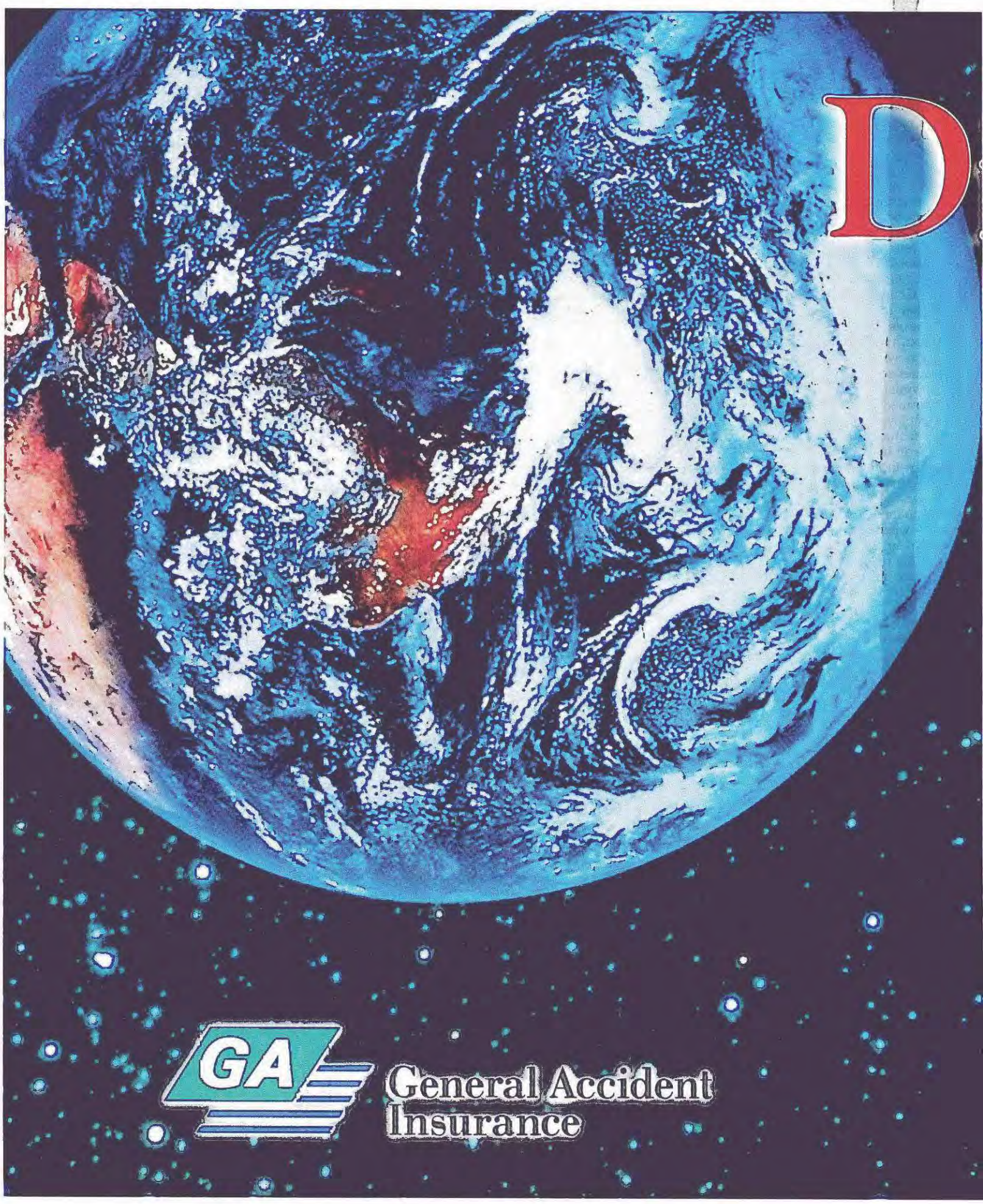

Continued from previous page

Parent: Cognizant Corp.
Software systems:

■ Facets
Price quoted individually.
System requirements*: 486 or Pentium PC; Windows 3.1 or above platform; multiple user; database management systems supported include Sybase.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1994.
Benefits managed: Group health plans, dental.
Features: Membership/group management, claims/encounter processing, utilization management, provider network management, customer service, capitation/risk fund management, premium billing, agent/broker commissions, EDI, Medicare risk processing, Internet capabilities.
Benefit communication features are available.
User support: User groups/meetings, onsite training, online support, telephone assistance 24 hours per day.
Officers: Anthony Bellomo, president; Joseph Posluszny, senior vp/CFO; Leon DeMaille, vp-marketing; John Jordan, vp-sales; Rich Kerian, vp-operations.
Contact: Maribel Dominquez.
** Software must be purchased with proprietary hardware; leasing of hardware available.*

F

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 systems:

■ FACTS 125
Price quoted individually.
System requirements: 486 PC; DOS, Windows NT/95 or UNIX platform; 8MB RAM, hard disk varies; Mono video; multiple user; network operating systems supported include Novell Netware and NFS; database management systems supported include PICK.
Online system.
Customization optional.
Benefits managed: Flexible benefits.
Features: Enrollment, eligibility verification, claims management, health plan provider contract management, standard reporting/analyses, correspondence generator, discrimination tracking, accounting, automatic evaluation compliance.
Benefit communication features are optional.

■ FACTS ADMIN
Price quoted individually.
System requirements: 486 PC; DOS, Windows NT/95 or UNIX platform; 8MB RAM, hard disk varies; Mono video; multiple user; network operating systems supported include Novell Netware and NFS; database management systems supported include PICK.
Online system.
Customization optional.
Benefits managed: Disability, COBRA, group health plans, life insurance.
Features: Enrollment, eligibility, coordination of benefits, COBRA tracking, multiple life options, premium billing/accounting, collections, commissions, fund accounting management, bank account management, standard reporting/analyses, correspondence generator.
Benefit communication features are optional.

■ FACTS CLAIMS & ENCOUNTERS
Price quoted individually.
System requirements: 486 PC; DOS, Windows NT/95 or UNIX platform; 8MB RAM, hard disk varies; Mono video; multiple user; network operating systems supported include Novell Netware and NFS; database management systems supported include PICK.
Online system.
Customization optional.
Benefits managed: Disability, COBRA, group health plans, life insurance.
Features: Claim/encounter processing, claim inquiry/review, online adjudication, automatic benefit code assignment, medical coding/unbundling, health plan provider contract management, cost containment, health care pre-authorization/utilization review, case management, fee for service/capitation, accounting, standard reporting/analyses, correspondence generator.
Benefit communication features are optional.

■ FACTS COMP With Integrated Managed Care
Price quoted individually.
System requirements: 486 PC; DOS, Windows NT/95 or UNIX platform; 8MB RAM, hard disk varies; Mono video; multiple user; network operating systems supported include Novell Netware and NFS; database management systems supported include PICK.
Online system.
Customization optional.
Benefits managed: Workers comp.
Features: 24-hour coverage, eligibility verification, claims management, medical coding/unbundling, health plan provider contract management, standard reporting/analyses, indemnity/legal/medical, lump-sum settlements, experience modifiers, lost time tracking, procedure fee schedules, automated calculation of compensation rates, diaries, correspondence generator, enrollment, health care pre-authorization, utilization review, case management, cost containment, accounting, disability.
Benefit communication features are optional.

■ FACTS MANAGED CARE SUITE
Price quoted individually.
System requirements: 486 PC; DOS, Windows NT/95 or UNIX platform; 8MB RAM, hard disk varies; Mono video; multiple user; network operating systems supported include Novell Netware and NFS; database management systems supported include PICK.
Online system.
Customization optional.
Benefits managed: Group health plans.
Features: Automatic benefit code assignment, clinical editing/auditing of provider bills, pre-authorization, utilization review, physician referrals, case management, point-of-service, provider capitation management, provider network management, cost containment, accounting, correspondence generator, standard reporting/analyses.
Benefit communication features are optional.
Optional modules*: Administration for claims and encounters processing, managed care, flexible benefits and workers comp; automatic claim adjudication; provider capitation management; case management; clinical editing/auditing of provider bills; automatic benefit code generation; pre-authorization; utilization review; physician referrals; electronic data interchange/claim submission; physician profiling/credentialing; MICR laser check and EOB encoding; optical imaging/intelligent optical character recognition; physician referrals; provider network management; claims pre-processing; custom report generation; electronic claim workflow distribution, automatic benefit code generation.
User support: User groups/meetings, onsite training, online support, telephone assistance nine hours per day, 24-hour modem support** extended support hours, consulting.
Staff: 40 total, 33 professionals.
1997 revenues: $5 million total. $5 million from employee benefit information systems sales and services, 10% from hardware sales, 50% from software sales, 40% from software services.
Officers: Robert S. Graham Jr., president; David L. Graham, vp.
Contact: Jane L. Whitelock, marketing manager.
** Optional modules for FACTS 125 include claims and encounters processing and custom report generator only. ** Included in system price.*

Foundation Technologies Inc.

78 Fourth Ave.,
Waltham, Mass. 02154-7507;
781-530-2020; fax: 781-530-2001

Benefit systems since: 1994.
Software systems:

■ Beneflex-The Human Resources Knowledge Base
Price: $150,000 to $300,000. Quoted individually.
System requirements: 486 PC; Windows platform; 16MB RAM, World Wide Web browser; SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Internet/intranet access.
Customization optional.
First installation: 1994.
Total installations: 12 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, payroll.
Features: Enrollment, eligibility verification, health care precertification, claims management, health care utilization review, medical coding/unbundling, medical case management, tracking reinsurance liability, disability duration monitoring/control, health plan provider contract management, asset management, accounting, discrimination testing, ad hoc data analysis, ad hoc report generation.
Benefit communication features include plan level and what-if scenarios.
Optional modules: Integration with human resources information system, self-service transactions, case management application.
User support: User groups/meetings, onsite training*, online support*, telephone assistance 10 hours per day*.
Staff: 25 total, 20 professionals.
Clients: Five total, four in corporate benefit departments. Sold systems to five clients in 1997.
1997 revenues: Of revenue from employee benefit information systems sales and services, 70% from software sales, 30% from software services.
Officers: Tod Loofbuorrow, president/CEO; Janne DeSomery, COO; Larry Kurzner, vp-marketing/business development; Steve Herbst, vp-development; Mike Huseman, vp-sales.
Contact: Larry Kurzner.
** Included in system price.*

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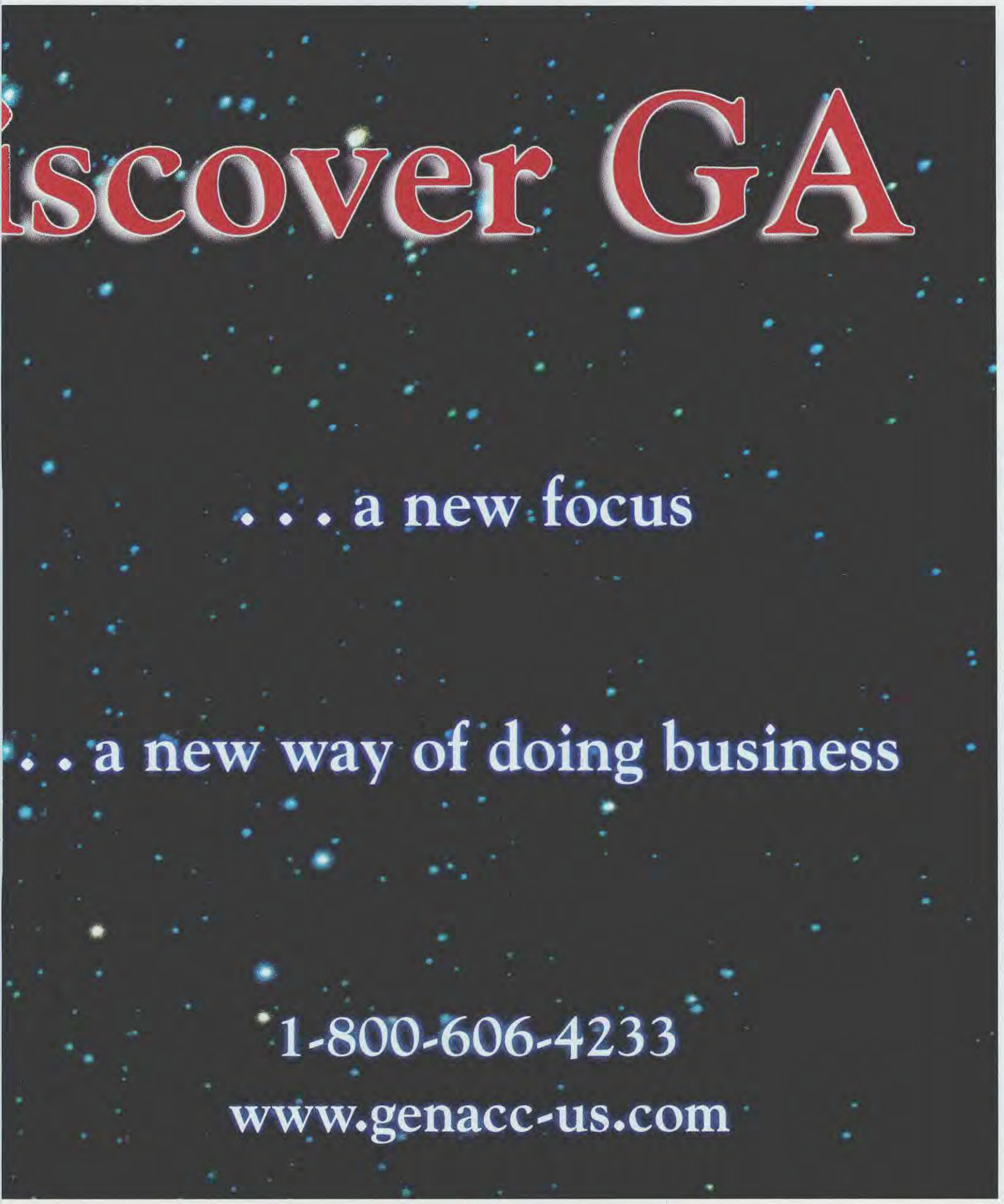

Continued from previous page

G

Genelco Inc.

1600 S. Brentwood Blvd.,
St. Louis, Mo. 63144-1330;
888-436-3526; fax: 314-968-9589

Parent: General American Life Insurance Co.
Software systems:
■ Benefit Administration Plus
Price quoted individually.
System requirements: OS/400 platform; VGA video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Online system.
Customization optional.
First installation: 1986.
Total installations: 13 in employee benefit departments.
Benefits managed: Flexible benefits, workers comp, disability, COBRA, group health plans, life insurance, AD&D.
Features: Bills/collects premiums, provides online eligibility information for health claim administration.
■ Health Claims Plus
Price quoted individually.
System requirements: OS/400 platform; VGA video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include DB2.
Online system.
Customization optional.
First installation: 1985.
Total installations: 13 in employee benefit departments.
Benefits managed: Disability, group health plans, life insurance, AD&D.
Features: Adjudication and administration medical, dental, disability, vision, prescription drug, group life and accidental death/dismemberment claims.
Optional modules: Unbundling interface, EDI/automatic claim adjudication interface, source code.
User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*, documentation*, implementation support*, technology support/maintenance.
Staff: 130 total, 40 professionals.
Clients: Health Claims Plus: 134 total, including 60 benefit departments. Sold systems to 17 clients in 1997; Benefits Administration Plus: 121 total, including 60 benefit departments. Sold systems to 18 clients in 1997.
1997 revenues: $50.7 million total. $15.4 million from employee benefit information systems sales and services, 4% from hardware sales, 27% from software sales, 69% from software services.
Officers: E. Christopher Simonds, president/CEO; Marla P. Zimmerman, vp/CFO; Russell Korte, executive vp-software division; Mike Molinar, product vp-software division; Bob Helbig, vp-technology, software division.
Contact: Susan Wagy.
** Included in system price.*

Genesys Software Systems Inc.

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

Benefit systems since: 1966.
Software systems:
■ Genesys Benefit Payments System
Price quoted individually.
System requirements: Specified individually for client/server implementation; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle and NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1993.
Total installations: 10 in employee benefit departments.
Benefits managed: Disbursements for 401(k) plans, profit sharing, retirement/pensions.
Features: Automated periodic/lump-sum disbursements, direct deposit, online check processing, future increases/adjustments, complete tax handling, payee profile maintenance, administration features for trust departments/fiduciaries.
Benefit communication features include benefit statements, preconfigured reports/letters and flexible ad hoc report generator. Optional benefit communication features include self-service via Internet/intranet, kiosks or interactive voice response.
■ Genesys Defined Benefits System
Price quoted individually.
System requirements: Specified individually for client/server implementation; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle and NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1987.
Total installations: 60 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Plan setup; multiplan modeling/analysis; eligibility testing; automated enrollment; vesting schedules; plan cost factors; participant history; beneficiary data; benefit/retirement calculations; handling of early, deferred and special retirements.
Benefit communication features include benefit statements, preconfigured reports/letters and flexible ad hoc report generator. Optional benefit communication features include self-service via Internet/intranet, kiosks or interactive voice response.
■ Genesys Defined Contribution System
Price quoted individually.
System requirements: Specified individually for client/server implementation; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle and NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1995.
Total installations: 30 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing.
Features: Automated enrollment, eligibility notification, plan setup/maintenance, compliance testing, participant profiles, account balances/transactions, loan provisions with automatic repayment features, QDRO tracking, multiple saving/vesting schedules, dollar and unit/share accounting, multiple funds sources, investment vehicles.
Benefit communication features include benefit statements, preconfigured reports/letters and flexible ad hoc report generator. Optional benefit communication features include self-service via Internet/intranet, kiosks or interactive voice response.
■ Genesys Flexible Benefits System
Price quoted individually.
System requirements: Specified individually for client/server implementation; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle and NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1988.
Total installations: 30 in employee benefit departments.
Benefits managed: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance, FSAs, paid leave entitlements, benefit provider data, AD&D, dependent coverage.
Features: Automated enrollment, participant profiling, eligibility tracking, effective date processing, provider tracking, employee/employer contributions and cost factors, FSA accounting/claims processing, concurrent plan year administration, participant history, plan maintenance/updating, annual premium filings.
Benefit communication features include benefit statements, preconfigured reports/letters and flexible ad hoc report generator. Optional benefit communication features include self-service via Internet/intranet, kiosks or interactive voice response.
Optional modules: Customization tools for screens/workflow; WEB Serve for Web-based self-service; integration with flexible benefits, defined benefits, defined contribution, payroll and HRMS application systems.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance 24 hours per day*.
Officers: Lawrence J. Munini, president; Robert Pomerleau, executive vp; Ruth A. Ladner, senior vp-sales/service.
** Included in system price for 90 days.*

GenSource Corp.

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

Benefit systems since: 1980.
Parent: Incomnet.
Software systems:
■ Genlris
Price: $100,000 to $500,000. Quoted individually.
System requirements: Pentium PC; Windows NT or UNIX platform; multiple user.
Online system.
Internet/intranet access.
Customization optional.
Benefits managed: Workers comp, disability, leave of absence, COBRA, group health plans, social security benefits.
Features: Enrollment, eligibility verification, precertification, claims administration/management, fee schedules, bill review interfaces, human resources/payroll interfaces, medical case management, sets/controls resources, verification/tracking of payments, full notes and diary/calendar capabilities, cycle payments, subrogation capabilities, rehabilitation control/management, legal management/tracking, all mandated state/federal forms, letter generation, all STD/custom coding, ad hoc reporting, COBRA administration, PPO billing, full EOB capability, provider check consolidation.
Benefit communication features include STD/custom letters, computer inquiry accounts and eligibility.
Optional modules: Disability rating, remote/EDI check capabilities, medical guidelines, medical fee schedules, cost containment products, third-party interfaces, DRG/ICD9 conversion, reinsurance, risk reporting, e-mail, data conversion, Web interface.
User support: User groups/meetings*, onsite training, online support*, telephone assistance 11 hours per day*.
Clients: 130 benefit departments. Sold systems to eight clients in 1997.
1997 revenues: $5.3 million total. $3.9 million from employee benefit information systems sales and services, 15% from hardware sales, 60% from software sales, 25% from software services.
Officers: Eric Hoffberg, president; Michael Ewing, vp-sales/marketing; Nora Kenner, vp-consulting; Jerry Buckley, director-strategic planning; Mel Reznick, chairman.
Contact: Michael Ewing.
** Included in system price.*

H

HCIA Inc.

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

Benefit systems since: 1989.
Software systems:
■ CHAMP
Price quoted individually.
System requirements: Pentium PC; Windows 95 or NT platform; 32MB RAM, 2GB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Visual and FoxPRO.
Online system.
Customization optional.
First installation: 1989.
Total installations: 80 in employee benefit departments.
Benefits managed: Workers comp, disability, COBRA, group health plans.
Features: Supports claims management, utilization review, tracks reinsurance liability, medical coding unbundling, medical case management, health plan financial management, provider contract management, physician hospital profiling, disease management, demand management, episode of care analysis, HEDIS measures, health plan network management, quality of care/outcomes management, benefit modeling, ad hoc data analysis, report generation, graphics.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance 10 hours per day*.
Staff: 75 total, 63 professionals.
Clients: 80 total, including 55 benefit departments. Sold systems to 10 clients in 1997.
Officers: George Pillari, chairman/president/CEO; Barry Offutt, senior vp-finance; Jean Chenoweth, senior vp-industry relations; Don Good, senior vp.
Contact: Tony Likovich, senior director, 805-566-7725.
** Included in system price.*

HR Consulting Group Inc.

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

Benefit systems since: 1983.
Software systems:
■ Direct Admin
Price: $5,000. Quoted individually.

Continued on page 22

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Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

GLOBAL STRATEGIES

IMAGE BANK

In this issue:

Asian crises may present opportunities Page 20B

BIPAR seeks to solidify global relationships Page 20D

WIN confident in expanding data exchange Page 20F

Asia

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Brokers and agencies operating throughout Southeast Asia also may be looking for fresh resources.

"I would call it a buy opportunity," said Carl Modecki, president of the National Assn. of Insurance Brokers in Washington.

Although insurance intermediaries are not as prevalent in Asia as in the United States, Asian brokerages could be facing financial difficulties and looking for outside investment, he said.

The crisis also will provide some opportunities for large international brokers already present in the region and international insurers seeking more Asian business, Mr. Modecki said.

Policyholders in the region may be wary of dealing with domestic insurers that are suffering due to the financial crisis and wish to obtain access stronger foreign insurers, he said.

Brokers looking to expand overseas could view the current financial problems in the area as similar to stock investors buying shares after a market crash, said Charles R. Adams, president of Adams & Son Inc. in Auburn, N.Y., and a vp of the Bureau International des Producteurs des Assurances et des Reassurances, the international brokerage association.

"At the moment, it doesn't look like there is much of a good side to the problem, but there is an opportunity because the economies are bound to come back, and now is the time to get in," he said.

But as in stock market investing, foreign investors in Asia should be careful how they choose which companies to invest in, Mr. Adams said.

Insurers and brokers viewing potential investments in the region should tread very carefully, agreed Simon Hu, regional manager-Asia at A.M. Best Co. in Oldwick, N.J.

"There are many opportunities, but there are many risks as well, and right now, from the perspective of investments, the risks outweigh the opportunities," he said.

The risk of buying into financially troubled companies is not the only concern for would-be investors in the region, he said. Regulatory and accounting structures throughout Southeast Asia also are changing, and the combination of all these elements should make investors wary, Mr. Hu said.

"Whenever the IMF goes into a region, it always prompts fundamental changes in terms of economic, governmental and regulatory structures and that is what we'll see in Korea, Thailand and Indonesia," he said.

For example, the regulators may impose higher capital requirements on companies in some countries. Thus, even if a U.S. company buys a brokerage or insurer for a bargain price now, in the future it may be forced to pump in significant amounts of extra capital to any new acquisition, Mr. Hu said.

Potential investors would be best advised to wait until late this year, when they should have a clearer picture of the business environment in the region, Mr. Hu said.

The Asian crisis also may spur new underwriting opportunities for insurers in the region.

Although the financial crisis in Asia may dampen demand for some insurance products as commercial policyholders go bankrupt, it also may lead to opportunities to sell other types of coverage, such as credit insurance, said Philip Gawthorpe, managing director of global business at Aon Risk Services in Chicago.

"A lot of companies in the United States who are selling goods to Asia who have traditionally used letters of credit may now look at credit insurance instead," he said.

By insisting that buyers of goods issue letters of credit to the sellers, U.S. companies have guaranteed receiving payments. However, LOCs are expensive for the buyers, and as importers in Asia seek to cut as many costs as possible, they may prefer to use European exporters, who have traditionally used credit insurance to guarantee payment, rather than incur the extra expense of a LOC in order to buy U.S. goods, Mr. Gawthorpe said.

However, trying to buy credit insurance now for exports to Asia is like trying to buy fire insurance once a fire begins, said John J. Salinger, president of American International Underwriters, a unit of AIG in New York.

Capacity and prices are much more limiting now than before the crisis, he said.

Also, the crisis has dropped the demand for imports in Asia so there are fewer potential policyholders that buy credit coverage, Mr. Salinger said.

So while exporters stung by the crisis may seek protection in the future, those extra premiums for insurers and brokers could be some way off. BI

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BIPAR links agents across borders

By AMANDA MILLIGAN

A confederation of global agent and broker associations may prove what Disney has touted for years—that it's a small world after all.

But linking more than 40 member associations spanning approximately 27 countries is not child's play, even for the 60-year-old Bureau International des Producteurs des Assurances et de Reassurances, or BIPAR.

"We set out to build bridges of understanding and information exchange," said Charles R. Adams, vp of the BIPAR. "We don't (all) have branches, so we need bridges."

Because BIPAR targets agents and brokers of all sizes and from diverse cultural and regulatory backgrounds, its primary mission is to foster good working relationships among insurance intermediaries that might not have otherwise met.

Forming a "loose structure of an international body for all associations" is on the agenda for the March 19-20 annual meeting of BIPAR, said Mr. Adams.

He calls the meeting, to be held in Brussels, Belgium, "the first truly global summit of insurance intermediaries."

BIPAR represents 250,000 principals of insurance intermediaries in almost 30 countries that collectively employ 1.5 million people, Mr. Adams said. Of this, he estimated 60% of members are agents writing mostly personal lines of business and 40% are brokers that write mostly commercial lines.

Because regulations of trade and professional credentials vary from country to country, Mr. Adams said BIPAR functions as a "clearinghouse" on the regulatory environment of each associated country. The confederation also offers professional development courses similar to the CPCU designation in several countries.

In the early 1990s, the Council of Insurance Agents & Brokers decided to extend its influence beyond U.S. borders and saw joining BIPAR as a means to do it.

In 1992, Mr. Adams, president and chairman of Adams & Son Inc. in Auburn, N.Y.,

Continued on next page

Continued from previous page

hosted one of the chairmen of BIPAR at annual The Insurance Leadership Forum at the Greenbrier—a step that built the initial bridge between the Council and BIPAR.

Mr. Adams, a longtime member of the Council, was appointed in 1994 to sit on the board of BIPAR and in 1997 became the first non-European named to his current post of vp, which he will hold for three years.

"We've made tremendous strides in a short amount of time," Mr. Adams said of the Council's relationship with BIPAR. "The Council has reached out to get to know people (in other countries)."

Other U.S. professional broker associations say they applaud BIPAR's goals but think domestic issues need more immediate attention.

Jane Hill Fleming, chairperson of the Washington-based National Assn. of Insurance Brokers, said due to increased focus in the last two years on state deregulation of the commercial insurance market, the NAIB is not actively pursuing the international arena.

"We have prioritized our resources more domestically than internationally," Ms. Hill Fleming said. "It's not that we aren't interested in BIPAR. . .we just have different priorities. We support their efforts."

Jeff Yates, senior executive vp for the Independent Insurance Agents of America, said his organization is evaluating the merits of BIPAR membership. The IIAA was a member about 15 years ago, Mr. Yates said, but because there were "so many issues on the domestic front," the Alexandria, Va.-based IIAA decided not to focus much of its resources abroad.

"There's no question" international cooperation is important, said Mr. Yates. "There is interest in revitalizing a world congress of producer organizations. We're very intrigued by that."

Mr. Yates admits even the middle market agents and brokers are noticing that international happenings are "impacting us more than traditionally. There's definite value to working together." He still is not certain if his association will decide to rejoin BIPAR.

Its size gives BIPAR the clout to advise governmental and political groups on issues affecting insurance intermediaries and the insurance buying public worldwide.

"BIPAR's true dedication is to provide a better product to the consumer," Mr. Adams said. "Size is momentum."

The emphasis on the lobbying and regulatory roles necessitated that the Paris-based confederation move its operations to Brussels, selected because BIPAR could be "close to the seat of European activity of a united Europe."

"Ongoing working relations" is the way Harald Krauss, director for BIPAR, described the relationship between BIPAR and the European Union. Mr. Krauss, based in the Brussels office, said he is within "walking distance" of the headquarters of the European Union and said he is in contact with E.U. associates at least once a week.

"They trust us. . .We are recognized as the only spokesman for the profession in Europe."

In a statement provided to BIPAR, Andreas Van Agt, former Dutch Prime Minister and Ambassador of the European Union, said BIPAR has pointed out practical problems impacting insurance intermediaries and is able to provide solutions to European Union officials.

The relationship between BIPAR and the European Union also extends beyond this advisory role. BIPAR representation and annual dues are linked to the number of E.U. votes allotted to the member association's home country, Mr. Adams said. For those countries not included in the E.U. voting process, a formula proprietary to BIPAR is used.

'We are building friendship—individually, possibly between insurance companies and possibly between countries,' says Charles R. Adams, a vp of BIPAR.

Other associations upon which BIPAR exerts its influence are the International Chamber of Commerce and the World Trade Organization. World trade affects all countries, Mr. Adams said, and in addition, "trade smacks of marine insurance. In the long run, it absolutely must affect the insurance industry."

The future of BIPAR is tied to global economic and technological development. As technology draws the far regions of the world closer, knowledge exchange will become easier, Mr. Adams said, enabling BIPAR to welcome other countries, such as those in Asia, to its growing family.

"We are building friendship—individually, possibly between insurance companies and possibly between countries," said Mr. Adams. "BIPAR will probably become a stronger organization as it gains more friends around the world." BI

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Big year predicted for global network

By MATTHEW MacDERMOTT

With seven major underwriters already signed, a subsidiary office in New York and plans to extend its service to electronic contract formation, the World Insurance Network is confident its fledgling electronic data exchange system is set for major expansion.

"1998 is the year we will see WIN take off and soar," says Mark Snow, president of WIN Inc. in New York.

WIN was established as an independent company in November 1995 by Aon Corp., Marsh & McLennan Cos. Inc., Johnson & Higgins, Alexander & Alexander Services Inc., Sedgwick Group P.L.C. and Willis Corroon Group P.L.C. Since then, Aon acquired A&A, and M&M bought Johnson & Higgins.

In July 1997, London-based WIN launched its first service, the WINconnect electronic mail system, which links brokers and insurers across a secure network, allowing text, data and graphic exchange from users' desktops (*BI*, July 7, 1997). WIN maintains two central computers, one in London and the other in Minneapolis.

Mr. Snow said WIN's main goal is to make it easier and more efficient for insurance executives to communicate and, ultimately, to conduct business.

WIN has closely investigated the needs of brokers and underwriters and conducted months of testing and remodeling of its electronic exchange system, he said.

"That is in the past now," he said. "We now have a reliable, easy and global product."

Mr. Snow said WIN's biggest marketing tool is its directory of users, and the more it is expanded, the more attractive the product will be to new clients.

WIN's four shareholder brokers have all signed membership contracts with WINconnect. WIN also has signed seven underwriting companies: CIGNA International; Royal & Sun Alliance Insurance Group P.L.C. of London; Commercial Union Assurance Co. P.L.C. of London; Assicurazioni Generali S.p.A. of Trieste, Italy; Gerling-Konzern Allgemeine Versicherungs A.G. of Cologne, Germany; X.L. Insurance Co. Ltd. of Bermuda; and Lloyd's of London underwriting agency Brockbank Syndicate Management Ltd.

Mr. Snow said all members have signed contracts that allow employees in any of their offices worldwide to access the system and communicate with other WIN members.

Although he would not disclose current user levels, Mr. Snow is confident WIN is on target to meet its goal of having 30,000 insurance practitioners conducting business through the network by the end of 1998.

Aon has 1,500 employees worldwide connected to WIN and eventually plans to have 20,000 connected, said WIN Chairman Ron Forrest, who also is chairman and chief executive officer of Aon Risk Services Worldwide, the retail brokerage arm of Aon.

Mr. Forrest said WIN is not an exclusive system for the brokers that developed and own shares in the company. "We got together to drive change, but anyone that wants to can join."

Annual subscriptions to the network are based on company size, and there are monthly management fees plus connection and usage charges.

WINconnect is "a proven, working industry e-mail system" and WIN is focused on building its client base, Mr. Forrest said. "We are just at the point where we are going to the wider insurance community to join."

Initially, WIN has focused on the London insurance market because it is well developed and has the biggest critical mass, Mr. Forrest said. "Our initial effort has been in London, but we want to extend worldwide, and the U.S. is a key part of that."

Ultimately, WIN plans to have

See **WIN** *on page 20G*

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WIN

Continued from previous page

two major "hubs" in London and New York to connect to users worldwide.

WIN opened its New York office in August 1997. Mr. Snow, previously marketing director of WIN in London and who still holds some global marketing responsibilities, heads the office.

Many of the companies already signed to WIN have a significant presence in the United States, and connection of U.S. employees has started, Mr. Snow said.

He said WIN is involved in a "substantial amount of dialogue in the U.S.," and he is confident more membership contracts soon will be signed.

Although WIN in essence is a global electronic mail system, the next challenge is to enable members to close accounting transactions via the network, Mr. Forrest said.

"The next stage is contract formation," he said. "It almost certainly can be done, and we are looking at the protocols and steps."

Mr. Snow said WIN is "seriously considering" the formation of insurance contracts electronically, but regulatory issues must be resolved first.

"The area is still in flux, and there are legal issues that need to be resolved," he said. "The U.S. and British governments are looking at how the issue can be handled. We are looking at the most effective way to implement, but we need to have things in place to verify the system."

Mr. Snow described WIN as a "terrific timesaver" and a creator of new business.

"It may not be huge contracts but is more along the lines of 'Are you writing this class of business, yes or no?' It means everyone's private directory is getting bigger."

Mr. Snow said WIN is particularly beneficial for underwriters, as they can quickly let brokers know what they are writing.

Reliability levels are also better with WIN than on the public Internet because WIN is a managed service and provides an audit trail for electronic documents, said Mr. Forrest. He said WIN has a 99% guarantee of delivery of e-mail and attached files.

Messrs. Snow and Forrest agreed that one of WIN's biggest selling points is its compatibility with a variety of computer systems. Insurers and brokers do not need the same type of e-mail software to send and receive messages over the WIN system.

"The whole point of WIN is that it is an industry messaging system that overcomes incompatibilities," Mr. Forrest said. "You can put a message in Lotus Notes inside Aon, and Generali can receive it in MS Mail, when normally they would be incompatible."

Mr. Snow said WIN works with Microsoft Lotus Notes, CC Mail and soon will work with MS Exchange, all of which cover the majority of the e-mail systems used by insurance executives.

Mr. Snow said the growing insurance industry consolidation means it is crucial for organizations to have access to an industrywide system that allows easy communication.

"The purpose is to get people to do business. Anything that touches on technology makes people nervous, and that is understandable. People are a bit gun-shy about new technology. But WIN has never been about technology. The whole purpose is to make it easier to do business. . .to start communication and analyzing risks," Mr. Snow said. BI

PARCA not seen as a threat to agents

By MARK A. HOFMANN

Enactment of the Patient Access to Responsible Care Act would not subject insurance agents and brokers to new liability, despite such fears, says a backer of the controversial measure.

In fact, the final shape of the proposal to regulate employer-provided health-care plans isn't known yet, said David E. Hebert, director-federal government affairs and manager of the Washington office of the Park Ridge, Ill.-based American Assn. of Nurse Anesthetists.

"We don't think Norwood is going to pass as written. I don't think Sen. D'Amato or Rep. Norwood thinks so," said Mr. Hebert as he spoke in favor of PARCA during the annual legislative conference of the Council of Insurance Agents & Brokers in Washington last month.

"I don't think it's the intention of the sponsors to make agents and brokers liable" for the actions of managed care plans they market, he added.

Rep. Charles Norwood, R-Ga., and Sen. Alfonse D'Amato, R-N.Y., are the chief sponsors of PARCA in their respective chambers.

The legislation, among other things, would allow employees to sue their employers in state court and recover any damages, including punitive damages, allowed by state law for personal injuries that are suffered in connection with services they

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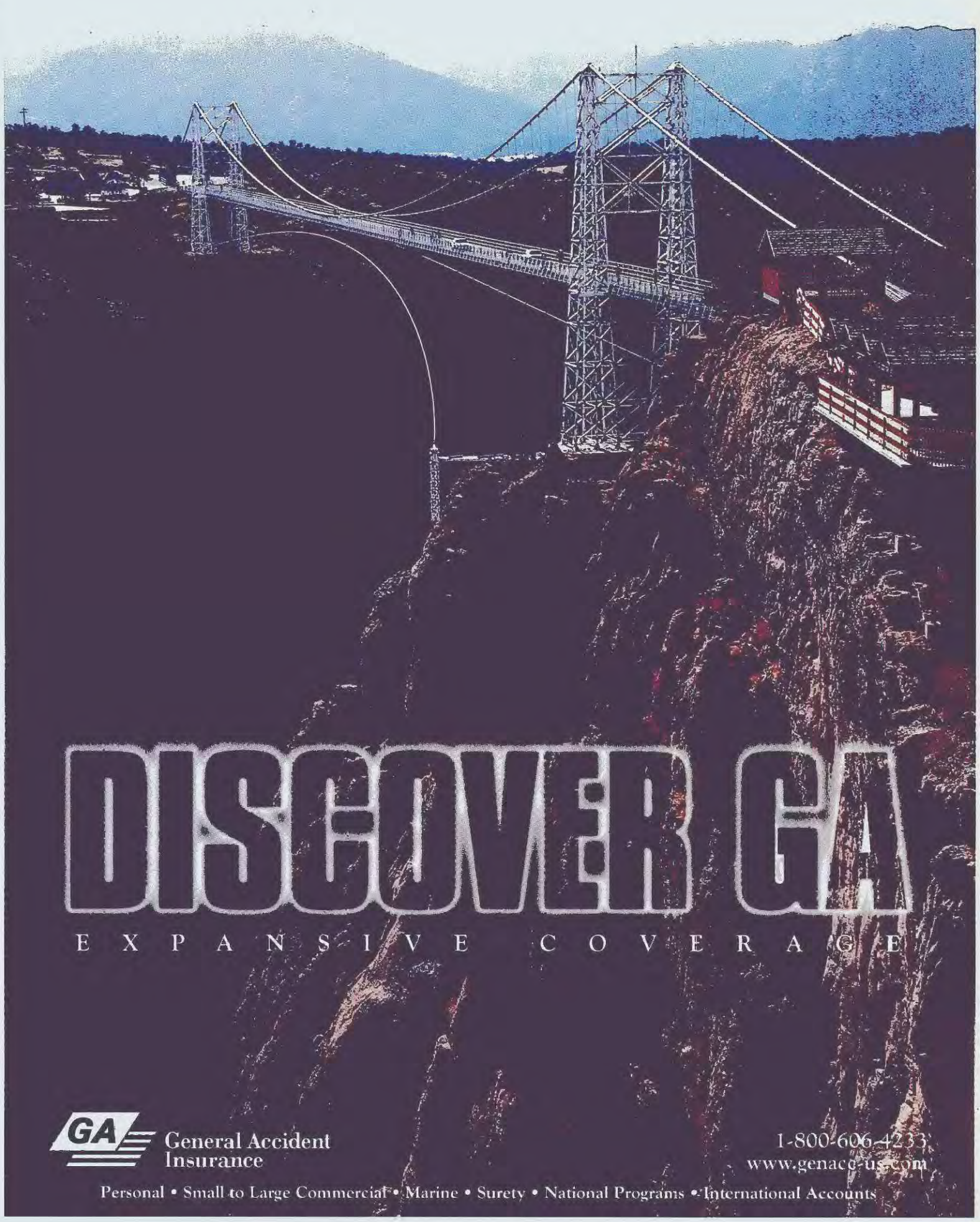

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received through their health care plans (*BI*, Nov. 17, 1997). To accomplish this, PARCA would amend the Employee Retirement Income Security Act, which preempts state rules and laws that relate to employee benefit plans. Critics have claimed this would expose employers—and perhaps intermediaries such as agents and brokers from whom employers obtain coverage—to new liability for actions over which they have little or no control.

PARCA also would require employers with self-funded plans to establish health care quality improvement programs, to evaluate at least annually all health care professionals that apply to be in their health care networks, and remove the right of employers to decide which health care services they will cover. PARCA also calls for having the government decide how much of a point-of-service premium employers could shift to employees.

"We would disagree that the federal government has to step in and fix managed care," said Sally Canfield, senior federal legislative representative for the Mutual of Omaha Cos. in Washington. She said public backlash against managed care had less to do with managed care itself than with the long-term backlash against the insurance industry.

"I just don't think opening up the tort system is going to assure quality health care in this country," said Ms. Canfield.

Mr. Hebert said PARCA as written doesn't create a new federal course of legal action, but would allow state court suits against managed care plans.

"Give them the ability to file that lawsuit. If it's a frivolous lawsuit, it will be thrown out of court," he said, drawing peals of incredulous laughter from his audience.

Charles R. Daniels III, president of the Daniels Agency Inc. of Pawling, N.Y., and Danbury, Conn., and a member of the Council's board of directors and executive committee, moderated the session.

While supporting the idea that managed care plans should be held to standards of accountability for their consumers, the insurance agents and brokers who belong to the Council have serious concerns about PARCA, Joel Wood, vp-government affairs for the Council, said in an interview after the panel discussion.

'I just don't think opening up the tort system is going to assure quality health care...' says Sally Canfield.

Mr. Wood noted that more than a third of Council members' collective book of business is in benefits, including workers compensation, and that the administration of group self-insured health plans is one of the fastest growing areas of business for members.

What bothers Council members is PARCA's proposal calling for "the unprecedented expansion of medical malpractice liability for employers," said Mr. Wood. They believe PARCA could undercut the ability of health plans to provide affordable, quality health coverage, he said. In fact, the Council fears that adding new layers of legal action could have the "perverse" impact of actually decreasing the provision of employer-provided insurance, he said.

As PARCA is currently written, insurance intermediaries also could be subject to the "collateral damage" of PARCA, because it opens up vast new areas of action for all involved in the transaction, said Mr. Wood. He added, however, that the intention of PARCA is to target big managed care plans rather than brokers.

He said there is "widespread agreement" among Council members that there should be standards of accountability for health care plans to the consumers they serve and that consumers should have options to contest decisions of health plans.

But Council members prefer a cautious approach. There's a consensus that adding new benefit mandates and expanding liability for health plans is going to undercut the goal of universal coverage, he said.

The Council supports ERISA pre-emption, and favors expanding ERISA pre-emption to a lower threshold of the number of employees companies need to self-insure under ERISA as a means of extending coverage, said Mr. Wood. BI

Analytical tool can show wide range of outcomes

By AMANDA MILLIGAN

A powerful tool for predicting the financial future is helping insurers make a variety of planning decisions, from purchasing reinsurance to setting goals for growth.

The tool, known as dynamic financial analysis, is a way to evaluate business such as underwriting, new lines of business, asset management and mergers and acquisitions, said Andrew Rippert, vp of Princeton, N.J.-based American Re Financial Products, a financial risk management unit of American Re-Insurance Co. Mr. Rippert has spent most of his three years at American Re performing DFA.

DFA, which examines multiple financial and market-based factors, helps company managers make educated planning decisions, experts said. This statistical tool enables corporations to examine all their operations collectively instead of focusing on them individually.

"It allows you to look at those strategies together and how they all interact," Mr. Rippert said. "Most traditional models look at a few scenarios and expected outcomes. DFA looks at a whole range of outcomes and provides a risk profile of the company (under these scenarios)."

While the components of DFA models vary, each generates the same format of results. Instead of showing outcomes only of best-case, worst-case and most likely scenarios, DFA models are able to illustrate thousands of scenarios and the probabilities of each occurring.

Due to its flexible capabilities, the model can change assumptions about the internal and external factors that might affect a company's decision-making—and ultimately, its bottom line.

In the insurance industry, DFA is often used by property/casualty insurance companies, reinsurers, actuaries and life and health insurers. One of the most common applications among insurers is to evaluate the performance of reinsurance and assist in purchasing decisions.

Because companies are spending more on reinsurance, interest in DFA is growing, said Edmund R. Megna Jr., president and chief executive officer of the U.S. business of New York-based Guy Carpenter & Co. Inc.

"DFA allows them (insurers) to judge the reinsurance and how well it responds," said Mr. Megna, whose firm provides DFA for most of its clients. "It's something that's almost mandatory with my brokers."

Reinsurance is only one area in which DFA can be useful, the experts said. Almost any kind of exposure or business activity can be analyzed with a DFA model.

For example, during the due diligence process, the financial modeling tool can reveal the potential success of a merger or acquisition or enable the analyst to determine a fair purchase price. The more specific the objective, the more useful the results.

Recent advances in technology have helped DFA grow in popularity, Mr. Rippert said. "It's really gained a lot of momentum because of information technology—computer power."

The information the technology generates, not the use of the technology, is really fueling the demand for DFA modeling, said Bill Ashley, executive vp of Bloomington, Minn.-based reinsurance intermediary E.W. Blanch Co. and head of Blanch Risk Management.

Mr. Ashley said Blanch views the technology as a means to an end. "What's really the driving force is the information going in and coming out, and how to mine the solutions once the simulations have been completed," he said.

Ultimately, DFA will become more prevalent because it plays "a significant role" in the three objectives of insurance companies, Mr. Ashley said. Most insurers' first objective is to grow, the second is to make money, and the third is to do all of this while not increasing volatility, he said.

However, "the changing nature of the property and casualty insurance market is certainly not the easiest to model over the long term," said Jonathan Norton, a managing director at Guy Carpenter in New York. "(DFA is) a little more of an intelligent look at the future. . .given what transpired in the first year (of simulation)."

'It's something that's almost mandatory with my brokers,' says Edmund R. Megna Jr. of Guy Carpenter.

He recommends focusing on one region or one area of business. "It's easier to model more standard lines of business where the company has a track record," he said. "I think you lose enthusiasm from the ultimate end-users if you try to set your objectives too high or too broadly."

While most sources said DFA is effective for long-tailed exposures, Mr. Rippert warned against using DFA in this manner. He discouraged its use on exposures such as product liability, because it is difficult to predict scenarios involving far-reaching economic events, lawsuits or other "things coming out of left field."

Although the exact origin of DFA is unknown, many say it is an offspring of many finance-oriented fields and was developed by actuaries for property and casualty work.

"A lot of the pieces of the DFA model have been done for years," Mr. Rippert said. "Tying them all together is what makes DFA unique."

However, pulling together a wide range of data from many sources is not always easy. To develop accurate models, it's important to gather expertise from people in other fields, such as economics or finance, said Manuel Almagro, a principal in the Hartford, Conn., office of Tillinghast-Towers Perrin.

"Any types of financial models are dependent on the assumptions you put in them," said Mr. Almagro, who has worked with dynamic models for five years. "You have to have models that are calibrated to actual historical events. . .You can't just have random relationships."

He emphasized the need for interdepartmental communication. In some corporations, politics can make cooperation difficult.

Sue Szkoda, owner of Glastonbury, Conn.-based Szkoda Actuarial Services and vp of continuing education for the Casualty Actuarial Society in Arlington, Va., agreed. "The real issue is communication, communication, communication."

Seeing the corporation's departments in totality is essential, Ms. Szkoda said.

"DFA forces the actuary to look at the entire company, the company's business plans, capital needs, reserving and pricing," she said. An actuary should "think about the company holistically and help the company achieve these goals over the future horizon."

Trends in the underwriting cycle have made DFA-style modeling a sought-after service, Ms. Szkoda said. On the commercial side, "rates are being cut into ribbons. The operating environment is becoming very hostile." As a result, companies have to do a better job of identifying the risks they're facing, she said.

Many banking and finance-savvy executives are becoming involved in insurance, bringing a new corporate mind-set with them into the insurance industry, Mr. Almagro said.

"The insurance industry has not done as good of a job articulating the type of risks facing a company as well as other industries," he said.

Although DFA software is available, it is not only costly but also requires a great deal of technical expertise. For that reason, most insurers turn to actuaries or other consultants with expertise in DFA. Some consulting firms include DFA as a value-added service, while others using more complex models will charge hefty fees due to the time invested in researching and gathering input from experts.

Ms. Szkoda said while the costs are not consistent for all models, the adaptability of many of the "shelf models" of DFA software also varies. Each has strengths and weaknesses, and she said each would need to be tailored to the needs of the company.

Overall, insurers' reaction to DFA is positive. "It's a wonderful tool that helps (corporations) understand things that publicly traded companies are interested in, because that's what Wall Street is interested in," Mr. Ashley said.

Knowledge of environmental policies will aid clients

By Keith H. Cannon

A/BT Perspective

NO ONE ENJOYS PAYING an insurance premium. Many people view insurance as "a necessary evil," while others think it is just too expensive. The only thing worse than being overinsured is paying too much and being inadequately covered.

While all agents would like to sell based more on coverage, you cannot get away from the premium issue. Today's insurance buyer is better educated and adept at recognizing the bottom-line cost of the protection: both the premiums and coverage being presented and the hidden costs not always revealed by the agent or broker. Negotiating comprehensive protection is similar to performing an environmental assessment in that *you must look beneath the surface to determine the total cost.*

For instance, a storage tank/remediation contractor was presented two quotes for essentially the same coverage, each for a premium of $7,500. Thinking the two quotes were equal in their value to the customer, the agent presented the quote received from company A because it paid a higher commission. However, before the expiration of the policy, the price of coverage ended up costing the insured 25% more than if the buyer had chosen the proposal from company B.

Like many insurers, this particular buyer relied solely on his agent to select the best proposal. Unfortunately, as with many insurance generalists, the agent was not familiar enough with environmental coverages, markets and premium nuances to adequately advise his client. This innocent mistake ended up costing the client and resulted in the agent losing his customer.

To be more proficient at negotiating coverages and final premiums, an agent must become familiar with several features common to environmental insurance products. These terms define the coverage being purchased and the premium charges that will apply. While some of these terms will be elementary to some, agents who don't regularly deal with environmental insurance and excess coverages should pause to remember the meaning of each of these:

• **Surplus lines vs. admitted:** Most agents are at least familiar with the differences involving admitted and surplus lines (non-admitted) policies. A policyholder that purchases a policy from an admitted insurer and people filing claims against the admitted insurer may be protected under a state's guaranty fund against default of an insurer due to insolvency. There are no additional taxes charged against the policy premium, and most state regulations prohibit a specialty broker or insurer from adding any fees or hidden charges to the premium.

When selecting a non-admitted insurer, surplus lines

See **Environment** *on next page*

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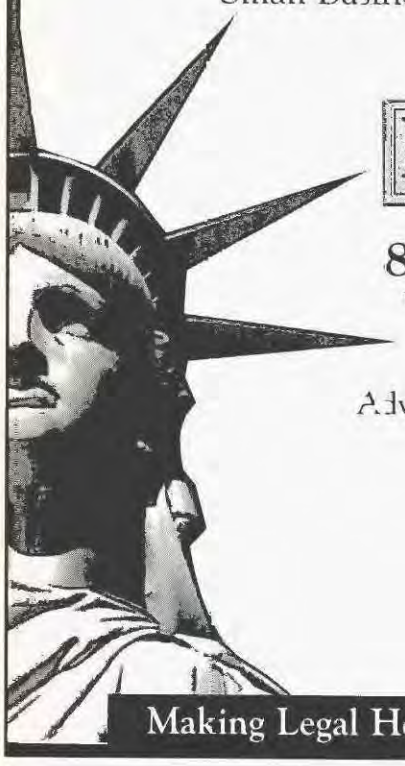

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Continued from page 20I

taxes ranging from 2% to 6% are charged against the gross premium and also may be applicable to any fees levied by the insurer, specialty broker, or retail agent.

Some states have stamping or filing fees, local taxes or other miscellaneous charges that are applied to each surplus lines policy.

Because of the catastrophic potential of environmental liability, the insurer's financial stability becomes even more important, as the policyholder does not have the protection of the guarantee fund. Proposals should be sought only from insurers possessing an A.M. Best Co. financial rating of A- or higher.

Each state has specific requirements for notifying prospective policyholders of these differences in protection and require the retail agent to file forms or affidavits signed by the policyholder, in addition to verification of having completed a "diligent search" of the available admitted insurers for the coverage being requested.

The requirements for licenses, taxes and fees may greatly vary state by state, and agents should be familiar with the requirements of the states where they do business.

In addition to admitted and non-admitted insurance forms, there are products offered by various risk retention groups or insurance trusts that are governed by separate regulations and may offer specific advantages or disadvantages in both coverage and taxes and/or fees that can be charged.

• **Claims-made vs. occurrence:** Claims-made coverage is almost always quoted at a more competitive rate than that of an occurrence form and may often provide a significant premium advantage. While many will argue that occurrence is better than claims-made coverage, the protection afforded by claims-made policies is no different than that in the available occurrence forms. In being able to manage claims-made coverage, an agent may be able to provide the cost savings the policyholder is seeking.

Although generally more expensive, occurrence general liability coverage for environmental-related business now is widely available, and occurrence pollution coverage for these same risks is becoming much more common. However, professional liability, which includes coverage for pollution, has only been available on claims-made forms.

When considering policies providing general liability, professional and pollution coverage in a package, the general liability coverage may be provided using an ISO Inc. occurrence form, with pollution and professional liability endorsements being proposed.

• **Payroll vs. receipts:** As previously mentioned, both pollution and environmental professional liability coverage can be provided separately or combined with the general liability policy. In most cases, the pollution and professional liability coverages will be based on receipts, whether written monoline or packaged with the general liability policy. The general liability policy may use payroll or receipts regardless of how it is packaged and will vary among insurers.

When gross receipts are being used to calculate the premium, the agent must determine what receipts will be included in the final calculation, as this also will vary among insurers. Some insurers will allow you to exclude charges for outside laboratory analysis, third-party industrial hygiene monitoring, transportation and other subcontracted costs. This will most often be defined in a "gross premium endorsement" used to clarify this issue. If a general liability policy excludes products coverage, these receipts should not be used to calculate premium(s). However, in some cases, underwriters will use a composite rate that is supposed to take into account receipts for operations the policy does not cover.

Using payroll as a premium basis can sometimes produce a competitive premium, but the buyer still may face the question of exactly what payrolls are to be included or excluded. If a policyholder uses many subcontractors, an insurer may make a charge for the costs of those subcontracted operations. Some insurers have endorsements either excluding coverage for subcontractors for which the policyholder did not obtain proof of insurance with equal limits of coverage or including those subcontractors' costs in the premium basis. Because payrolls can greatly vary between projects, depending on the costs of labor in different regions, a policyholder may not be able to accurately predict its payrolls and resulting insurance.

• **Premiums-auditable vs. flat:** Many monoline pollution and environmental professional liability policies and a few general liability combination forms will be written on a flat basis. No additional or return premiums will be calculated at policy expiration if the projections are exceeded or overestimated. This allows the policyholder the peace of mind of knowing in advance the fixed insurance costs and makes for easy budgets and business planning.

While a few may be concerned about not getting a return premium if they don't reach their annual revenue projections, most insurers project conservatively to avoid this unlikely scenario. With the typical environmental contractors and consultants being small firms generating small premiums and commissions, this will be an advantage to the agent, who cannot afford the extra expense of audit paperwork and collections.

In contrast, many combination general liability policies, which include pollution or professional liability coverage, will be written on an auditable basis, resulting in a premium adjustment at expiration. Any additional premiums are due upon completion of the audit and are rarely eligible for financing or payment plans. Having to pay a large additional premium for the past year's coverage in addition to the current year's premium, which is now due, can present a serious cash flow problem for policyholders who have not anticipated any increase in payrolls or revenues.

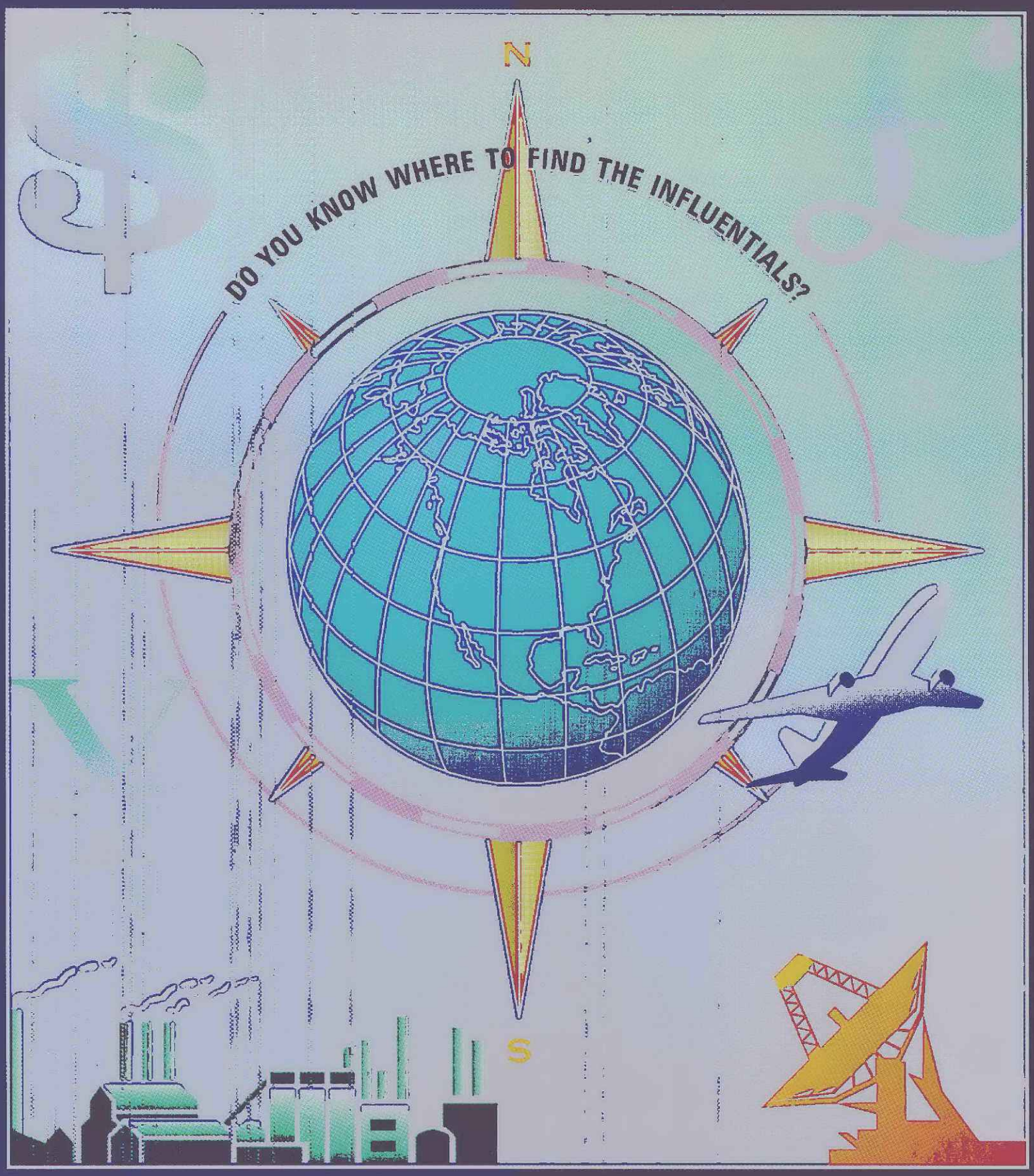
• **Minimum annual and minimum earned premiums:** These two terms are the most often confused and responsible for policyholders being unhappy with an auditable policy that produces no return premium when faced with a bad year and declining revenues. The minimum annual premium is the smallest premium an insurer will charge for issuing a policy. As is often the case, auditable policies will have a minimum premium equal to the quoted premium, eliminating the possibility of any return.

The minimum earned (retained) premium only becomes an issue when a policy is canceled midterm and simply means that once coverage is bound, this is the minimum amount the insurer will retain, regardless of how soon after binding the coverage is canceled. Minimum earned premiums will most often range between 25% to 35% and may sometime run as high as 50% of the minimum annual premium quoted. In a few cases, an underwriter may quote coverage with a 100% minimum earned premium when dealing with a situation presenting significant and unique "short term" exposures.

When dealing with financed premiums, it is important to know how an insurer will respond to policies in midterm cancellation, as it will determine the amount of down payment required and may also affect rate and number of available payments.

• **The pollution endorsement:** Several insurers offer varying degrees of coverage for environmental incidents. However, the extent of

See **Environment** *on page 20L*



1997/98

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Environment

Continued from page 20J

protection can vary significantly among the many different forms being offered. When a proposal states that pollution is included, an agent must examine exactly what coverage is being provided and for what exposures. Agents should request sample copies of proposed endorsements and policies and ask their underwriters or specialty brokers to define the coverage.

For instance, an insurer that targets petroleum marketers offers coverage for pollution under its general liability form, but only for third-party property damage and bodily injury. The policy includes no coverage for remediation of any kind and excludes the BI and PD for any commercial exposures, offering it only for its residential fuel oil customers.

In contrast, other insurers offer full pollution coverage for these same exposures, including the BI, PD and remediation, with no distinction between commercial and residential customers. This is a significant coverage difference and could mean the difference between a policyholder being able to stay in business or filing bankruptcy.

A common coverage deficiency for environmental consultants is professional liability that excludes pollution. While one would think this type of error to be obvious, it is surprising to find how often it happens. Many small consultants, interested only in premium savings and not coverage, are wanting only to obtain a certificate of insurance to comply with contract bid requirements.

This presents a serious errors and omissions exposure for agents. In review, a company would be better served by investing a little more for true protection instead of wasting its premium "buying a certificate" that provides no coverage. Some endorsements offering coverage for these pollution exposures exclude any liability from contracting work performed by or on behalf of the consultant. Agents must read the forms they are proposing and should avoid these type of restrictive contracts.

• **The insurance marketplace:** Finally, and possibly most importantly, keeping abreast of the ever-changing environmental markets will enable you to remain competitive and retain your book of business.

The old saying "bigger is not always better" is true in selecting your insurers. Many smaller insurers with good financial ratings have become major players in their niche areas. If environmental business and environmental insurers are unfamiliar to you, seek the assistance of an environmental specialty broker.

Don't be afraid to ask for references and what environmental insurers they represent. If an agency or broker advertises that it specializes in this, that and everything else, what the agency or broker is really saying is that it doesn't specialize in anything. BI

Keith Cannon is vp of Morgan-Marrow Environmental Insurance, a wholesale broker in Virginia Beach, Va., specializing in all lines of coverage and specialty programs for environmental-related business.

A/BT Briefs

Year 2000 tool kit

ALEXANDRIA, Va.—A new program from the Independent Insurance Agents of America Inc. aims to help all U.S. independent agencies overcome the Year 2000 computer problem.

The program, called "Countdown 2000," will prepare agents as they begin to make entries to their automation systems with policy expirations beyond Jan. 1, 2000.

IIAA intends to send all of the about 44,000 U.S. independent agencies—including its own 28,000 member agencies—a tool kit containing a videotape defining the problem and advocating immediate action.

The tape outlines a course of action, including a five-step process to ensure agency computer systems are Year 2000-compliant. It also contains two white papers, IIAA's "Will Your Agency Survive the Year 2000 Crisis?" and a new white paper focusing specifically on small independent agencies.

To reach non-member agencies, the independent agents' association program depends on insurers providing confidential lists of names and addresses of their agency forces.

Already, 22 insurers are committed to the project, according to the IIAA.

Briefly noted

The National Assn. of Life Underwriters, the Independent Insurance Agents of America Inc. and the Life Underwriters Training Council are exploring a potential strategic alliance on legislation, education and other areas to improve service to their constituents.

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Business Insurance

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Issue Date: MARCH 2, 1998
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Continued from page 20

System requirements: 386 PC; DOS or Windows 3.1 platform; 1MB RAM, 100MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1992.
Total installations: Five in employee benefit departments.
Benefits managed: Flexible benefits, group health plans, direct dental reimbursement.
Features: Enrollment, database of employee information, benefit eligibility/authorization for reimbursement, claims adjudication, check printing, report generation, direct deposit.
Optional benefit communication features include enrollment/eligibility information and updating via computer terminal, phone, fax back and Internet/intranet.

■ COBRA-(flex)
Price: $3,500. Quoted individually.
System requirements: 386 PC; DOS or Windows 3.1 platform; 1MB RAM, 100MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1991.
Total installations: 15 in employee benefit departments.
Benefits managed: Flexible benefits, COBRA.
Features: Ad hoc reports, automatic COBRA billings, reports, import/export features, enrollment, database of employee information, eligibility, billing collection, HIPAA certificates.
Optional benefit communication features include computer terminal, phone, fax back, kiosk, touchscreen and Internet/intranet access.
Optional modules: Link to medical/dental claims, direct reimbursements systems, flex and FSA systems.

■ FLEXCOMP
Price: $5,000. Quoted individually.
System requirements: 386 PC; DOS or Windows 3.1 platform; 1MB RAM, 100MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1986.
Total installations: 55 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, leave of absence, COBRA, group health plans, life insurance.
Features: Enrollment, database of employee information, benefit eligibility/authorization, FSA claims adjudication, insurance carrier check cutting, discrimination testing, report generation.
Optional benefit communication features include enrollment/eligibility information, updating, authorization and what-if scenarios via computer terminal, phone, fax back, kiosk, touchscreen and Internet/intranet.
Optional modules: Link to medical/dental claims, direct reimbursements systems, voice response for claims status/eligibility, link to COBRA/life insurance systems.
User support: User groups/meetings, onsite training, online support, telephone assistance 10 hours per day.
Staff: 25 total, all professionals.
Clients: 600 total, including 300 benefit departments. Sold systems to 35 clients in 1997.
1997 revenues: Of revenue from employee benefit information system sales and service, 5% from hardware sales, 75% from software sales, 20% from software services.
Officers: Richard D. Pelton, president; E. Richard Packham, vp-sales; Rob J. Thurston, senior vp-marketing; R. Brent Dudley, management information systems; Eric Krueger, vp-sales.
Contact: Rob J. Thurston.

Hay Benefits

100 Penn Square E.,
Philadelphia, Pa. 19107-3388;
215-861-2569

Benefit systems since: 1984.
Parent: Hay Group.
Software systems:

■ Pension Calculation Language (PCL)
Price: $1,000. Quoted individually.
System requirements: 486 PC; Windows platform; 16MB RAM, 50MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Online system.
Internet/intranet access.
Customized system.
First installation: 1991.
Total installations: 12 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Eligibility; REA coverage; service/participation tracking; QDRO; eligibility for vesting, disability, death and retirement benefits; payer interface.
Optional benefit communication features include employee pension benefit statements.
User support: User groups/meetings*, onsite training*, online support, telephone assistance eight hours per day.
Staff: 20 total, 15 professionals.
Clients: 14 total, including 12 benefit departments. Sold systems to three clients in 1997.
1997 revenues: $10 million total. $2 million from employee benefit information systems sales and services, 90% from software sales, 10% from software services.
Officers: Kenneth Shapiro, president.
Contact: Kurt Fichthorn.
** Included in system price.*

Health Management Technologies Inc.

3687 Mount Diablo Blvd.,
Suite 200, Lafayette, Calif. 94549;
800-647-7007 or 510-299-7000;
fax: 510-299-7010

Benefit systems since: 1986.
Software systems:

■ Return for Managed Care
Price: $30,000. Quoted individually.
System requirements: 486 PC; Windows 95 or NT platform; 24MB RAM, 1GB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include Oracle*.
Internet/intranet access.
First installation: 1988.
Benefits managed: Workers comp, disability, leave of absence, group health plans.
Features: Health care precertification, utilization review, medical coding, medical case management, disability duration monitoring, health plan provider contracting/management, medical surveillance, state workers comp forms, OSHA lost time reporting logs, standard/ad hoc letters/reports, bill repricing (multiple fee schedules), electronic rolodex, year 2000 compliant, HL7 interface, full audit trail for data entry.
Optional modules: EDI interface, accounts receivable.

■ Return for Occupational Health
Price: $15,000. Quoted individually.
Price quoted individually.
System requirements: 486 PC; Windows 95 or NT platform; 24MB RAM, 1GB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include Oracle*.
Internet/intranet access.
First installation: 1988.
Benefits managed: Workers comp, disability, leave of absence, group health plans.
Features: Utilization review, medical coding, medical case management, medical surveillance, clinic scheduling, state workers comp forms, OSHA lost time reporting logs, standard/ad hoc reports, letter generator, electronic Rolodex, Year 2000-compliant, HL7 interface, full audit trail for data entry, disability duration monitoring/management, accounts receivable/billing.
User support: User groups/meetings, onsite training**, online support**, telephone assistance nine hours per day**.
Staff: 22 total, 12 professionals.
Officers: Karen Wolfe, president; James Wolfe, chief marketing officer; Eric Wolfe, senior vp-technical services.
Contact: James Wolfe or Stan Pence.
** As of June 1998. ** Included in system price.*

Hewitt Associates L.L.C.

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

Benefit systems since: 1974.
Software systems:

■ Integrated Health Information System (IHIS)
Price quoted individually.
System requirements: Pentium PC; Windows 3.1 or above platform; 32MB RAM, 1GB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware.
Online system.
Customized system.
First installation: 1993.
Total installations: 50 in employee benefit departments.
Benefits managed: Flexible benefits, workers comp, disability, group health plans.
Features: Enrollment/eligibility analysis; vendor analysis and management of claims payment performance; network provider analysis and performance profiling; chronic illness analysis and performance monitoring; lifestyle and preventable illness analysis; pre- and post-election analysis for flexible benefit plans; total episode of disability analysis; comparative analysis of health care/disability experience; online ad hoc reporting capabilities.
Optional modules: Condition-based episoding by claimant, disability (short- and long-term) analysis, workers compensation.

■ Pension Administrator
Price quoted individually.
System requirements: Pentium PC; Windows 3.1 or 95 platform; 12MB RAM, 20MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
Customized system.
First installation: 1986.
Total installations: 190 in employee benefit departments.
Benefits managed: Retirement/pensions, social security benefits.
Features: Calculates actual, estimated and projected pension benefits; prints statements/letters; maintains employee data base; calculates retirement, disability, termination and death benefits; determines plan eligibilities and calculates actual benefits for future termination dates based upon growth assumptions; 32 optional forms of payment; online/batch processing; produces benefit statements; ad hoc reports, letters and worksheets; estimates Social Security benefits based upon input earnings; monitors IRS section 415 benefit limits.
Benefit communication features includereport writer, voice response and telephone access to benefits center.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance eight hours per day*, software update training/installation*.
1997 revenues: $709 million total.
Officers: Dale L. Gifford, CEO; James J. Rushin, director-business development; Gerald I. Wilson, chairman-executive committee; Christine A. Seltz, director-public relations; Thomas L. Schmitz, director-outsourcing.
Contact: IHIS: James L. Connor; Pension Administrator: Larry Garifo.
** Included in system price.*

IQ+ Systems

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

Benefit systems since: 1990.
Software systems:

■ IQ+ ADMINISTRATION
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS, OS/2, Windows 3.1 or above platform; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1990.
Total installations: Eight in employee benefit departments.
Benefits managed: 401(k) plans, workers comp, disability, COBRA, group health plans, retirement/pensions.
Features*: Health/welfare: multiemployer billing/receipts accounting; member/dependent claims management; 1099 forms and government reporting via tape or disk; Pension: defined benefit, defined contribution and 401(k) management; pension calculation/payment; SSA/PBGC reporting; 1099R forms and government reporting via tape or disk; benefit notification.
Benefit communication features are optional.
User support: User groups/meetings, onsite training**, online support**, telephone assistance 12 hours per day.
Clients: Eight total. Sold systems to two clients in 1997.
1997 revenues: $300,000 total, all from employee benefit information systems sales and services, 40% from software sales, 60% from software services.
Officers: J. Patrick Broman, president; Edna Buttery, vp-sales.
Contact: J. Patrick Broman.
** System is modular; features are specific to client requirements. ** Included in system price.*

Insurdata Inc.

5215 N. O'Connor Blvd., Suite 800,
Irving, Texas 75081; 972-443-5000;
fax: 972-556-0572

Benefit systems since: 1978.
Parent: UICI Inc.
Software systems:

■ Insur-Admin
Price quoted individually.
System requirements: Pentium PC; AIX, UNIX or IBM RS6000 platform; VGA video; multiple user; network operating systems supported include TCP/IC and NT; database management systems supported include Unidata.
Online system.
Internet/intranet access*.
Customization optional.
First installation: 1978.
Total installations: Nine in employee benefit departments.
Benefits managed: Flexible benefits, short-term disability, COBRA, group health plans, life insurance, retirement/pensions.
Features: Enrollment, billing, HIPAA compliance, COBRA administration, eligibility verification, customer service phone call tracking system, IVR integration with application software, ad hoc data analysis/data reporting through Unidata.
Optional benefit communication features include phone (voice response), Internet and kiosk access.

■ Insur-Claim
Price quoted individually.
System requirements: Pentium PC; AIX, UNIX or IBM RS6000 platform; VGA video; multiple user; network operating systems supported include TCP/IC and NT; database management systems supported include Unidata.
Online system.
Internet/intranet access*.
Customization optional.
First installation: 1978.
Total installations: Nine in employee benefit departments.
Benefits managed: Flexible benefits, disability (short-term), COBRA, group health plans, life insurance, retirement/pensions.
Features: COBRA administration, eligibility verification, utilization management, health care precertification, claims management, health care utilization review, medical coding/unbundling, medical case management, customer service phone call tracking system, interactive voice response integration with application software, tracking reinsurance liability, ad hoc data analysis/data reporting through Unidata.
Optional benefit communication features include phone (voice response), Internet and kiosk access.
Optional modules: Insur-Image.

■ Insur-Dental
Price quoted individually.
System requirements: Pentium PC; AIX, UNIX or IBM RS6000 platform; VGA video; multiple user; network operating systems supported include TCP/IC and NT; database management systems supported include Unidata.
Online system.
Internet/intranet access*.
Customization optional.
First installation: 1978.
Total installations: Nine in employee benefit departments.
Benefits managed: Group dental, COBRA.
Features: Eligibility verification, utilization management, claims management, health care precertification, dental coding/unbundling, dental case management, customer service phone call tracking system, interactive voice response integration with application software, tracking reinsurance liability, ad hoc data analysis/data reporting through Unidata.
Optional benefit communication features include phone (voice response), Internet and kiosk access.
Optional modules: Insur-Image.

■ Insur-Image
Price quoted individually.
System requirements: Pentium PC; AIX, UNIX or IBM RS6000 platform; VGA video; multiple user; network operating systems supported include TCP/IC and NT; database management systems supported include Unidata.
Online system.
Internet/intranet access*.
Customization optional.
First installation: 1991.
Benefits managed: HCFA 1500, UB92, Superbills, prescription drug, dental claims.
Features: Document image capture and processing; short- and long-term image storage/re-

Continued on page 24

Carvill

Reinsurance Intermediary

INDEPENDENCE
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Continued from page 22

trieval.

Benefit communication features include phone (voice response) and kiosk access.

User support: User groups/meetings**, onsite training, online support**, telephone assistance 10 hours per day**.

Staff: 225 total, 200 professionals.

Clients: 25 total.

1997 revenues: $22.5 million total. $10 million from employee benefit information systems sales and services, 5% from hardware sales, 80% from software sales, 15% from software services.

Officers: Dennis Maloney, president; Doug Freeman, vp-application solutions; Jim Taylor, vp-finance; Mark Airhart, vp-computing/network services; Robert Weir, vp-systems integration/application systems; Alan Bunn, vp-business development.

Contact: Alan Bunn.

** As of second quarter 1998. ** Included in system price.*

An explanation of the terms used in this directory is on page 17. The directory begins on page 16.

L

Logical Claim Solutions

4747 Lincoln Mall Drive, Matteson, Ill. 60443; 708-747-4292; fax: 708-747-7269

Benefit systems since: 1987.
Software systems:

■ Logical Claim Solutions
Price quoted individually.
System requirements: DOS, Windows 3.1 or NT platform; 16MB RAM; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Customization optional.
First installation: 1987.
Total installations: 61 in employee benefit departments.
Benefits managed: Flexible benefits, workers comp, disability, COBRA, group health plans, life insurance.
Features: Enrollment, eligibility verification, health care precertification, claims management, utilization management, large case management, reinsurance tracking/reporting, ad hoc reporting.

Optional benefit communication features include claim status, eligibility and information about benefits available via computer terminals.
Optional modules: 24-hour workers comp.
User support: User groups/meetings*, onsite training, online support, telephone assistance 24 hours per day.
Clients: 81 total, including 61 benefit departments. Sold systems to seven clients in 1997.
1997 revenues: Of revenue from employee benefit information system sales and service, 85% from software sales, 15% from software services.
Officers: K. Hildreth, S. Sadlek, A. Stilts, D. Long.
Contact: Donald Long.
** Included in system price.*

M

Maron Computer Services

P.O. Box 7330, Oxnard, Calif. 93031-7330; 805-389-6606; fax: 805-389-6608

Benefit systems since: 1980.
Software systems:

■ SMART-TRAK Group Administration and Billing
Price quoted individually.
System requirements: 386 PC; DOS or Windows 3.1 platform; 4MB RAM, 20MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware and Banyan VINES.
Customization optional.
First installation: 1988.
Total installations: 13 in employee benefit departments.
Benefits managed: Disability, group health plans, life insurance, voluntary benefits.
Features: Eligibility maintenance, premium billing, ID cards/certificates, payment accounting, commission processing, full audit history, flexible rate design, 1099s, accounts receivable, late letters, user security, reporting, automatic calculation of retroactive rate/eligibility transactions.
Optional modules: Transfer of eligibility data to claims systems, reinsurance administration, Medicare risk, PCP capitated reimbursements, conversions, proposal generation.
User support: Onsite training*, online support, telephone assistance nine hours per day*.
Staff: Four total, three professionals.
Clients: 13 total, including one benefit department. Sold systems to two clients in 1997.
1997 revenues: Of revenue from employee benefit information system sales and service, 50% from software sales, 50% from software services.
Officers: David Maron, president.
Contact: Mike Barbarine.
** Included in system price.*

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

1166 Ave. of the Americas, New York, N.Y. 10036; 212-345-7000; fax: 212-345-8483

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

■ Data Reconciliation System (DRS)
System requirements: 386 PC; DOS platform; 1MB RAM, 3MB hard disk; Mono video; single user; database management systems supported.
Customized system.
First installation: 1988.
Total installations: 31 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Reconciliation of yearly census data and incrementing of service fields.
User support: Onsite training, online support.

■ Mercer BeneCalc
Price: $100,000. Quoted individually.
Price quoted individually.
System requirements: Pentium PC; Windows 95 or NT platform; RAM: 16MB for Windows 95 or 32MB for Windows NT, 500MB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle, MS SQL, MS Access, ODBC and MSJE.
Customized system.
First installation: 1989.
Total installations: 30 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Eligibility verification; benefit calculations for cash balance and traditional defined benefit plans; human resources/payroll data interfaces; employee communications, including retirement kits; audit trails; group/batch processing; trustee interface.

Benefit communication features include kiosk access for what-if scenarios.
User support: Onsite training*, online support*, telephone assistance 12 hours per day.

■ Mercer's Global Database System
Price: $5,000 (plus $500 per annum for upgrades/updated resources).
System requirements: 386 PC; Windows platform; 6MB RAM, 6MB hard disk; VGA video; single user or multiple user; network operating systems supported include Novell Netware; Microsoft LAN Manager, Windows for Workgroups, Windows NT and Lantastic.
Customization optional.
First installation: 1995.
Total installations: 150 in employee benefit departments.
Benefits managed: Disability, leave of absence, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits, FAS 87 figures, general compensation practices.
Features: Cross-country comparison reports, summary reports, updates typical practice/social security in applicable countries, quarterly legislative updates.
User support: User groups/meetings, onsite training, online support, telephone assistance eight hours per day*.

■ Global Retirement System
System requirements: Pentium PC; DOS or Windows 95 platform; 32MB RAM, 65MB hard disk; VGA video; single user; database management systems supported.
First installation: 1989.
Total installations: Two full and eight partial installations in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Valuation and reporting on retirement plans, including pension valuation and retiree medical valuation; asset/liability modeling and projection along with associated reporting; data collection and editing.
User support: Onsite training, online support.

■ Pension Express for Windows
Price quoted individually.
System requirements: 386 PC; Windows 3.1 or 95 platform; 16MB RAM, 16MB virtual memory; VGA video; multiple user; network operating systems supported include Novell Netware.
Customized system.
First installation: 1994.
Total installations: 33 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Eligibility verification for defined benefits, including normal retirement, vesting, early retirement, disability and death benefits; defined benefits calculation; results storage.

Benefit communication features include reports and letters.
Optional modules: Batch processing modules for calculating groups of employees.
User support: Onsite training, online support, telephone assistance.

■ SSCalc (Social Security Calculation System)
System requirements: 386 PC; DOS or Windows 95 platform; 64MB; Mono video; single user.
First installation: 1979.
Total installations: 34 in employee benefit departments.
Benefits managed: Social security benefits.
Features: Calculates OASDI benefits under Social Security law in effect since 1975.
User support: Online support.
Officers: Peter Coster, president; Jean-Louis Bourbeau, Peter Felton, Timothy Lynch, Vikesh Mahendroo, Ronald Walker, executive vps.
Contact: Edward R. Angel, principal; 847-317-7508.
** Included in system price.*

O

OpenSoft

18118 Chesterfield Airport Road, Unit F, Chesterfield, Mo. 63005; 314-537-8403; fax: 314-537-5904

Benefit systems since: 1987.
Parent: William Byrne & Associates Inc.
Software systems:

■ OpenHCS
Price quoted individually.
System requirements: Pentium PC; Windows 95 or NT platform; 24MB RAM, 25MB hard disk; SVGA video; multiple user; network operating systems supported include Windows NT; database management systems supported include NT SQL.
Customization optional.
First installation: 1987.
Total installations: 20 in employee benefit departments.
Benefits managed: Disability, group health plans.
Features: Enrollment, eligibility verification, health care precertification, claims management, claims adjudication, health care utilization review, medical coding/unbundling, accounting, ad hoc data analysis/reporting via third-party packages going against an open relational database.
User support: Onsite training, online support, telephone assistance eight hours per day.
Staff: Four total, three professionals.
Clients: Nine total, including four benefit departments.
Officers: William Byrne, president-William Byrne & Associates; Mark Cutler, vp-William Byrne & Associates; Bob Cook, president-OpenSoft.

P

P&W Software

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

Benefit systems since: 1987.
Software systems:

■ PowerPlus
Price: $6,000 to $50,000. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 or NT platform; 530MB RAM, 20MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include dBASE.
Internet/intranet access.
Customized system.
First installation: 1987.
Total installations: 300 in employee benefit departments.
Benefits managed: Flexible benefits, group health plans, life insurance.
Features: Data import and export, ad hoc report writers, benefit eligibility determination, benefit election recording, payroll deduction interfaces, insurance carrier eligibility interfaces, premium report calculations, benefit ID card preparation, discrimination testing, highly compensated/key employee determination, COBRA benefit management, retiree billings, HIPAA certificate preparation. Flexible spending account features include claim management, MICR check printing, direct deposit payments, employee statements/letters, complete audit trails, W-2 report data and forfeiture reports.

Benefit communication features include personalized enrollment forms. Optional benefit communication features include telephone/Internet enrollment, eligibility verification and FSA account balances.
Optional modules: Electronic interfaces to payroll systems, insurers and claims processors.
User support: User groups/meetings, onsite training, online support, telephone assistance nine hours per day, newsletter*.
Staff: 11 total, four professionals.
Clients: 300 total, including 185 benefit departments. Sold systems to 35 clients in 1997.
Officers: Thomas E. Philipp, president; Michael C. Wilson, vp.
Contact: John Tefft.
** Included in system price.*

Pyramid Services Inc.

39 Old Ridgebury Road, Suite B-2, Danbury, Conn. 06810; 203-743-6000; fax: 203-743-6003

Parent: Aon Corp.
Software systems:

■ Pyramid
Price quoted individually.
System requirements: 486 PC; Windows 3.11 or above platform; 16MB RAM, 100MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, Sybase and NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1988.
Total installations: Three in employee benefit departments.
Benefits managed: Workers comp, disability, group health plans.
Features: Health care precertification, claims management, utilization review, medical coding/unbundling, medical case management, tracking reinsurance liability, disability duration monitoring/control, ad hoc report generation.
Optional modules: Medical bill review, medical protocols.
User support: User groups/meetings, onsite training, online support, telephone assistance 12 hours per day.
Staff: 85 total, 80 professionals.
Clients: Three total. Sold systems to three clients in 1997.
1997 revenues: $9.5 million total. Of revenue from employee benefit information systems sales and service, 60% from software sales, 40% from software services.
Officers: William E. Kuebler, CEO; James D. Hatch, COO; John Pergande, CFO; Joyce Ingalls, senior vp; David Horton, chief technology officer.
Contact: Denise Carson, marketing director, ext. 262.

R

Resource Information Management Systems Inc. (RIMS)

500 Technology Drive, P.O. Box 3094, Naperville, Ill. 60566-7094; 630-369-5300; fax: 630-369-5168

Continued on page 26

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Continued from page 24

Benefit systems since: 1981
Software systems:

■ QicClaim/2 and Health & Managed Care Administration Software (MCAS)
Price quoted individually.
System requirements: 486 PC; HPUX, DGUX or AIX platform; 32MB RAM, multiple user.
Online system.
Customization optional.
First installation: 1981.
Total installations: 300 in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans dental, mental health.
Features: Contains all core functions for processing health claim transactions and managed care encounters, including membership, provider files, plan of benefits definition, system tables and reinsurance.
Optional modules: ClaimBatch*, ClaimScreening, Billing/2, Cost Containment/2, Dental/2, Application Processing/2*, ClaimRules, Customer Service/2, ClaimCapture, IC, PPO/2*, HMO/2*, Utilization Management/2*, Flex/2, Disability/2.
User support: User groups/meetings**, onsite training, online support**, telephone assistance 24 hours per day, customized training/consulting services.
Staff: 212 total, 43 professionals.
Clients: 350 total. Sold systems to 26 clients in 1997.
1997 revenues: $32 million total. $31.5 million from employee benefit information systems sales and services, 9% from hardware sales, 39% from software sales, 52% from software services.
Officers: Tom Heimsoth, chairman/CEO; Terry Kirch, president; Jerry Horwitz, CFO; Steve Clements, vp-marketing/strategic planning; Gloria Gonzalez, vp-software development.
Contact: Ellen Rich, director-marketing/communication.
** Only available for QicClaim/2. ** Included in system price.*

S

SBPA Systems Inc.
10777 Westheimer Road
Suite 125, Houston, Texas 77042;
713-974-7272; fax: 713-974-3544

Benefit systems since: 1975.
Software systems:

■ GBAS (Group Benefit Administration System)
Price quoted individually.
System requirements: Open VMS platform; multiple user.
Online system.
Customization optional.
First installation: 1975.
Total installations: Seven in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.
Features: Automatic claim adjudication, capitation administration and PPO repricing for indemnity, PPO and HMO plans; system supports, claim fund accounting, automated stop loss administration, COBRA administration, flexible benefits and managed care contract administration for capitation and fee based contracts; eligibility management, including insurance carrier premium remittance, ID card and certificate production/correspondence.
Optional benefit communication features include interactive voice response and fax on demand capabilities for eligibility, benefit verification and claim status.
Optional modules: Utilization management, MICR checks, medical edits, EDI, ad hoc reporting.
User support: User groups/meetings*, onsite training*, telephone assistance nine hours per day*.
Staff: 36 total, 33 professionals.
Clients: 60 total, including seven benefit departments. Sold systems to 11 clients in 1997.
1997 revenues: $3.8 million total, all from employee benefit information systems sales and services, 10% from hardware sales, 40% from software sales, 50% from software services.
Officers: Arnold Heinrich, president; Tim Stunz, executive vp; Donna Smith, senior vp; Jeff Newbauer, senior vp-marketing.
Contact: Brian Collier, 800-444-1189.
** Included in system price.*

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

Benefit systems since: 1991.
Software systems:

■ PensionPartner
Price: $75,000 to $100,000. Quoted individually.
System requirements: 486 (DOS) or Pentium (Windows) PC; DOS, Windows 95 or NT platform; 16MB RAM (DOS) or 36MB RAM (Windows), 10MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Online system.
Internet/intranet access.
Customized system.
First installation: 1993.
Total installations: Nine in employee benefit departments.
Benefits managed: Retirement/pensions, social security benefits, retiree medical.
Features: Eligibility verification, vesting, all benefit calculations, all optional forms calculations, IRC Section 415(b) testing, IRC Section 401(a)(17) testing, what-if calculations, benefit recalculations, participant notification forms and letters generation.
Optional benefit communication features include annual benefit statements.
Optional modules: Ad hoc report generation, word processing, mail merge, database management.
User support: User groups/meetings, onsite training*, online support, telephone assistance seven hours per day*.
Staff: Six total, all professionals.
Clients: Nine total. Sold systems to two clients in 1997.
Officers: Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Robert J. Dellovo, Richard M. Frenzel, executive vps.
Contact: Lydia Moore, 212-251-5068.
** Included in system price.*

StellarNet Inc.
124 Beale St., Suite 400,
San Francisco, Calif. 94105;
415-882-5700; fax: 415-882-5718

Benefit systems since 1987.
Software systems:

■ StellarNet
Price: Begins at $1,000. Quoted individually.
System requirements: Pentium PC; DOS platform; 8MB RAM, 300MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported.
Internet/intranet access.
Customization optional.
First installation: 1988.
Benefits managed: Workers comp.
Features: Automated employer first report of injury, physician treatment reports/plans, standard medical bill submission, 2-way messaging.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance 10 hours per day*.
1997 revenues: Of revenue from employee benefit information system sales and services. 70% from software sales, 30% from software services.
Officers: John R. Stevens, CEO; Leonard LaBella Jr., president/COO; Sherry Wilson, CEO-management services division; Joanne Stevens, vp-technical support/corporate secretary; Donna Schminke, vp-customer service.
Contact: John R. Stevens.
** Included in system price.*

T

Travis Software Corp.
P.O. Box 820469,
Houston, Texas 77282-0469;
281-496-3737; fax: 281-496-4022

Benefit systems since: 1986.
Software systems:

■ Corporate COBRA Manager for DOS
Price: $695 to $3,750. Quoted individually.
System requirements: 386 PC; DOS platform; 640K RAM; 2MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
First installation: 1986.
Total installations: 2,003 employee benefit departments.
Benefits managed: COBRA.
Features: Automatically prints up to 48 COBRA letters, tracks enrollment/premium payment periods, FMLA capability, prints HIPAA coverage certificates, customized letters/reports, downloading module.
Benefit communication features include communication of cost/availability of health benefits continuation to FMLA and COBRA participants.

■ TravisCert
Price: $395 to $1,995. Quoted individually.
System requirements: 486 PC; Windows 3.1 or above platform; 8MB RAM 10MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
First installation: 1996.
Total installations: 238 in employee benefit departments.
Benefits managed: Group health plans.
Features: Stores data of welfare benefit plan participation and employer/employee cost; enrollment and cost reports; prints HIPAA coverage certificates.
Optional modules: Upgrade to full COBRA/HIPAA administration.

■ TravisCOBRA for Windows
Price: $895 to $4,995. Quoted individually.
System requirements: 486 or Pentium PC; Windows 3.1 or above platform; 8MB RAM, 12MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
First installation: 1994.
Total installations: 2,287 in employee benefit departments.
Benefits managed: COBRA, group health plans.
Features: Automatically prints up to 52 COBRA letters, tracks enrollment/premium payment periods; prints HIPAA coverage certificates; FMLA premium billing; supports life insurance premium calculation; customized letters/reports; downloading module.
Benefit communication features include communication of cost/availability of health benefits continuation to FMLA and COBRA participants.

■ TravisFlex for DOS
Price: $1,295 to $3,750. Quoted individually.
System requirements: 386 PC; DOS platform; 640K RAM, 2MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
First installation: 1987.
Total installations: 1,703 in employee benefit departments.
Benefits managed: Flexible benefits.
Features: Administration and enrollment for flexible benefit plans, including full-flex plans with benefit credits; check-writing capabilities and full reporting modules; MSA administration.
Benefit communication features include printing of benefit enrollment, election and eligibility forms; FSA/MSA activity reports.
Optional modules: Custom report writer/downloading modules; upgrade to TravisFlex for Windows.

■ TravisFlex for Windows
Price: $1,695 to $4,995. Quoted individually.
System requirements: 486 PC; Windows 3.1 or above platform; 8MB RAM, Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
First installation: 1997.
Total installations: 53 in employee benefit departments.
Benefits managed: Flexible benefits.
Features: Administration and enrollment for flexible benefit plans, including full flex plans with benefit credits; check-writing capabilities and full reporting modules; MSA administration.
Benefit communication features include printing of benefit enrollment, election and eligibility forms; FSA/MSA activity reports.
Optional modules: Custom report writer/downloading modules.

■ TravisRetiree Billing System
Price: $1,295 to $3,750. Quoted individually.
System requirements: 386, 486 or Pentium PC; DOS platform; 640K RAM, 2MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
First installation: 1988.
Total installations: 1,210 in employee benefit departments.
Benefits managed: Group health plans.
Features: Premium billing through periodic notice or coupons to retirees and those on leaves of absence who participate in post-employment health, life, LTD and AD&D plans; full reporting functions for participation, premiums billed/collected and employer costs.
Benefit communication features include eligibility and premium cost information.
Optional modules: Upgrade to Windows.
User support: Online support*, telephone assistance nine hours per day*, upgrades.
Staff: 19 total, 10 professionals.
Clients: 3,908 total, including 3,344 benefit departments. Sold systems to 463 clients in 1997.
1997 revenues: $1.9 million total, all from employee benefit information systems sales and services, 42% from software sales, 58% from software services.
Officers: Alan H. Williams, president; John Worner, vp; Fiona S. Wilson, assistant secretary.
Contact: Alan H. Williams.
** Included in system price.*

W

WLT Software of Florida Inc.
831 N. Hercules Ave.,
Clearwater, Fla. 33765;
813-442-9296; fax: 813-443-4936

Benefit systems since: 1981.
Software systems:

■ ChekClaims
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS, Windows 3.1 or above platform; 8MB RAM, 500MB hard disk; multiple user; database management systems supported.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1993.
Benefits managed: Workers comp, group health plans.
Features: Provider bill editing system that provides edits for appropriate diagnoses, procedures, place of service, age, sex, frequency and modifiers; checks primary and assistant surgeon fees, unbundled procedures, duplicate procedures, duplicate bills and cosmetic, incidental and elective procedures; analyzes follow-up days, non-specific diagnoses and assistant surgeon necessity.
Optional modules: MediClaims, CompClaims.

■ CompClaims
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS, Windows 3.1 or above platform; 8MB RAM, 500MB hard disk; multiple user; database management systems supported.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1984.
Benefits managed: Workers comp.
Features: Claims administration, including reinsurance tracking, accounting, fee schedule/PPO processing, billing and claims processing; attorney tracking; management, administrative, government, safety engineering and cost management reporting; bill review; 24 hour coverage.
Optional modules: MediClaims, ChekClaims.

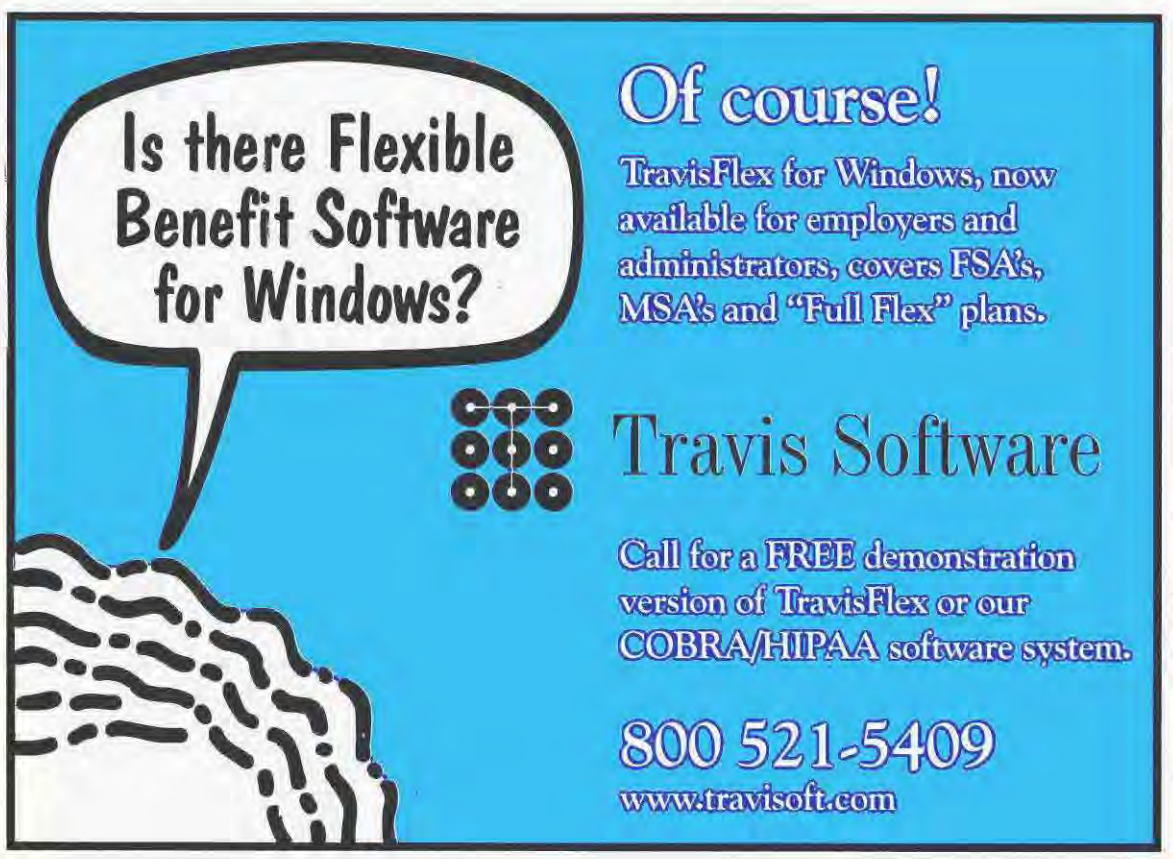
■ FlexClaims
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS, Windows 3.1 or above platform; 8MB RAM, 500MB hard disk; multiple user; database management systems supported.
Online system.
Internet/intranet access.
Customization optional.
Benefits managed: Flexible benefits.
Features: Section 125 administration, claims payment and accounting system; includes fund accounting, claims processing/payment, proposal/letter generation, electronic mail bag, reporting and remote processing.

■ MediClaims
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS, Windows 3.1 or above platform; 8MB RAM, 500MB hard disk; multiple user; database management systems supported.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1981.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance, dental, vision, prescription drugs.
Features: Health claims administration and billing, including 24-hour coverage, PPO processing and agent commissioning; available in Spanish.
Optional modules: ChekClaims, CompClaims.
User support: User groups/meetings, onsite training, online support, telephone assistance nine and a half hours per day, hotline*, Internet support*, bulletin board access*, newsletter*.
Officers: William L. Tiner Jr., president; Ann M. Tiner, executive vp; Thomas P. Brooks, vp-sales.
Contact: Christine Branchfield.
** Included in system price.*

Watson Wyatt Software
1500 K St. N.W.,
Washington, D.C. 20005;
202-626-9600; fax: 202-626-9700

Benefit systems since: 1988.
Parent: Watson Wyatt Worldwide.
Software systems:

■ HR Edge-Choice
Price quoted individually.
System requirements: 386 PC; Windows 3.11 platform; 16MB RAM, 8MB hard disk; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle and NT SQL.
Internet/intranet access.
Customization optional.
First installation: 1990.
Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, group health plans, life insurance, retirement/pensions.
Features: Enrollment, eligibility, carrier reporting/payment and payroll reporting for health/welfare; calculation of pension benefits.
Benefit communication features include paper, fax and e-mail personal fact sheets and correspondence.
Optional modules: World Wide Web and voice response employee self-service.
User support: User groups/meetings, onsite training, online support, telephone assistance eight hours per day, implementation support.
Officers: A.W. (Pete) Smith Jr., president/CEO; Paul R. Daoust, executive vp/COO; Pat Amendola, director-software/systems.
Contact: Carolyn Hadiji, strategic systems consultant, 202-626-9147.



BI

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Intracorp unveils 'life management'

PHILADELPHIA—Intracorp has introduced a new line of "life management" services to help employees resolve child care, elder care or other life issues.

Under Intracorp's life management service model, complex or problematic cases are immediately triaged to a specialist for assessment and management.

Intracorp offers two life management service models:

• Intracorp Work/Life Options gives employees a 24-hour resource for individualized information, referrals and consultations on child care, elder care and consumer topics. The service is meant to help employees resolve work/life balance issues and improve their job performance.

Work/Life Options also features a proprietary methodology that measures the impact of this service on the productivity of employees. The methodology helps employers assess their employee populations' relative health and work/life needs and identify ways to improve the organization's effectiveness.

• Intracorp Senior Options targets long-term care insurers, Medicare-risk health plans and other senior service providers with a 24-hour resource for their senior plan participants. The program provides seniors with information and guidance on a range of topics, including elder care, healthy aging and community services.

Initiated through a toll-free call, the services are provided from a center in Plymouth Meeting, Pa.

For information, contact Betty Nelson, director of corporate communications at Intracorp, 215-761-7146.

Products & Services

Multiline policy

LONDON—The merger of the three syndicates operated by Lloyd's of London agency Hiscox Syndicates Ltd. into one for the 1998 year of account has enabled the agency to provide new products.

Among them is "Hiscox Generation," a multiline policy for power utility companies, combining coverages ranging from property damage to personal accident.

Hiscox Generation provides up to $150 million in capacity for utilities, and pricing is based on the quality of the client.

It focuses on areas in which the Hiscox syndicates have in the past established themselves in the London market. These include: property damage and business interruption, political risks, cargo and consequential loss, sabotage and terrorism, kidnap and ransom, and personal accident for employees.

For information, contact Jonathan Foley, fire, property and terrorism underwriter, or Mark Donald, fire, property, terrorism and energy risk underwriter, at Hiscox, 44-171-423-4000.

Captive directory

Tillinghast-Towers Perrin recently published The 1998 Captive Insurance Company Directory, which lists 3,966 captive insurance companies.

The directory includes 60 new captive insurers formed in Bermuda, 50 in the Cayman Islands, 27 each in Vermont and Guernsey, and 23 in the British Virgin Islands. Forty-five rent-a-captives also are listed, compared with 18 the previous year.

Of the 3,966 companies in the directory, 3,077 are single-owner and 889 are group-owned captives. Owner/sponsor names or generic sponsor information as well as the sponsor's country of origin are included for most captives, as are the captives' domiciles and managers. A separate section lists 137 captives that were in some stage of liquidation in 1997, many as a result of mergers or acquisitions. The directory also includes a list of 35 investment managers specializing in investment management for captive insurers.

To order the directory, which costs $250, contact Tillinghast-Towers Perrin Risk Management Publications, 203-326-5468.

Non-profits coverage

CHICAGO—The National Equity Fund Inc., a syndicator of housing tax credits, recently introduced two insurance products for non-profit neighborhood developers.

NEF's Owner Controlled Insurance Program offers comprehensive, single-policy coverage for developments under construction, and the Permanent Insurance Program provides standard coverage for properties in operation. Each program is designed to reduce the costs, paperwork and coverage issues faced by developers of affordable housing.

The OCIP provides a single policy that insures the contractor, all subcontractors, the architect, and the limited partnership for general liability during construction. The OCIP also provides the contractors and all subcontractors with workers compensation coverage. The OCIP further provides excess liability limits up to $25 million and builders' risk protection against fire, smoke and water damage to the building itself.

The OCIP program is insured by Zurich-American Insurance Group, while the PIP program is insured by Great American Insurance Co. Both programs are administered by the Premier Insurance Group.

For information, contact John L. Hibbett, director of risk management for the NEF, 312-697-6143.

New Georgia PPO

ATLANTA—UNICARE Life & Health Insurance Co., the national operating subsidiary of WellPoint Health Networks Inc., has introduced a preferred provider organization tailored for small businesses in Georgia.

The new product combines the freedom of choice of a PPO with the cost savings of a health maintenance organization. There are no annual deductibles for in-network benefits and no deductible for prescription drugs.

Copayments for office visits to in-network providers range from $15 to $35, depending on the plan chosen. Although employees are free to choose any physician, they will pay a percentage of the cost rather than a copayment if they select providers not in the UNICARE network.

The small group PPO plan is available to companies with 2 to 50 employees.

For information, contact UNICARE, 770-492-8630.

Asset management

WARREN, N.J.—Chubb Corp. has unveiled a new product combining multiple coverages for companies that provide asset management services.

The Wealth Managers Insurance Program combines property, general liability and professional liability insurance. The product has been designed for companies involved with portfolio management, financial management, tax planning, compliance activities and administration.

Lake Success, N.Y.-based broker BWD Group Ltd. has exclusive rights to distribute the program.

The program can provide coverage for errors and omissions, directors and officers, employment practices liability, fidelity and fiduciary liability in one contract. In addition, an endorsement to the general liability policy is available to help protect against allegations of mental anguish, defamation or humiliation arising out of libel, slander, violation of privacy or discrimination committed in the course of doing business. Policy limits up to $10 million are available.

The program, designed by Chubb and BWD, is available nationwide.

For more information, contact Dorothy Feldman, vp of BWD Group Ltd., 516-327-2700. BI

CNA Financial Corp. appoints executive vp, COO

Bernard Hengesbaugh has been named executive vp and chief operating officer of CNA Financial Corp. in Chicago.

In this newly created position, Mr. Hengesbaugh will have responsibility for overall operating performance of the insurer's eight operating departments and 30 strategic business units. **Thomas Taylor** is replacing Mr. Hengesbaugh as president and chief operating officer of CNA's specialty operations department and **Peter Wilson** is resuming Mr. Taylor's former duties as president and COO of CNA Financial Insurance.

Also at CNA, **William K. Brown Jr.** joined the specialty operations department as executive vp-claims and new product development. Mr. Brown previously was a managing director with J&H Marsh & McLennan's financial and professional service division.

In other insurer changes:

Robert R. Lusardi has been named executive vp and chief financial officer of EXEL Ltd., replacing Brian G. Walford, who retired at the end of 1997. Mr. Lusardi previously was a managing director at Lehman Bros. Inc. in New York, where he headed the firm's insurance industry and asset management practices.

John Murad, former president and chief executive officer of Greenwich Insurance Co., named executive vp of a new specialty insurance division being established at ACE USA. ACE USA is the new name of Westchester Specialty Group Inc., which was acquired by ACE Ltd. earlier this year. The new division, which will be based in New York, will focus on speciality commercial products written through managing general agents and brokers.

Comings & Goings: Industry

John F. Iannucci named president and COO of Lexington Insurance Co. in Boston. He was formerly executive vp and director of Gryphon Holdings Inc. and president and CEO of Associated International Insurance Co. and Calvert Insurance Co., subsidiaries of Gryphon.

Stephen W. Lilienthal named president of USF&G Corp.'s Commercial Insurance Group, one of USF&G's four strategic business units that represents 45% of the Baltimore-based insurer's property/casualty insurance operations. Mr. Lilienthal will retain his position as USF&G's chief underwriting officer.

Donald W. Mosier named a vp of Kemper Insurance Cos. of Long Grove, Ill. Mr. Mosier is responsible for developing and managing Kemper Alternative Risks, a newly formed captive management and alternative risk unit. He also serves as chief operating officer of Kemper's underwriting at INEX, formerly the Illinois Insurance Exchange. Mr. Mosier most recently was president of Amrisk Corp.

Richard A. Sawyer named chairman and CEO and **Rick B. Cote** named president and COO of Acadia Insurance Co., a Portland, Maine-based wholly-owned regional property/casualty insurance subsidiary of W.R. Berkley Corp.

Agents/Brokers

Joseph E. Morahan named executive vp of Aon Group Inc. in Chicago and will continue to serve as non-executive chairman of Aon's Financial Services Group.

Robert J. Seda Jr. joined USI Insurance Services Corp. as senior vp of mergers and acquisitions, a newly created position, in San Francisco. Mr. Seda was previously chief financial officer for Pettit-Morry Co./Acordia West in Seattle.

Mike Barrett joined Lloyd's of London broker Thompson Heath & Bond Ltd. to head up its U.K. commercial divisions. Mr. Barrett was formerly CEO of the international retail division and chairman of the U.K. retail division of the Minet Group.

Tony Litwinko named vp at Lockton Insurance Brokers Inc. in Los Angeles with responsibilities for servicing some of the firm's largest, international clients. Also in Los Angeles, **Keith Newell** appointed to head up Lockton's surety bond division with responsibilities for managing existing accounts, developing new business and enhancing the company's surety services for construction and Fortune 500 clients.

Roger Santone named chief technology officer and senior vp of Summit Global Partners Inc. in Dallas.

Michael J. Andersen named senior vp at William Gallagher Associates in Boston.

Barbara Pacente named vp and manager-claim management at Near North Insurance Brokerage Inc. in Chicago with responsibilities for heading up the broker's claim operations for its worldwide clients. Ms. Pacente was previously claim manager at Mesirow Financial. Also at Near North, **Camille Costen** and **Roger Watson** named vps in the broker's sales and risk management practice in Dallas and **Devra Gerber** named vp of the broker's transaction consulting group in Chicago.

Reinsurance

Michael J. Schell named managing director of St. Paul Reinsurance Co. Ltd. in London, succeeding **Mike Wacek**, who resigned last month to accept another position. Mr. Schell was previously senior vp of North American underwriting for St. Paul Re in New York.

Gerard A. Anaszewicz named senior vp-facultative western zone for CNA Re in Chicago. Mr. Anaszewicz, who previously held the position of vp-facultative for General Reinsurance Co., is responsible for, among other things, the leadership and strategic direction of CNA's facultative reinsurance operations in North and South America.

Also at CNA Re, **Thomas Overtveld** named vp-facultative business unit, eastern zone, and branch manager, Zurich branch, with responsibilities for leading the growth and expansion of CNA Re's facultative lines throughout Europe, Asia, Africa and Australia. And, **Salvatore Camuglia** named vp-casualty facultative.

Steven E. Dee named senior vp of the Kemper Reinsurance Cos. in Long Grove, Ill. Mr. Dee, formerly a Kemper Re vp, also was named manager of the companies' treaty department with responsibility for the overall direction and operations of the North American treaty division.

Anthony M. DiDio joined Gerling Global Reinsurance Corp. of America as senior vp and chief property officer in New York. Mr. DiDio was previously senior vp-property underwriting for Zurich Re North America. Joining Mr. DiDio from Zurich are **John Ferris** and **Harry Zimmer**, who were named vps and senior property underwriters at Gerling Global Re.

Owen Whitby named president and CEO of European International Holding Co. Ltd., European International Reinsurance Co. Ltd., and European Atlantic Reassurance Co. Ltd. Known collectively as the EI Group Cos., the operations are headquartered in Bridgetown, Barbados, and are reinsurers within Swiss Re New Markets Division of Swiss Re Zurich.

Roger M. Rossiter named senior vp-surety and fidelity underwriting at Risk Capital Reinsurance Co., a wholly-owned subsidiary of Risk Capital Holdings Inc. in Greenwich, Conn. Mr. Rossiter was previously vp and manager of the surety department at Transatlantic Reinsurance Co.

HMOs/PPOs

David A. Jones retired as CEO of Louisville, Ky.-based Humana Inc. Dec. 1, and **Gregory H. Wolf**, president and COO, assumed Mr. Jones' responsibilities.

Cleve L. Killingsworth Jr. named president and CEO of Detroit-based health maintenance organization Health Alliance Plan. Mr. Killingsworth succeeds **James Walworth**, who retired.

Capital

Continued from page 2

own assets and liabilities.

"The most important element is underwriting risk," Mr. Felice said.

The data will be made available to the public because the NAIC is requiring these managed care organizations to develop the information according to a pre-tested formula and file it in their 1998 annual statements. Those statements, which will be filed by March 1999 in most states, will contain lines reporting both risk-based capital data and net worth.

Expanding the concept to health care organizations is the third—and last—leg of the NAIC's eight-year effort to develop risk-based capital standards for the entire U.S. insurance industry. While they should improve benefit managers' confidence in the financial soundness of health organizations, they generally are not expected to unduly increase health insurance costs.

Regulators first adopted the risk-based capital concept for life insurers' annual statement filings in 1993, and property/casualty insurer filings in 1994.

"The financial solvency of health insurers and HMOs is a concern to me as a buyer," said Roger Sims, director of benefits and risk management for Vancouver, British Columbia-based Crown Packaging Ltd., which also has U.S. operations. He is primarily concerned about the financial health of his company's stop-loss insurer, because his company self-funds low-level health insurance claims.

Being able to use a new solvency yardstick "will provide an extra level of comfort," said Bill Montanez, assistant treasurer of risk management and benefit administration for Wallace Computer Services Inc. in Lisle, Ill. The company also self-funds low-level health coverage for about 8,000 employees nationwide.

"We keep a very strict watch on the solvency ratings of all the insurance companies we do business with, including our stop-loss carrier," said Mr. Montanez, who also chairs the Risk & Insurance Management Society Inc.'s national employee benefits committee.

His company had a bad experience a few years ago when the insolvency of a health insurer disrupted the delivery of health care services to employees, he said.

Applying the risk-based capital approach to health care organizations also is needed because "there have been insolvencies among HMOs, and very few states have guaranty funds that protect HMOs," Mr. Felice said.

Another key component of the risk-based capital concept is a model law. State legislatures must enact substantially similar versions to give insurance commissioners authority to enforce risk-based capital standards.

Specifically, the model act gives state insurance commissioners authority to enforce four successively greater levels of sanctions, beginning with increased company action, such as a request for more information to determine the company's stability, and ending with mandatory seizure of the organization.

A prudent benefit manager should deal only with a health organization free from regulatory scrutiny under the model act, experts say.

To ensure that, the health care organization's net worth should be more than 200% of its "authorized control level," the third level of sanctions in the model act, which allows a regulator to take over an organization, but does not require it.

To check a health organization's status, a benefit manager can find—or ask his broker or consultant to check—both numbers in a health organization's 1998 annual statement and calculate the percentage difference between the two numbers.

While the percentage outcome is significant for avoiding organizations that fall under regulatory scrutiny, it should not be used to compare adequately capitalized health care organizations, said Mr. Felice of the NAIC working group.

The health care organizations' annual statements are public records, though related reports filed by organization executives are not, he added.

In addition, Mr. Felice's working group is drafting a standalone model act for health care organizations that will be released for public comment at the spring NAIC meeting, March 14 to 18 in Salt Lake City. The full NAIC membership is expected to adopt a final version of that phased-in model by the end of the year.

Comparable model acts for life insurers and property/casualty insurers were combined and ultimately required by the NAIC for a state insurance department to become accredited. However, it remains to be seen whether those steps will be taken with the risk-based capital requirement for health care organizations, in part because the NAIC is slowing down the process of adding new accreditation requirements.

Among analysts and experts, assessments vary about the market impact of the new risk-based capital requirements.

"It's a very big issue" that will require the industry as a whole to inject several billions of dollars to improve the financial soundness of health care organizations, said Arun Kumar, director of the health care group at Standard & Poor's Corp. insurance rating unit in New York.

"The problem is most acute in stock companies' HMOs, because until now they have up streamed significant amounts of dividends to their parent companies," he said.

Now, these "cash cows" will need to keep more of that money on their own balance sheets to avoid regulatory scrutiny under the new requirements.

The risk-based capital requirements may quicken mergers and acquisitions, which already are occurring in the health care field and increase a desire for reinsurance, Mr. Kumar added.

However, the new requirements alone should not unduly reduce competition or increase the cost of health insurance, said Donna Novak, senior manager with Deloitte & Touche L.L.P., in Parsippany, N.J. Ms. Novak is a member of the American Academy of Actuaries' Health Practice Council.

Mr. Felice said, "I think it is something that the market can handle," especially on the phased-in basis called for in the model act.

"Most of the industry is comfortable with the formula" for assessing the risk-based capital standards for health organizations, said Gretchen Babcock, executive director of state services for the Blue Cross & Blue Shield Assn. in Washington. It consists of 262 organizations, including 56 independent plans and 97 HMOs. "For the most part, our plans have no problem meeting the risk-based capital standards as set out in the formula," she said.

Several industry spokesmen also praised regulators for their approach in drafting the requirements.

Regulators' "openness" allowed a variety of health organizations to voice their concerns, said Herb Schultz, executive director of state advocacy for the American Assn. of Health Plans, a trade association representing about 1,000 health organizations, including HMOs. He expects more discussion about ways to improve the formula.

"We think the formula is good, but there are always enhancements that can be made," said Julia Philips, life and health actuary with the Minnesota Department of Commerce. She is vice chair of the NAIL's working group. BI

Insider Trading

Aetna Inc.: Jack D. Kuehler, director, purchased 1,470 shares of common at $67.94 each on Dec. 23, 1997, and now directly holds 1,910 common.

Ellen M. Hancock, director, purchased 1,600 shares of common at $67.56 each on Dec. 22, 1997, and now directly holds 2,000 common.

Arthur J. Gallagher & Co.: James W. Durkin, vp, exercised an option for 1,300 shares of common at $16.25 each on Nov. 13, 1997, and now directly holds 12,107 common.

General Re Corp.: Joseph P. Brandon, vp, exercised an option for 2,000 shares of common between $87.94 and $91.44 each on Jan. 7, 1998, and sold them at $214.97 each on Jan. 7, 1998, and now directly and indirectly holds 13,572 common.

HSB Group Inc.: Richard E. Booth, director, purchased 250 shares of common at $59.31 each on Jan. 29, 1998, and now directly holds 1,250 common.

William B. Ellis, director, purchased 400 shares of common between $54.56 and $55.94 each from Jan. 8 to Jan. 13, 1998, and now directly holds 1,000 common.

Hilb, Rogal & Hamilton Co.: Dianne F. Fox, vp, indirectly sold 15,000 shares of common at $18.44 each on Oct. 16, 1997, and no longer holds shares in the company.

Lincoln National Corp.: Richard S. Robertson, vp, sold 800 shares of common at $69.69 each on Nov. 10, 1997, and now directly and indirectly holds 18,631 common.

Barbara S. Kowalczyk, vp, exercised an option for 500 shares of common at $19.25 each on Oct. 31, 1997. To cover expenses of the transaction, Kowalczyk turned in 140 of them for $68.63 each on Oct. 31, 1997, and now directly and indirectly holds 6,735 common.

NAC Re Corp.: John P. Birkelund, director, sold 1,000 shares of common at $44.25 each on Nov. 4, 1997, and now directly holds 23,049 common.

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Insider Trading, 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.

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INTERNATIONAL

Global Briefs

Lloyd's of London has joined the **Catastrophe Risk Exchange**, allowing companies on the Lloyd's Insurance Network to access CATEX for a user fee. Princeton, N.J.-based CATEX operates as a computerized trading floor where primary insurers, reinsurers, intermediaries and self-insurers can trade tranches of insurance risks, such as a book of property business exchanged for a book of auto liability risk. Although Lloyd's underwriters are expected to use CATEX to identify new business, Lloyd's will require them to use a broker for negotiations and transactions. . . .Lowndes Lambert NZ Ltd., the New Zealand subsidiary of London broker **Lambert Fenchurch Group P.L.C.**, has bought Westrays New Zealand Ltd. for $1.4 million New Zealand ($806,260). In addition, Lambert Fenchurch will pay up to $2.7 million New Zealand ($1.6 million), depending on Westrays' revenues, up to the end of March 2001. The new group will trade as Lambert Westrays Ltd. . . . British risk managers consider the millennium bug the greatest threat to their organizations, followed by reputation risk, according to a recent survey by the **Assn. of Insurance & Risk Managers**. In contrast to the 46% of risk managers who said the Year 2000 problem was the most important risk, only 42% of insurance, products and services suppliers rated it as one of their three biggest problems. Instead, 68% of service providers placed reputation risk in the top three organizational risks. Terrorism was considered the least important risk by risk managers and service providers. . . .Loss adjuster **Crawford-THG** has set up a new Latin American team in its London office to serve as a contact point for U.K. clients. . . .Nicholas Browne has been appointed a director of JE Mumford (Underwriting Agencies) Ltd. and deputy underwriter for syndicate 1141, subject to Lloyd's approval, and Howard Burnell has joined syndicate 902, managed by PB Coffey (Underwriting Agency) Ltd. Both agencies are part of **Angerstein Underwriting Trust P.L.C.**, a Lloyd's spread investment vehicle. . . .U.K. church insurance specialist **Ecclesiastical Insurance Office P.L.C.** has been assigned an A- rating by U.S. rating agency A.M. Best Co. The agency noted Ecclesiastical's strong capitalization, good performance in its short-tail general insurance business and dominant position in the Anglican church-related insurance market in the United Kingdom. . . .U.K. insurer **Guardian Royal Exchange P.L.C.** has completed its purchase of PPP healthcare group P.L.C. for £435 million ($717.9 million). Peter Owen, group chief executive of PPP, has been appointed to GRE's board of directors. . . .London-based broker **Steel Burrill Jones Group P.L.C.** saw 1997 revenues fall 5.6% to £37.9 million ($63.6 million) compared with 1996. The major decline was in its London market marine and reinsurance operations, where revenues fell by half to £4.4 million ($7.4 million) from 1996 levels. Profits increased 6.6% to £1.93 million ($3.2 million), before an exceptional charge of £3.31 million ($5.6 million) to cover withdrawing from Malaysia, London office relocations and potential liability for alleged impropriety in pension sales. . . . Japanese reinsurer **Toa Fire & Marine Reinsurance Co. Ltd.** has been rated AA- by Standard & Poor's Corp. The rating agency cited Toa Re's position as "the premier Japanese reinsurer" and its strong financial profile as the basis of the rating. . . .U.K. Employment Minister Andrew Smith last week announced that the government plans to draw up a code of practice on **age discrimination** in conjunction with employer and worker groups, including the Confederation of British Industry and the Trades Union Congress.

Euro to drive uniform services

By MATTHEW MacDERMOTT

PARIS—The looming introduction of a single European currency is acting as a catalyst to accelerate the development of single European insurance and pension markets.

The Comite Europeen des Assurances, a Paris-based trade association representing insurers in 29 European countries, has made "harmonizing" the legislative and operational framework of Europe's insurance and private pension markets its major priority for 1998.

Europe already has implemented the basic framework for a single insurance market, but many "obstacles" still need to be removed, said Francis Loheac, CEA secretary general.

He said the pension market is the only financial sector lacking a coordinated statutory framework at the European level, and the development of a single market should be "sped up" by preparations for monetary union.

Mr. Loheac, speaking at the release of the CEA's 1997 annual report in Paris last month, said 1998 will be a year of "preparing the groundwork" for the impact of the 1999 "monetary big bang."

He described the planned switch to a single European currency on Jan. 1, 1999, as a "new catalyzing benchmark in the process of European integration."

"All eyes and all attention are now turned towards 1 Jan. 1999, the date of birth of the Euro," he said.

On July 1, 1994, a series of European Commission directives established the basic framework for a single insurance market throughout the European Union. The directives introduced a single system for the authorization and financial supervision of an insurer by the member state in which it is based. This effectively provided insurers licensed in one E.U. country with a "European passport" enabling them to conduct business throughout the European Union.

But Mr. Loheac said the single licensing system is affected by "pitfalls, uncertainties and local differences" and that cross-frontier insurance activity remains "somewhat modest."

A roundtable discussion involving the CEA, national insurance supervisory authorities and the European Commission was held at the end of 1997 to address obstacles hindering the effective implementation of the single insurance market.

The CEA report identified the main areas it wants addressed:

• Clarification of the concept of insurers' roles in the community, such as consumer protec-

See **Euro** *on next page*

Top o' the morning for ACE in Dublin

By SARAH GODDARD

LONDON—As part of a plan to expand its European business, Bermuda-based excess insurer ACE Ltd. has launched a new operation in Dublin, Ireland.

ACE Insurance Co. Europe Ltd. last month joined other international reinsurers, including X.L. Europe Insurance and QBE Insurance & Reinsurance (Europe) Ltd., in Dublin's International Financial Services Centre. They are among the companies taking advantage of the growing number of captives locating in the IFSC and the ability to trade across all European Union member states under European insurance directives.

The Dublin office will write excess liability and property catastrophe business, the same type of coverage as ACE's Bermuda operation, said Dominic Frederico, president of ACE Insurance Co. Ltd., but will not compete with its Lloyd's of London operations, started in 1996.

By launching the new operation, ACE can address European buyers' need for higher limits, particularly as liability exposures are increasing in many areas, he said.

What's more, some of ACE's largest customized programs in the financial area deal with European clients, he added.

About 15% of ACE's overall book is Euro-

See **Dublin** *on next page*

Germany reviews K&R ban

Rise in kidnappings spurs demand for cover

By DON LEWIS KIRK

BERLIN—Germany is expected this summer to lift its ban on kidnap and ransom insurance.

The Justice, Finance and Interior ministries have approved a proposal from Berlin-based insurance supervisory authority BAV to allow K&R sales in Germany. BAV said insurers will be informed of its intent to lift the ban.

As do other European markets such as France, Italy and Spain, German insurance regulators frown upon K&R insurance, saying it increases the risk of such crime. While German policyholders are permitted to buy K&R coverage outside the country, K&R currently is not available domestically under any circumstances.

If the ban is lifted, a BAV spokeswoman said K&R policies would be sold in Germany under special conditions, including a requirement that policyholders must inform the police of blackmail, and a non-disclosure clause that compels policyholders to maintain silence about owning a policy. The company also cannot be insured for more than its worth.

Regulators have been under pressure in light of rising related crime, including the spectacular kidnapping in 1996 of German industrialist Jan Philipp Reemtsma, who was released after a ransom of 30 million deutsche marks ($16.7 million) was paid. Officials also report 200 cases of extortion each year.

See **Kidnap** *on next page*

E.U. rejects same-sex benefits

By EDWIN UNSWORTH

LONDON—European companies are exempt—at least temporarily—from having to extend the same benefits to homosexual couples as to heterosexual couples.

The European Court of Justice in Luxembourg last month rejected a sexual discrimination claim from Lisa Grant, a 29-year-old railway booking clerk, against her employer, South West Trains Ltd. The employer had refused to allow Ms. Grant's live-in lover, Jill Percey, travel benefits worth about £1,000 ($1,650) a year. The railroad grants the benefit to workers' husbands, wives, or common law opposite-sex spouses.

The court ruled that the company had not practiced sexual discrimination because it would have similarly refused the concessions to a male employee seeking them for his male partner.

South West Trains said it would study the ruling and discuss it with the Assn. of Train Operation Cos., which represents the privatized rail companies and is responsible for issuing guidelines on staff travel.

An SWT spokeswoman said, "We were seeking the law's guidance for the whole industry, and now that we have that guidance it makes sense for the whole industry to consider it."

The ruling came as a relief to some European Union employers and member governments, such as Britain, which faced the possibility of having to make sweeping changes to employ-

See **Same-sex** *on next page*

Insurer files suit over 1996 airport fire

DUSSELDORF, Germany—Dusseldorf Airport GmbH is facing another lawsuit stemming from an April 1996 fire that killed 17 people and injured 87, and also temporarily shut down the airport.

Cologne, Germany-based insurer Gerling A.G. is seeking 123.8 million deutsche marks ($68.9 million) in damages to recoup the cost of claims for business interruption losses it paid to Lufthansa A.G., Germany's largest airline. Most of Lufthansa's losses occurred because it had to cancel all flights for a time after the fire. Other airlines suffered similar losses, though on a much smaller scale than Lufthansa.

Last December, a regional court found the airport guilty of gross negligence and ordered it to pay insurers 20 million deutsche marks ($11.1 million) in damages for business interruption claims the insurer had paid to small businesses that were airport tenants (*BI*, Dec. 22, 1997).

Dusseldorf Airport GmbH has appealed the case.

A spokesman for the Dusseldorf Airport called Gerling's suit "undue."

"We can see no reason for the enormous claim. Lufthansa was unable to transport passengers for three days," he said.

Dusseldorf Airport had been insured at the time of the fire by a consortium led by Dusseldorf-based Provinzial Versicherung. The consortium canceled its policy after the fire and Dusseldorf Airport was forced to find a new liability insurance.

—By Don Lewis Kirk

AP PHOTOS

A firefighter reviewed damage after a 1996 Dusseldorf Airport fire, which killed 17 people and shut down the airport.

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INTERNATIONAL

Euro

Continued from previous page
tion, which can vary by country.
- Definition of clear, consistent European tax legislation on insurance.
- Harmonization of contract law.
- Directives on winding up of insurance organizations.
- Adoption of uniform solvency criteria for insurance organizations.

Meanwhile, Mr. Loheac said progress is being made on building a single European private pension market. An E.C. discussion paper in June 1997 on the concept outlined Europe-wide consideration of a single supplementary pension market and initiated a wide-ranging consultation process.

Mr. Loheac said a standard framework is needed for supplementary pensions in Europe, "based on the convergence of national regulations and the principle of mutual recognition in order to offer equal competition to operators and optimum security to beneficiaries."

According to the CEA's 1997 annual report, the European market had a total premium volume of 532 billion European Currency Units ($578.12 billion) in 1996, a 7% increase from 1995. Non-life premiums rose 2% to 246 billion ECU ($267.33 billion).

Mr. Loheac said non-life premiums were affected by a "downwards drift in underwriting conditions due to the pressure which very sharp competition is maintaining on rates."

He said mergers and acquisitions have "significantly reshuffled the pack in Europe." That, coupled with growing international competition, has led to the extension of traditional insurance frontiers and concepts.

"The big multinationals are now tending to raise their self-insurance threshold and turn directly to reinsurers, their choice increasingly being made with an eye on global financial management," Mr. Loheac said.

He said the state-owned companies' gradual withdrawal from providing pensions and other benefits also is opening up major prospects for private European insurers. BI

Kidnap

Continued from previous page
German buyers see benefits in managing foreign and domestic K&R risks if regulators lift the ban.

"Any large company can pay a ransom. More important is the expertise in handling ransom cases which insurers provide," asserts a leading German chemical company risk manager.

If regulators lift the ban, buyers hope for more options in using experts to handle ransom cases, especially in foreign countries such as South America, where exposure is great.

"Ransom (kidnap and extortion) crimes are on the rise," said Peter Bensmann, an underwriter at Lloyd's of London Syndicate 33, managed by Hiscox Syndicates Ltd., which wants to write K&R policies in Germany. Premiums for Hiscox's German K&R coverage run from 8,000 to 150,000 deutsche marks ($4,454 to $83,520). German buyers can be insured against ransom, the cost of handing over the ransom, possible medical treatment of the victim and the family, and security measures.

Because other E.U. insurers sell K&R insurance to German buyers, German insurers are among the K&R ban's harshest critics.

"Why should we be treated any different from other insurers in the E.U.?" asked an Allianz A.G. spokesman. Allianz offers K&R insurance through Fireman's Fund Insurance Co., based in Novato, Calif.

Besides kidnapping, "Germany has the highest incidence of product tampering and extortion" with two or three a week, Mr. Bensmann said. Hiscox last year introduced product tampering and recall insurance, and demand has "boomed" with food, cosmetic and pharmaceutical companies in Germany, he said.

One factor fueling demand is extended corporate liability for unsafe products and forced recall actions. On July 1, 1997, legislators voted in a product safety law that empowers the German government to recall any products it deems unsafe.

In that area, German insurers have responded by offering their own products. Hannover, Germany-based Haftpflichtverband der Deutschen Industrie, Allianz and Gerling A.G. all have introduced recall coverage in the past year that covers extortion measures. BI

Dublin

Continued from previous page
pean business, said Mark Kealy, general manager of ACE Europe.

Although there will be some overlap between the Dublin and Bermuda operations, Mr. Frederico emphasized the benefits of ACE having "direct representation" in the European markets through its new Dublin office.

Under the Third Non-Life Insurance Directive, an insurer in any E.U. member state may write business in any other member state without having a physical presence in that country, and the insurer is regulated by the country in which the European office is located.

Mr. Kealy said the benefits of Dublin include the low-cost environment, and it is becoming an "increasingly attractive place for major insurance and reinsurance companies to relocate."

ACE will use its Dublin operation to target business opportunities in Europe, particularly the United Kingdom, Germany, France, the Netherlands, and possibly one of the Nordic countries, he said.

At the same time, ACE is using its Lloyd's operations to extend its global reach, particularly in Southeast Asia. By taking over much of the business of the former Sturge managing agencies and Methuen Underwriting Ltd., ACE also took over about 10% of Lloyd's Japan Inc., a Tokyo-based satellite operation set up by 22 Lloyd's agencies to take advantage of liberalization in the Japanese insurance market.

ACE is now becoming involved with Lloyd's move into Singapore, where the market plans to set up an operation similar to the Japanese company.

Leslie Goodman, chief executive officer of ACE UK Ltd. said that though the "investment phase" of the Singapore initiative still is several months off, ACE already has decided to support the proposed operation—on which meetings are to begin soon—and most likely will back other similar initiatives as Lloyd's extends its network.

"You probably will see ACE taking leadership positions" in these initiatives, said Mr. Goodman.

Lloyd's is strengthening its position in South Africa and Australia, opening business development functions in both countries. BI

Same-sex

Continued from previous page
ment, pension and social security regulations had the court ruled in Ms. Grant's favor. The advocate-general of the European Court issued a non-binding "opinion" last August that an employer could not deny equal rights to lesbians—even if male homosexuals were also denied equal rights.

But, this current relief may be temporary: The E.U. is in the process of ratifying a new treaty that includes measures to end discrimination based on sexual orientation.

The Treaty of Amsterdam was adopted by the European Union last October to revise the earlier treaties on which the union is founded, though the new treaty still has to be ratified by member states. Among its measures are provisions to strengthen the rights of individuals, including steps to end "discrimination based on sex, racial or ethnic origin, religion and belief, disability, age or sexual orientation."

The Confederation of British Industry expressed mixed views after the ruling. While noting its concerns about the cost of extending equal benefits to homosexual couples, a CBI statement said "unjustified discrimination on grounds including sexual orientation, where it bears no relation on a person's ability to do the job, is unacceptable."

The CBI noted the European Court also said ratification of the Treaty of Amsterdam could signal that employers will have to look carefully at the benefits they put together for employees in the future.

Gary Freer, partner and head of the employment law team at the London-based international law firm Barlow Lyde & Gilbert, said while this means governments and companies eventually may be forced to prohibit discrimination based on sexual orientation, it is difficult to know exactly what steps they will be required to take.

If a measure prohibiting discrimination is written into the treaty, then governments and companies may be bound once the treaty is ratified. However, if the treaty instead requires the European Union to agree on directives, then each government will have to pass its own legislation complying with the directives. This could add years to the time it would take a non-discrimination ban to go into effect.

Mr. Freer said the ban makes employers liable to potentially costly legal action if they are found to discriminate. But it also may create "gray areas," such as whether a company practices indirect discrimination. He also thinks employees would be tempted to "tack on" sexual orientation discrimination to get around the two-year rule for suing for unfair dismissal. In contrast to claims for unfair dismissal, there is no upper limit on the compensation that may be awarded to the victim of unlawful discrimination of any kind, he noted.

In most cases, employees cannot claim unfair dismissal unless they have worked for the employer for at least two years. However, there is no such minimum period for an employee claiming gender discrimination as a reason for his dismissal.

Mr. Freer added that pension rules also may have to change, as most companies limit transfer of pension benefits to spouses or opposite-sex partners.

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HELP WANTED

EXECUTIVE VICE PRESIDENT

National Association of Insurance Women (International) seeks Executive Vice President of this 13,000 member organization, with a $1 million budget and 7 staff. Individual is to be a visionary leader with proven success in Board of Directors/corporate relations; ability to interact well with members and industry alliances; ability to travel; and superb interpersonal, organization, public relations, financial management and public speaking skills. Proven ability to initiate and manage change; initiate long-range planning; interpret policy; organize structures and procedures. Minimum of a bachelors degree or other advanced studies; computer literacy a must. Send resume, references and salary history to: EVP Search, P.O. Box 4410, Tulsa, OK 74159.

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The Public Risk Management Association seeks an experienced, entrepreneurial leader to head this 2,200-member national trade association headquartered in Arlington, VA. Two million dollar budget and 17 staff. Requires min. 3 years experience at CEO or division head level. Strong preference for experience leading a growing association or other enterprise, and working with a board. Send cover letter, resume and salary history to: Search Chair, PRIMA, 1815 N. Fort Myer Dr., Suite 1020, Arlington, VA 22209. Application Deadline: 3/20/98.

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St. Louis, MO 63132
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California Fair Services Authority, a Sacramento-based joint powers authority providing various risk pooling programs to the California fair industry, has an immediate opening for a Risk Manager.

Interested candidates must have a BA degree in Business, Public Administration or a closely related field with insurance or risk management emphasis. Five to seven years of progressively responsible experience in the field of Risk Management, Loss Prevention, Insurance Administration, preferably with at least two years experience in a public sector pooling arrangement.

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CFSA offers an excellent compensation and benefits package. Qualified candidates are invited to send a letter of intent, resume, salary history, and supporting documentation in confidence to: D. Horner, HR Dept., CFSA, 1776 Tribute Rd., Suite 100, Sacramento, CA 95815-4410. **No phone calls or faxes please.** *Postmarked by: Tuesday, March 31, 1998.* EOE/ADA.

NOTICE

NOTICE TO BIDDERS

United Water Conservation District is requesting proposals from qualified firms to provide the District with Insurance Brokerage Services.

Proposal specifications and information can be obtained by contacting:

Mike Solomon, Controller
United Water Conservation District
106 N. 8th St., Santa Paula, CA 93060
(805) 525 - 4431, (805) 525 - 2661 (fax)

Proposals must be received by April 1, 1998, 5:00 p.m.

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REQUEST FOR PROPOSALS

STATE OF WASHINGTON DEPARTMENT OF LABOR AND INDUSTRIES

The Department of Labor and Industries (L&I) will issue a Request for Proposal to secure a nationally recognized health care consultant to advise L&I on state-of-the-art medical reimbursement programs and rate setting methodologies and practices. Approximately $900,000 is available for this project. The estimated length of this project is May 26, 1998 through June 30, 1999. Activities for the project include:

- Systematically evaluating L&I's medical reimbursement programs and rate setting methodologies;
- Identifying and assisting with implementation of improvements to L&I's reimbursement programs and rate setting methodologies; and
- Making L&I more responsive to trends and changes in its health care purchasing patterns and expenditures.

The RFP will be issued on or after February 27, 1998, in the office at the address listed below. The expected deadline for proposals will be by 5:00 p.m. local time in Olympia, Washington on April 3, 1998.

Washington is an equal opportunity employer, and minority and women owned business enterprises are encouraged to respond to this RFP. For further information and to obtain a copy of the Request for Proposal, contact:

Marilyn Gisser, RFP Coordinator
Department of Labor and Industries
Health Services Analysis
P.O. Box 44322
Olympia, Washington 98504-4322
Telephone: (360) 902 - 6801
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REQUEST FOR PROPOSALS

NOTICE

The Kansas State Employees Health Care Commission will issue Request for Proposal(s) (RFP) #32921 on March 2, 1998 for the indemnity medical and HMO components of its health plan as well as an ancillary vision program. Responses may be for insured, self-funded or capitated arrangements.

Currently, 35,907 active employees and 9,603 retirees participate in the health plan. If interested in receiving a copy of the RFP, please contact:

KANSAS DEPARTMENT OF ADMINISTRATION
Division of Purchases — Attn: Fran Welch
900 S.W. Jackson Street, Room 102-N
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LEGAL NOTICE

High Court No. 009780 of 1992

In the Matter of GRAND UNION REINSURANCE COMPANY (UK) LTD
and In the Matter of the Insolvency Act 1986 (Compulsory Winding-Up Order dated 27 January 1993)

NOTICE IS HEREBY GIVEN pursuant to Rule 4.54 of the Insolvency Rules 1986 that a meeting of the CREDITORS of the above named company, which has been summoned by the Joint Liquidators in accordance with section 168 of the Insolvency Act 1986, will be held on Friday 27 March 1998 at 11:30 am at Plumtree Court London EC4A 4HT.

For the purposes of considering and, if thought appropriate, appointing a Liquidation Committee and of fixing the remuneration of the Joint Liquidators.

A Proxy Form is available which, to entitle you to vote by proxy at the meeting, must be completed and lodged with me not later than 12 Noon on Thursday 26 March 1998, together with a completed Proof of Debt Form if one has not already been lodged.

C J Hughes, Joint Liquidator
Plumtree Court, London EC4A 4HT

Dated this twenty-seventh day of February 1998.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

IN THE PETITION OF ANTHONY JAMES MCMAHON AND PHILIP WEDGWOOD WALLACE, AS JOINT PROVISIONAL LIQUIDATORS OF ANGLO AMERICAN INSURANCE COMPANY LIMITED, Case No. 97-B-41556 (PCB)

NOTICE IS HEREBY GIVEN that on February 19, 1998, an order was entered by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") in connection with the case filed with respect to Anglo American Insurance Company Limited (the "Company") pursuant to section 304 of the Bankruptcy Code (the "Order"):

1. Enjoining all persons and entities from (a) transferring, relinquishing or disposing of any property of the Company in the United States,* or the proceeds of such property, to third parties; (b) commencing or continuing any action or other legal proceeding (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever and any discovery in connection therewith) against the Company, or any of its representatives or agents, including run-off agents, or any of their property in the United States, or any proceeds thereof; (c) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or arbitration award, and commencing or continuing any act or action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) to create, perfect or enforce any lien, setoff or other claim against the Company, or any of its representatives or agents, including run-off agents, or any of their property in the United States, or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts; and (d) drawing down any letter of credit established by, on behalf or at the request of, the Company, or withdrawing from, setting off against, or otherwise applying property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, in excess of amounts expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, escrow, or similar arrangement has been established; except, however, no drawing against any letter of credit shall be made in connection with any commutation unless the amount has been agreed in writing with the Petitioners or permitted by further Order of the Court;

2. Requiring all persons and entities that are beneficiaries of letters of credit established by, on behalf or at the request of, the Company or parties to any escrow or similar arrangement in which the Company has an interest, are required to (a) provide notice to the Petitioners' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, setoff against, or other application of property that is the subject of any escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Petitioners to assess the propriety of such drawdown, withdrawal, setoff or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff or other application and a copy of any agreement pursuant to which such drawdown, withdrawal, setoff, or other application was made and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Petitioners for all funds resulting from such drawdown, withdrawal, setoff, or other application in excess of amounts expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, escrow or similar arrangement has been established;

3. Requiring that every person and entity that has a claim against the Company arising under a contract of insurance, reinsurance, retrocession or otherwise, written or entered into by the Company and that is a party to any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) in which the Company is or was named as a party, or as a result of which a liability of the Company may be established, is required to place the Petitioners' United States counsel on the master service list of any such action or other legal proceeding and to take such other steps as may be necessary to ensure (a) that such counsel receives copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding, and any and all correspondence, or other documents circulated to parties named in the master service list and (b) that copies of the foregoing are provided to Chadbourne & Parke LLP, 601 South Figueroa Street, Los Angeles, California 90017-5704 (Attention: Jonathan Bank, Esq.); and

4. Providing that, with respect to any action, arbitration or other proceeding that may be commenced or become known to the Petitioners in the future, or the entitlement or alleged entitlement of any beneficiary of any letter of credit established by, on behalf or at the request of, the Company, or of a party to any escrow agreement or similar arrangement in which the Company has an interest that is identified by the Petitioners in the future (each a "Subsequent Claim"):

(a) when informed of a Subsequent Claim, counsel for the Petitioners shall serve upon the holder of such claim a copy of the Summons and Petition, and the most recent injunction order entered by the Court;

(b) the holder of a Subsequent Claim will have twenty (20) days from service of the Summons in which to submit a motion or answer to the Petition; and

(c) on such notice to counsel for the Petitioners as the Court may require, the holder of a Subsequent Claim may file a motion seeking an order of the Court vacating or modifying the injunction entered in this proceeding with respect to such Subsequent Claim. Such request shall be the subject matter of a hearing as scheduled by the Court. Otherwise, the holder of a Subsequent Claim may file objections and be heard by the Court in accordance with the terms of any order of the Court providing for a hearing in the future on the relief sought by the Petitioners in this proceeding.

The Order shall remain in effect pending a hearing scheduled to be held on June 18, 1998 at 2:30 o'clock p.m. (the "Return Date") before the Honorable Prudence Carter Beatty, United States Bankruptcy Judge, in Room 617 of the Alexander Hamilton Custom House, One Bowling Green, New York, New York. All papers submitted for the purpose of opposing continuation of the Order after the Return Date shall be filed with the Court, with a copy to the Chambers of the Honorable Prudence Carter Beatty, and served on Cadwalader, Wickersham & Taft, so as to be received at least fourteen (14) days prior to the Return Date. Any party-in-interest that has not received a copy of the Petition and Supporting Papers and/or the Order should contact counsel for the Joint Provisional Liquidators in writing at the address below.

CADWALADER, WICKERSHAM & TAFT
100 Maiden Lane
New York, New York 10038
Tel: (212) 504 - 6000
Fax: (212) 504 - 6666
Attention: Kenneth P. Coleman, Esq.
Lisa C. Dorr, Esq.

** As used herein, United States is defined to include the United States and its territories and possessions.*

Power outage disrupts Kiwi business district

By YVETTE HIGGINS

AUCKLAND, New Zealand—Insurance is unlikely to cover most of the commercial losses from a power outage lasting more than a week in the central business district of New Zealand's largest city late last month.

New Zealand Energy Minister Max Bradford estimated that the power failure, whose cause is under investigation, will result in losses totaling tens of millions of dollars.

The outage, which began Feb. 20 when four main power lines supplying Auckland's financial district failed, disrupted phone service, forced the closure of many businesses and delayed the opening of Auckland University.

Similar in nature but smaller in size than Chicago's Loop or New York's Wall Street area, the financial district in downtown Auckland contains major hotels, law offices, banks, stock brokers, retail stores, restaurants and other businesses as well as residences.

David Sargeant, chief executive officer of the Insurance Council of New Zealand, last week said he doubted most of the businesses will be able to claim losses under business interruption policies.

Business interruption policies typically do not include coverage for off-premises power failure caused by a utility company's inability to supply electricity. However, businesses may purchase endorsements offering that coverage, and some insurers said they expected claims from policyholders in Auckland.

Auckland-based utility Mercury Energy Ltd., which owns and operates the failed power lines, established a $2 million New Zealand ($1.2 million) fund last week to help small businesses affected by the outage, with the maximum claim $2,000 New Zealand ($1,200). Dennis Andrews, general manager-finance at Mercury Energy, said businesses with fewer than 10 full-time workers could file claims to the fund.

Mercury Energy is in the process of privatization and is owned by a trust representing energy consumers.

The New Zealand government plans to investigate the exact cause of the power failure, but Mr. Andrews blamed the failure on electrical faults in underground power cables.

Partial power was not expected to be restored until March 1. Mr. Andrews said full restoration would not occur until later this week.

Initially, two of Mercury Energy's power lines failed at the end of January in unseasonably hot, dry weather brought on by the El Nino effect. A third line subsequently failed and, on Feb. 20, the fourth line failed, leaving the one square-mile business area with only 10% of its usual power supply. Mercury Energy's fifth emergency line is supplying the city.

Mercury Energy last week was not accepting liability for the power failure, according to Roger Wilkinson, general manager of the utility's broker, J&H Marsh & McLennan Pty. Ltd. in Auckland. Mr. Wilkinson would not comment on Mercury Energy's insurance policies.

Although the amount of insured losses remains unknown, insurers, brokers and the Insurance Council of New Zealand said policyholders may have coverage through business interruption or homeowners policies, depending on policy wordings.

If the government inquiry finds Mercury Energy negligent, insurers may subrogate to recover claims payments, Mr. Sargeant said. Businesses without coverage would have to seek compensation on their own, he said.

"A minority" of companies buy business interruption policies that include "failure of power supply" endorsements, because they are costly and many believe the risk of power failure is low, Mr. Sargeant said. Business interruption coverage may respond if a policyholder suffers material loss from an insured peril, he noted.

Bill McDermott, assistant general manager-product management at Auckland-based insurer New Zealand Insurance Ltd., said the company would respond to business interruption claims, depending on policy wordings and the kinds of coverage in place. However, he acknowledged that business interruption policies with a broad extension, such as interruption to a power supply, are not common.

A policy could provide coverage for material damage due to a fire or an explosion at a power supply, damage to supply cables or just an interruption to supply, he explained.

By last week, New Zealand Insurance had received "a number of inquiries from insureds" on whether they were covered, Mr. McDermott said.

By last week, Auckland-based Aon Risk Services New Zealand Ltd. had already received 12 business interruption claims from clients. Nigel Wallace, Aon's Auckland regional manager, said two insurers, which he would not identify, had already agreed to pay claims. Some of those policyholders had broad coverage for the failure to supply power, he said.

Restaurants, stores and hotels could claim for the loss of perishables, but the number of claims would be small compared with the number of business interruption claims, Mr. Wallace said.

Mr. McDermott said he expected to receive domestic property and contents claims from policyholders forced to find alternative accommodation or whose food had spoiled in freezers.

J&H Marsh & McLennan's Mr. Wilkinson said the broker was advising clients to "act as if they are uninsured" and keep detailed records of additional costs. He said J&H Marsh & McLennan had notified insurers of potential claims and had appointed loss adjusters.

Mr. Sargeant said claims would be assessed on a case-by-case basis.

The power outage forced many businesses to activate contingency plans.

Among the companies using generators to supply power were Aon, J&H Marsh & McLennan and Ports of Auckland Ltd., one of the city's largest power users.

When power cuts started early last month, Mercury Energy supplied several generators so the port could maintain refrigeration and move off the power grid, said a spokeswoman for Ports of Auckland.

Despite Mercury Energy's assistance, the port was forced to turn away two cargo vessels because it could not supply its "usual levels of service," she said. She would not disclose insurance details or say whether Ports of Auckland would seek compensation from the utility company.

Geoff Vazey, the company's chief executive, said contingency arrangements would remain in place until the failure was fixed. "This has had an enormous impact on our productivity and on our ability to provide even a basic service," he said.

Most of J&H Marsh & McLennan's 85 staff were working from home and using conference facilities when necessary. Five staff remained in the office to carry out "emergency work," Mr. Wilkinson said.

"A lot of corporate offices have been forced to relocate," he said, and many were using generators, which can overheat and increase the risk of fire.

Dave Greenfield, chief financial officer of Aon in Auckland, said the broker was using five generators and had moved staff and equipment from its 16th-floor office to the second floor. "We also have a contingency plan to relocate if there is a water shortage or similar problem," he said.

PHOTO: AP

To continue operating, many businesses in central Auckland, New Zealand, are relying on generators following a power failure that has shut down the city's business district.

El Niño

Continued from page 1

Business interruption claims are likely to be minimal because property damage has been minor, the spokesman added.

Since mid-December, commercial customers of Los Angeles-based Farmers Insurance Co. have filed more than 1,000 claims. About one-third of those are for flood-related damage, which is not covered by standard insurance policies. Many of the remainder are for leaking roofs at small and mid-size businesses. A Farmers spokeswoman categorized only one claim, a collapsed restaurant roof, as "significant" for business interruption.

While the number of claims filed with Farmers is greater than the number filed during the same period last year, it falls short of the number filed two years prior. "I don't know that we can blame El Niño for the increase in claims, because two years ago we had even more claims," she said.

California's Office of Emergency Services reported last week that total losses statewide thus far amount to $475 million. More than 43,197 commercial and homeowner claims were filed with insurers during January and February, said a spokesman for Western Insurance Information Service in Los Angeles. Insured claims exceeded $50 million.

"However, these numbers are increasing every few days, so they could be outdated later on," the spokesman said.

In Florida, a series of tornadoes killed several residents and destroyed many homes. According to a preliminary estimate by the Rahway, N.J.-based Property Claim Services division of the American Insurance Services Group, the tornadoes caused $100 million in insured property damage.

The catastrophe produced dramatic news photographs, but the damage was contained to a relatively small area, said Tom Jolley, national catastrophe claims center manager for CNA Insurance Cos. in Downers Grove, Ill.

'I don't know that we can blame El Niño for the increase in claims,' a Farmers Insurance Co. spokeswoman says.

Losses in Florida were mostly confined to residential areas and neighborhood strip malls. Few, if any, large companies suffered losses, said Mike Horner, president of the Kissimmee, Fla., Chamber of Commerce.

Kissimmee was one of the areas hardest hit by tornadoes that struck central Florida. The Chamber was helping individual residents before focusing on assisting businesses, Mr. Horner said.

"If there has been any significant interruption of business, it would come from the fact that the tornadoes interrupted traffic here," Mr. Horner said. "As far as business interruption, that hasn't been a significant factor."

Officials for Osceola County, Fla., where the tornadoes struck hardest, said damage to the county's infrastructure was light.

As of Friday, Florida's Division of Emergency Management did not have an estimate of total losses in the state.

Nationwide, 1998 has produced only minor catastrophic-related losses for insurers, CNA's Mr. Jolley said. The ice storm that raked Northern New England in January could have been a lot worse "if it would have pumped a little bit more moisture in there and lingered a little longer," Mr. Jolley said.

According to the latest estimate from the Property Claim Services Division of the American Insurance Services Group, the January ice storm caused $175 million in insured damages in Maine, New Hampshire, New York and Vermont.

Whatever El Niño-related losses the insurance industry is experiencing, they are being offset by lighter than usual winter conditions in the Midwest, where claims for things such as frozen pipes have dropped, Mr. Jolley said.

But El Niño-related claims are up in some sectors.

Good Weather Insurance Agency Inc. in Salem, Mass., normally sees about 100 claims a year from purchasers of weather insurance. The coverage is triggered when very specific weather conditions occur. For example, ice skating rinks in four California communities filed claims after a certain amount of rain fell during specific hours of their business day.

Already the managing general agent for Reliance National has seen more than 100 claims just from California alone since December, said Laurie Tillman, Good Weather president.

"What we are seeing is a huge volume of activity," Ms. Tillman said. BI

PHOTO: AP

El Niño is being blamed for severe weather worldwide this year, including storms that have caused mudslides in Northern California, top, and tornadoes that recently devastated homes and businesses in Kissimmee, Fla.

Oxford's recent history

1986: The health plan is created

• Stephen Wiggins begins Oxford Health Plans.

1996: Successful growth

• Oxford posts $99.6 million in 1996 net income, up 90.1% from 1995.

1997: Innovative programs (January to June)

• Employers in New York, New Jersey, and Connecticut in January are offered a health insurance plan rider to cover alternative medicine services, including chiropractic care and acupuncture.

• The HMO's medical care delivery system is revised in March, offering its 1.7 million members direct access to specialists, creating physician care teams in nine specialty areas and establishing a 24-hour toll-free direct line staffed by nurses.

• Oxford reports first-quarter net earnings of $34.4 million, up 85.7% from the year-earlier period.

• Under an agreement with Columbia Presbyterian Medical Center in New York, members of certain Oxford health plans are given the option beginning in April to see 20 nurse practitioners instead of physicians as their primary care providers.

• Oxford reports a 74.5% increase in net income for first-half 1997, to $71.6 million.

1997: Troubles begin (July to Decenber)

• After Oxford's stock price falls by about two-thirds on Oct. 27 upon news of difficulties in collecting accounts receivables, the company reports a $78.2 million third-quarter loss, citing computer problems.

• The New York Insurance Department orders Oxford to add $164 million to its New York subsidiaries' medical claims reserves.

•New York regulators fine Oxford $3 million for violations of state insurance laws, and the health plan will pay another $500,000 in restitution to customers and care providers.

1998: Turnaround in motion

• Turnaround specialist Albert A. Koch is hired in January as Oxford's temporary chief financial officer to replace Andrew F. Cassidy, who resigned in the fall. Oxford also hires an executive search firm to replace existing CEO William Sullivan.

• Physicians in early February accuse Oxford of dragging its feet on payment of $140 million in fees. Last week, 10 additional doctor groups joined the legal action.

• The Texas Pacific Group on Feb. 24 says it will inject $350 million into the company. Oxford plans to raise an additional $350 million in debt financing.

• Dr. Norman Payson, founder of Healthsource Inc., is hired as Oxford's chief executive officer.

• Oxford reports a fourth-quarter 1997 loss of $284.7 million.

Oxford

Continued from page 1

haul?' and that's kind of a tough question to answer right now," said Joseph J. Fee, senior vp with Sedgwick Noble Lowndes in Philadelphia.

"We want to keep our options open for 1999 and we are planning to look at other tri-state HMO alternatives," said Vicky King, director of compensation and benefits for New York-based Mosby Matthew Bender, a health science and legal publishing company. About 40% of the division's 300 New York City office employees use Oxford.

"I think they will survive, but they'll be a much smaller organization," Ms. King said.

At the very least, employers can expect rate increases from Oxford next year, though competitive pressures in its primary market, the New York metropolitan area, make it unlikely its 1999 rate hikes will exceed those of other HMOs (*BI*, Feb. 23).

Still unclear is the impact of Oxford's financial troubles on its innovative health care programs, which include an alternative medical network, a 24-hour hot line and allowing patients to see specialists without first visiting gatekeepers. Some health care experts expect these programs will be retained for competitive reasons.

As part of cost-cutting efforts, Oxford may be forced to revise how it reimburses its physicians and the structure of its point-of-service plans, its largest product offering.

"They're opening a new chapter right now, with a new management team, and there's a big question on how the script is going to read: What is Oxford going to look like?," said Bob Braddick, a consultant in the New York office of William M. Mercer Inc.

Oxford, which had been a longtime favorite of Wall Street stock analysts, had reported a 745% increase in its first-half 1997 net income to $71.6 million (*BI*, Sept. 15, 1997). But in October, its stock fell by two-thirds after it reported difficulties in collecting accounts receivable (*BI*, Oct. 27, 1997). The company next reported a $78.2 million loss for the third quarter, citing problems with its management information systems (*BI*, Nov. 17, 1997). In December, regulators ordered Oxford to add $164 million to its New York subsidiaries' medical reserves (*BI*, Dec. 15, 1997).

Last week, as it reported a $284.7 million fourth-quarter loss, Oxford announced that investment firm Texas Pacific Group would invest $350 million in Oxford and that the HMO also plans to raise an additional $350 million in debt financing. Buyout firm Kohlberg Kravis Roberts & Co., which was originally part of the deal to infuse new capital in Oxford, withdrew.

Despite the additional capital, Oxford's losses will continue for "for at least a while," said Dr. Payson during a telephone news conference.

In addition to naming Dr. Payson as CEO, pending completion of the transaction with Texas Pacific Group, Fred F. Nazem, formerly chairman of the executive committee, was elected non-executive chairman of the board.

Current CEO William Sullivan will remain with Oxford, but his future position and duties are not clear. Founder and former chairman Mr. Wiggins will continue as a member of Oxford's board.

Dr. Payson, who plans to personally invest $10 million in Oxford common stock, said in a statement that while the challenges facing the company are significant and will take time to remedy, "I believe we will be successful in re-establishing this company as a national leader in health care." At the news conference, though, Dr. Payson offered few details, stating he still was studying the situation.

Arun N. Kumar, a director at rating agency Standard & Poor's Corp. in New York, noted the company probably lost more money last year than it had earned in the previous five or six and said, "It's hard to tell how big the real problems are." It is also unclear whether the $700 million in new capital will be adequate, said Mr. Kumar, adding it will be at least 18 months before knowing whether the turnaround has been successful.

Mark Jamilkowski, an HMO analyst with Conning & Co. in Hartford, Conn., said, "The $700 million buys them a year, year-and-a half."

Sedgwick's Mr. Fee said he hopes Oxford is successful because there are a diminishing number of big players in the managed care market "and, frankly, that doesn't bode well for employers if we get to just a few players on a national basis."

Managed care analysts generally are cautiously optimistic on Oxford's outlook.

"To the extent they can upgrade and improve management controls, and it looks like they're addressing their capital issues, prospects should be positive," said Douglas L. Mayer, an analyst with Duff & Phelps Credit Rating Co. in Chicago. "They've obviously got a very good marketing organization, and despite their financial difficulties, they continue to add membership," he said.

Oxford says it had 2.1 million members as of Jan. 1.

Ellie Kearns, an analyst with Alex. Brown & Co. in Boston, said: "I think the good news is that they have settled on a financial plan, they have named a new management team. We have known quantities now, and there's less uncertainty."

Some question Dr. Payson's appointment, saying he has little turnaround experience. But others say he is the best person for the job, citing his intelligence and rapport with fellow physicians.

"I think Norm Payson will make it happen," said Michael LeConey, an HMO analyst with National Securities Inc. in New York. "He's the smartest guy in the HMO industry."

"It's going to be a real challenge to get things straightened out out there, but I would give Norm as good a chance as anyone of being able to do it," said Rob Mains, an HMO analyst with Advest Inc. in Albany, N.Y.

"He's the only person I can think of who can do it, short of God, maybe," said Elizabeth Senko, an HMO analyst with Lehman Bros. in New York.

Dr. Payson's real agenda, some say, may be to prepare the HMO for sale.

A sale "is equally as viable as Oxford turning it around themselves," said Ed Kaplan, a vp in The Segal Co.'s health benefits practice in New York. "The new CEO was instrumental in making Healthsource attractive to CIGNA, so he has a track record" in that respect, he noted.

Barbara Wachsman, San Francisco-based practice leader for Watson Wyatt Worldwide in northern California, said she has seen nothing to indicate the HMO is being put up for sale.

"I think that is just the talk that you hear in this industry today because there has been so much consolidation and acquisition and it seems to be the first thing on everybody's mind," Ms. Wachsman said.

Employers that use Oxford can expect higher rates next year.

See **Oxford** *on next page*

PBMs

Continued from page 2

Merck & Co. Inc., respectively. Combined, Express Scripts and ValueRx had $2.9 billion in 1997 revenues.

A spokesman for Merck-Medco said the company's 1997 drug sales were $12 billion; a PCS spokesman said Lilly does not break out PBM revenue figures from the overall corporate balance sheet.

Far greater size may mean economies of scale as Express Scripts negotiates drug purchases from pharmaceutical makers and retail chains. In the highly competitive PBM field, it will give Express Scripts an invaluable dividend: a near-doubling of covered lives. The merged company is expected to serve 22 million people, up from 12 million for Express Scripts by itself.

"Size and scale will enhance our ability to deliver cost-effective services," said Barrett Toan, Express Scripts' president and chief executive officer, during his visit to tour the Minnesota facilities of ValueRx last week.

A larger organization will make it less burdensome for the PBM to support electronic, interactive point-of-sale prescription processing systems, expensive but increasingly important mail-order processing facilities, disease management initiatives that link drug and medical data, and programs to identify at-risk patients for medication intervention.

ValueRx also brings to the combined entity three times as many staff persons in its clinical department as Express Scripts, Mr. Toan said.

Express Scripts undoubtedly found ValueRx attractive partly because of its data development and data "mining" activities, for which it has gained respect throughout the industry, said Tamra Lair, health care practice leader for Watson Wyatt Worldwide in Minneapolis.

A key aspect of the deal is that it will allow Express Scripts to continue to promote itself as an alternative to drug maker-owned PBMs, such as PCS, Merck-Medco or Diversified Pharmaceutical Services Inc., which SmithKline Beecham Corp. bought in 1994.

Many employers and HMO customers have expressed a strong interest in staying with an independent PBM to avoid potential conflicts of interest as drug companies seek to favor their own brands of medications, said Mr. Toan.

One benefit consultant, however, said plan sponsors look almost exclusively at the price of prescription drugs when they choose a PBM, not ownership.

"It's very difficult to distinguish yourself from your competitor on anything except numbers issues," said Howard Tarre, senior consultant with The Kwasha Lipton Group of Coopers & Lybrand L.L.P. in Fort Lee, N.J. "The employer will always look at numbers first. It's just, 'Show me the money.'"

Indeed, two benefits executives appeared to have no hesitation about hiring a PBM owned by a drug manufacturer, or at least would not reject one merely because of that.

"It would probably depend on the individual circumstances," said Deborah March, manager of compensation and benefits of the Portland, Ore.-based Louisiana-Pacific Corp. "It wouldn't prevent me from hiring a PBM—that would be one factor to look at."

Other variables would include pharmacy locations, service levels, online capability, cost and access in the rural areas where many of the employer's workers live, she said. Louisiana-Pacific hired a PBM only last January for a card program and mail-order service; it is not owed by a drug maker.

Even more willing to consider a PBM owned by the pharmaceutical industry was Lynette Pagnini, manager of compensation and benefits of Irvine, Calif.-based Mazda North America Operations. The American division's 1,100 employees use a card program and mail-order service not owned by a drug company, but Ms. Pagnini said going with a drug company's PBM might save a company money.

"I think that sometimes when you go with a PBM that links in with major pharmaceutical (firms), you can get some real cost savings," she said. "You're cutting out a middle man and going direct."

Whether or not the merger affects drug prices, Express Scripts expects its business to soar. The merger will increase Express Scripts' prescription card claims by 75% and will more than double its mail order volume, said George Paz, senior vp and chief financial officer of Express Scripts. A large customer base will in turn increase suppliers' incentive to give the PBM heftier discounts, he said.

The deal also will allow Express Scripts to grow in the large employer and union market, where it has not succeeded in attracting many clients. Express Scripts has targeted most of its marketing toward HMOs and third-party administrators, but the need to diversify has become apparent to PBMs as managed care organizations consolidate and fewer new customers are available.

"The large employer market is a large market," said Arthur F. Shinn, consultant with William M. Mercer Inc. in New York. "That's not saying it's a better market, but if they ignore that market, one would have to question their ability to expand and grow and get lives."

Such changes are necessary as pricing pressure takes its toll throughout the PBM industry, as operating margins shrink and as it becomes harder to operate medium or small PBMs profitably, Mr. Paz said.

Express Scripts is under added pressure to perform for its shareholders, having gone public in 1992. The company has experienced high growth in recent years, posting $1.23 billion in revenues in 1997, $774 million in 1996 and $544 million in 1995. Forty-five percent of the company's stock is owned by New York Life Insurance Co.; the stock's value has risen 20% since the announcement of the merger, Mr. Paz said.

ValueRx had revenues of about $1.67 billion last year.

Kevin Roberg, president and CEO of ValueRx, led an unsuccessful bid by senior managers to buy the company. Still, he said Express Scripts is an ideal choice to take over ValueRx because of its high standards, strong interest in disease management and desire to maintain its autonomy from drug makers.

"Although we were not the winning bidders, we couldn't find a better buyer than Express Scripts," he said.

Mr. Roberg, formerly chief operating officer of DPS before the SmithKline Beecham acquisition, will leave ValueRx, along with most senior executives, a few weeks after the takeover is complete. The deal is expected to be final by March 31, subject to regulatory approvals, Mr. Toan said. BI

Commentary

Graham's history compelling, candid

I've just finished Katharine Graham's autobiography "Personal History" and highly recommend it to anyone interested in the inside story of an influential media company, how editors and publishers make decisions, how a woman raised to be a wife and mother became a successful chief executive officer and handled some very tough issues that fall within the realm of risk management and employee relations.

There is much to be learned on all these fronts from Ms. Graham's compelling and candid account of her life and work at The Washington Post Co.

I'm frankly embarrassed that I waited so long to read this book, which I knew I wanted to read as soon as it was published. Now that I have, I am talking about it with everyone.

If you are interested in how to grow a business, you will learn much from her description of not only the company's successes but also its failures and what she learned in the process. For one, she learned to trust her instincts about people and their ability to do the jobs she had in mind for them.

If you are intrigued by how editors and publishers make decisions on what stories to pursue and publish, you also will get a terrific insight from her accounts of newsroom management. And, if like me, you are old enough to vividly remember the unfolding of the Watergate scandal, you won't be able to put the book down as she recounts how The Washington Post broke the Watergate story.

Kathryn J. McIntyre

I was astounded at how honest she was in describing her transformation from wife and mother to also being a businesswoman. She had so little faith in herself or her abilities. Very interesting is that Warren Buffett, the CEO of Berkshire Hathaway and better known to *Business Insurance* readers for his company's success in the reinsurance industry, was a huge supporter and mentor of Ms. Graham. Her descriptions of business and personal dealings with Mr. Buffett reveal him to be a far more compassionate and indeed funny individual than do many other reports I have read that focus more on his business acumen. Of course, Mr. Buffett's business genius is well-described by Ms. Graham as well.

On the risk management front, Ms. Graham's account of events leading up to her decision to publish the Pentagon Papers despite warnings that there could be grave financial, legal and political consequences also is a nail-biter, even though we know she ultimately decided to publish. With the company in the midst of going public, she feared that deciding to publish could destroy the paper she loved. But she heeded the words of a top Post editor: "There's more than one way to destroy a newspaper." It's a great lesson for managers who are too prone to avoid risk.

On the employee relations front, her insights into bringing more women and people of color into the newsroom is very revealing for all organizations seeking to diversify their workforces and the management challenges that presents. Even as a woman running the company, Ms. Graham admits she "became too embattled as someone who was part of management" when the company was sued first by women alleging discrimination at Newsweek, which is owned by The Washington Post Co.

She also observes, "Eventually things improved dramatically at both places," referring to Newsweek and the Post, "but without the suits and without the laws adopted by the country, this would have happened even more slowly."

It's a revealing comment from a person in business and one to think about before we dismiss the need for various litigation or laws.

Indeed, Ms. Graham said recently in an interview that she has been surprised by the large number of letters from younger women saying they continue to face many of the same challenges she described as she became the controlling owner of the Post in 1963, publisher of the Post in 1969 and throughout her career as she broke down barriers to women in business.

By the way, don't be daunted by the folio of 625 pages. She needed every page to tell the story properly.

Publisher and Editorial Director Kathryn J. McIntyre and Editor Paul D. Winston write columns on alternating weeks.

Oxford

Continued from previous page

Large employers can probably expect increases of 5% to 10%, said Mr. Barnett of Kwasha Lipton. "That'll be the employers' decision whether to pass on some of that increased cost to the employees," he said.

However, "they're going to have to stay competitive," said Ms. Wachsman.

"I'm think everybody has to be worried about rate increases from Oxford and, frankly, from anybody else who's out there right now," said Helen Darling, manager, international compensation and benefits at Stamford, Conn.-based Xerox Corp. Ms. Darling said Xerox, an Oxford customer, has seen no impact on rates to date as a result of its financial problems.

A Treasury Department spokeswoman for the state of New Jersey, where Oxford is one of 10 HMOs state employees use, said she has seen no impact as yet, noting that the state's rates already have been locked in for the 12 months beginning July 1998. "We don't anticipate any problems with the change at Oxford," she said.

Nevertheless, competitors are likely to target Oxford clients.

"I'm sure you'll see a lot of HMOs and health plans trying to penetrate their membership," said Ken Frino, an analyst with A.M. Best Co. in Oldwick, N.J.

S&P's Mr. Kumar agreed. "One could expect companies like Aetna and other HMOs that operate in the area to aggressively go after Oxford at this point and try to get away customers," he said.

"I'm sure some of the HMOs that were maybe less out front, less outspoken, may feel right now that maybe their being more stolid and solid is an advantage," said Xerox's Ms. Darling.

Meanwhile, Oxford is going to have to try to better control its costs, which could take the form of more capitation arrangements with providers, analysts say.

Oxford customers have been very happy with the company because of its open panel approach, which gives them their choice of physicians, "but it's also the same thing that caused the company a lot of its problems," said Mr. Kumar of S&P.

"Clearly, their track record points to a company that had no control over costs, didn't even know what their actual costs were," he said.

The company is going to have to get real control over its actual costs and then try to change its product configuration and benefit structures or recontract with providers, Mr. Kumar said.

The company may start cutting reimbursements to providers, or move to some form of capitation in their point-of-service plans to cut costs, said Mr. Barnett of Kwasha Lipton. They may also put restrictions on employees' movement out of the network, or cut down on reimbursements there as well, "which will create dissonance for employees" who will have to pay more out-of-pocket, he said.

The fate of Oxford's innovative programs is open to speculation.

In response to a question on that, Dr. Payson said while "our basic mission is the same it's always been," he has not had the opportunity to review specific programs.

"It's unclear at this point" whether Dr. Payson will find them too costly and want to start eliminating them, said Mr. Barnett.

"I don't think they'll go by the wayside, because the plan's very much market-driven, and consumer-driven and popular," though their cost may go up, said Ms. Kearns of Alex. Brown.

There are "some very difficult decisions" to be made, said Mercer's Mr. Braddick. Mr. Wiggins saw Oxford's mission as going beyond providing basic health care to being a catalyst and an innovator, "and there's a fundamental organizational vision at issue here" in terms of what can be done now in light of factors including its basic financial position and the market's maturity.

Meanwhile, benefit consultants advise employer clients of Oxford to carefully examine their health plan data.

The Segal Co., for instance, recommends clients look at data such as month by month enrollment figures, claims, and the amount of time it takes for them to be paid.

"There are mechanisms that we've given our clients to watch so they can look at the signs to see if service is deteriorating or improving" and to determine if quality is in jeopardy, said Mr. Kaplan. He said the consultant is warning its clients: "Watch it closely. Don't sit back on your hands." BI

Tobacco

Continued from page 2

Chairman Orrin Hatch, R-Utah, who appeared as a witness before the Commerce Committee.

"Frankly, I believe that we should be concentrating our efforts on preventing a new generation of smokers, rather than using the tort system to give helter-skelter payoffs to those who are already addicted. Compensation should not depend on who sues first," said Sen. Hatch.

"I want to work with the members of this committee to craft bipartisan, comprehensive anti-tobacco legislation which can be enacted this year. I personally believe if we don't do it this year, it won't be done," he warned.

The Judiciary and Commerce committees are only two of several House and Senate committees that have jurisdiction over matters addressed in the proposed settlement. As a result of the divided responsibility, a number of bills already have been drafted and await action by the pertinent committees. Differences among the bills would have to be ironed out before a final measure reached the Senate floor, and differences between House and Senate legislation—assuming that both chambers approve the settlement—would have to be reconciled in conference committee before a final measure could be sent to the president for his signature. Sen. McCain himself said he hopes his committee will vote on a bill dealing with some aspects of the complicated settlement proposal later this month.

Under the terms of the settlement worked out between the tobacco industry and 40 state attorneys general, cigarette makers would ultimately pay about $368.5 billion over 25 years to settle the state suits (*BI*, June 23, 1997).

About $60 billion of that amount would be used to settle punitive damage claims against the industry in return for a ban on punitive damage awards for the industry's past conduct. The settlement would also provide the industry with immunity from class-action suits for past misconduct, though individuals or their estates would retain the right to sue.

Tobacco companies still would be liable for future misconduct if misconduct could be proved.

The tobacco companies also agreed to a wide range of advertising restrictions, government regulations and other burdens in return for a settlement.

Tobacco executives made clear that they believe they could face bankruptcy if the settlement is not approved. Geoffrey C. Bible, chairman and chief executive officer of the Philip Morris Cos., noted that plaintiffs rarely have won jury verdicts in their suits against tobacco companies. If that trend suddenly reversed and plaintiffs began winning every case, only a handful of plaintiffs would actually benefit because there'd be nothing left to pay other plaintiffs once the tobacco companies went bankrupt, he said in testimony last Tuesday.

Colorado Attorney General Gale Norton took the matter further two days later as she responded to a question from Sen. Slade Gorton, R-Wash., about the impact of industry bankruptcy.

"We've examined the asbestos situation as the closest parallel," said Ms. Norton. Early claimants did well; later ones did not, she said.

In the case of the tobacco suits, Mississippi, Florida and Texas have all reached acceptable settlements in their suits against cigarette makers, she said. If the tobacco companies were driven into liquidation, claimants who had not settled would end up empty-handed.

Ms. Norton also noted that pushing the tobacco companies into corporate reorganization through bankruptcy also contains perils. All financial decisions then would be left up to a federal bankruptcy judge, she said.

Ms. Norton said that contrary to the beliefs of some anti-smoking activists, driving tobacco companies out of business wouldn't mean the end of smoking. Instead, smuggling of tobacco products much like the smuggling of liquor experienced during Prohibition would result. BI

Suit threatens Texas settlement

AUSTIN, Texas—Texas' attorney general fears that a suit by Gov. George W. Bush challenging attorneys fees could undo the state's $15.3 billion settlement with the tobacco industry.

The state's private lawyers are owed as much as $2.3 billion in fees under terms of the settlement.

The governor's suit, filed last month in U.S. District Court in Texarkana, Texas, asks the federal judge to allow Texas courts to examine constitutional questions raised by the fee arrangement. The hearing is scheduled for March 19. Gov. Bush has said he thinks state taxpayers ultimately could be forced to pay the fees.

A spokesman for Texas Attorney General Dan Morales said the settlement calls for the industry to pay the fees and lets cigarette makers back out of the deal if any "material changes" are made to the agreement. If the portion regarding attorneys fees is altered, that could give the industry a way to scuttle the deal, the spokesman added.

The suit is a "reckless political stunt" by Gov. Bush, who is widely thought to be a presidential candidate, the spokesman said.

—By Michael Bradford

CGU

Continued from page 1

The merger, announced last week in London, is expected to be completed by June. It is subject to approval from both companies' shareholders and financial regulators in all markets in which the combined company will operate.

Under the merger terms, CU shareholders will get the same number of shares in CGU, and GA shareholders will receive 1,233 new CGU shares for every 1,000 GA shares. After the merger, CU shareholders will hold 53.6% of the issued ordinary share capital of CGU, and GA shareholders will hold 46.4%.

CU stock closed at 1,098 pence ($18.10) Friday, down from 1,120 pence ($18.43) Feb. 20. GA stock rose slightly over that period, to 1,363 pence ($22.38) from 1,345 ($22.21).

The proposed deal would be the U.K. insurance industry's biggest merger since the combination of Royal Group Holdings P.L.C. and Sun Alliance P.L.C in 1996 to create Royal & Sun Alliance P.L.C (*BI*, June 5, 1996). RSA, which had net written premiums of £9.36 billion ($14.6 billion) for the year ended Dec. 31, 1996, will be CGU's nearest U.K. rival in terms of size.

Despite the further consolidation of the U.K. market, the merger is expected to have little impact on risk managers, according to Ina Barker, executive director of the London-based Assn. of Insurance & Risk Managers.

"The reality is this coming together doesn't really reduce competition," she said. "At present, we have a very large insurance market with lots of capacity. We are also seeing a growing trend toward alternative risk financing methods. . .there are still plenty of options out there for risk managers in terms of capacity."

Ms. Barker said AIRMIC generally welcomes the merger because it provides risk managers a strengthened and more secure U.K. insurance company.

She said AIRMIC is in favor of market consolidation as long as the savings achieved through streamlined systems are passed on to buyers through lower premiums. CGU is forecasting annual cost savings of £225 million ($370.2 million) within two years of the merger's completion. The largest percentage of savings, 45%, is expected to come from the U.K. operations, with 30% from North America and 25% from the rest of the world.

Bob Scott, GA's chief executive, said savings will be achieved in three principal areas: staff, real estate and information systems.

Mr. Scott said 5,000 jobs will be lost worldwide, with 3,000 in the United Kingdom, the majority of which will be in London.

Mr. Scott said the merger is a great opportunity for the combined company to develop common information systems and implement new technological initiatives.

He said the merger also will create the potential for additional cost savings through improved claims-handling procedures and increased reinsurance purchasing power.

Executives of CU and GA claim the merged group will be the United Kingdom's largest multiline insurer: ranking No. 2 in the non-life insurance market, based on 1996 net premiums written, and No. 5 in the U.K. life market, based on new annualized premium income for 1996.

Based on combined 1996 net premium income, CGU would be one of the 10 largest insurers in Europe.

CGU would be the 15th-largest non-life insurer in North America and the eight-largest insurer selling through independent agents in North America, according to the insurers. The combined group will be the leading non-life insurer in Canada and will hold No. 2 positions in both the Australian and New Zealand non-life markets.

Non-life insurance business is expected to account for 58% of GCU's worldwide net premiums, with life business accounting for the remainder.

Sir John Carter, CU's chief executive, said life insurance and long-term savings products provide the biggest growth potential for CGU, due to a worldwide decline in state-sponsored retirement coverage and the increasing demand for personal life insurance and savings vehicles.

But he said CGU's non-life insurance operations also have the potential to deliver a consistent level of profitability through market segmentation, disciplined underwriting and lower expenses.

'The name of the game is to keep costs down' in the non-life sector, says Trevor May. 'It will not be a surprise if there are further mergers and acquisitions in the future.'

"The quality of the overall portfolio is extremely attractive. . .It provides both the core profitability and the platform for strong growth."

Pehr Gyllenhammar, CU deputy chairman, told the press briefing that insurance "used to be a cozy industry" but is now one of "intense competition."

He said higher capitalization is increasingly important in the insurance industry and that GA stood out as the best partner for CU.

"The structure and the organization have clarity; there is no fudge," he said "This is a good match."

U.K. financial analysts generally agree that CU and GA are a good combination and welcomed the announcement of the merger.

Tim Dawson, an insurance analyst with London stockbroker Barclay de Zoete Wedd, said the merger is an "extremely well-placed combination."

He said the merged group has good international growth potential, though he supports the strong, initial focus on the U.K. domestic market.

Mr. Dawson said U.K. insurance companies have traditionally been "constrained" internationally because they do not have strong core domestic operations. "Other European groups have been moving forward with acquisitions, and the U.K. has very much been left behind," he said. "It is encouraging to see a British company biting the bullet."

CU's Sir. Carter emphasized that U.K. business is at the core of the profitability of both CU and GA, and the creation of an enhanced U.K. base is a central element of the merger.

"Successful international insurance companies typically hold very strong domestic positions from which they have expanded overseas," he said. "But U.K. companies have, largely for historical reasons, expanded overseas without necessarily possessing the same penetration of their domestic market."

CGU will be headquartered in London. However, the largest business in the combined group, U.K. non-life insurance, will be based in Perth, Scotland.

In the United Kingdom, GA writes commercial automobile, property and liability, while CU writes commercial automobile, fire and liability. Mr. Scott said GA has a strong U.K. branch network, while CU is stronger with the big international brokers.

"When you put the two together, we will be in a very strong position in provincial U.K., and there will be a complementary position in the London international broker business," Mr. Scott said.

In Europe, CU writes commercial property, automobile, health, fire, liability, and personal accident. The company has strong market positions in France and the Netherlands and last year expanded into the developing eastern European market when it started writing business in Poland.

GA's main European market is Germany, and the company has developing markets in France and Belgium.

Mr. Scott said CGU will not be "out of the game" for acquisitions in Europe, despite the merger integration process over the next two years.

BZW's Mr. Dawson agreed that CGU could be in a position to make European acquisitions. "But I don't think they will be big ones," he said.

Mr. Scott said North American expansion will be a significant part of the merger. He said CGU's target segment in North America is the independent agent distribution area, serving small commercial businesses.

In North America, GA writes automobile, property/casualty and workers compensation, while CU writes commercial property, automobile, workers comp, liability and marine.

The merger was welcomed by Moody's Investors Service Inc. It has placed under review for a possible upgrade CU's A1 insurance financial strength rating.

Standard & Poor's Corp. has placed CU's counter party credit and claims-paying ability on credit watch with positive implications. S&P has placed GU's same ratings on credit watch with negative implications but said even in the event of a downward adjustment, the rating would not fall below AA.

An insurance analyst at London-based NatWest Securities Ltd. believes the merger of GA and CU is "strategically sensible." He said the merger provides a strong U.K. base plus a complementary overseas fit. "CU's strength in Europe complements GA's presence in North America," he said.

The new 14-member board of directors of CGU will be drawn equally from the current boards of CU and GA.

Mr. Scott will be chief executive of CGU. Sir. Carter and Nicholas Baring, the current CU chairman, both will retire at the completion of the merger. Sir Rankin said both men had played critical parts in bringing the merger to fruition but had made earlier plans to retire.

Financial analysts agreed there is likely to be further consolidation in the U.K. non-life insurance market.

Trevor May, an insurance analyst for Salomon Brothers Inc. in London, said the non-life insurance sector is "ex-growth," and therefore, it is natural to see consolidation. "The name of the game is to keep costs down," he said. "It will not be a surprise if there are further mergers and acquisitions in the future."

Mr. Dawson of BZW said the advantage of scale in the insurance business is becoming increasingly apparent, and small to medium-sized U.K. companies will struggle. "We will see more companies basically throwing in the towel." BI

Updates

Tainted-beef suit settled

Continued from page 2

Among the meat suppliers in that settlement was Vons Cos. Inc., a wholly owned unit of Safeway Inc. of Pleasanton, Calif. In a statement, Safeway said its share "is a small portion of the total settlement" and will have no significant impact on the company. Part of Vons' settlement is covered by insurance, but the company would not provide more details.

At least eight other meat suppliers or their insurers also contributed to the settlement: Beef Packers Inc., Cattleman's Choice, Fresno Meat Co., Monfort Inc., Orleans International Inc., RBR Meat Co., Service Packing Co. and Westland Inc.

A confidentiality agreement prevented the release of further details, the Foodmaker spokeswoman said.

Superfund committee vote set

WASHINGTON—A House subcommittee will vote on a modest Superfund reform bill this week as a key Senate committee delayed a scheduled vote on its version of Superfund reform.

H.R. 2727, the Superfund Acceleration, Fairness and Efficiency Act sponsored by Rep. Sherwood L. Boehlert, R-N.Y., would not provide comprehensive relief from retroactive liability. Instead, the bill would give liability relief to small potentially responsible parties and would liberalize remedy selection standards. The House Transportation and Infrastructure Committee on Water Resources and the Environment, which Rep. Boehlert chairs, plans to vote on the bill Wednesday.

Meanwhile, the Senate Environment and Public Works Committee postponed a scheduled March 3 vote on S. 8, the Superfund reform bill drafted by Sens. John Chafee, R-R.I., and Bob Smith, R-N.H. A new draft of that bill, released last week, also would focus liability relief on small PRPs and would scale back the retroactive liability relief contained in the Senate GOP's 1995 Superfund reform bill. Despite its modest nature, the new version of S. 8 has failed to win the Clinton administration's support.

The vote on S. 8 was postponed to allow the Senate to deal with transportation issues.

Judge orders med mal refund

KINGSTON, N.Y.—Insurers and health maintenance organizations in New York should receive about $130 million in refunds for premiums they paid to the state excess medical malpractice fund in 1996 and 1997, a judge has ruled.

The ruling follows a decision by the same judge last July that the insurers and HMOs should receive refunds of about $170 million for premiums paid in 1995 and 1996.

In the latest ruling, Supreme Court Judge Joseph P. Torraca repeated his finding that former New York Superintendent of Insurance Edward J. Muhl set a rate that was "arbitrary and capricious."

The excess medical malpractice fund provides free excess medical malpractice coverage for 20,000 doctors. Since its inception in the mid- 1980s, it has been funded through a surcharge on hospital discharge fees and has accumulated huge reserves and paid few claims.

Judge Torraca ruled that the reserves accumulated are such that they likely will never be exhausted.

Last July, New York lawmakers voted to suspend the payments for one year and ordered a study to assess whether the program could be perpetually self-funding (*BI*, July 7, 1997).

Both of the court rulings are expected to be appealed.

Briefly noted

Cendant Corp. extended until March 6 its cash tender offer to buy approximately 23.5 million common shares of **American Bankers Insurance Group Inc.** at a price of $58 per share. The offer was originally set to expire Feb. 25, and 20.9 million shares had been turned over by Feb. 24. . . .Louisiana Workers' Compensation Corp., the state's residual market, is **decreasing rates** more than 20% for more than 80 classes of businesses and by 3% overall. The LWCC said the reductions were possible because it has gathered five years of loss data and strengthened its reserves since its 1992 formation. . . .A.M. Best Co. has assigned an initial A- rating to **Private Medical-Care Inc.**, a Cerritos, Calif.-based dental health maintenance organization. This is the first rating A.M. Best has given a dental HMO. The rating reflects the company's strong growth and affiliation with Delta Dental Plan of California, whose management controls the non-profit dental HMO. . . .A.M. Best has assigned a negative outlook to three **Aetna U.S. Healthcare units**. The three units, Health Maintenance Organization of New Jersey Inc., U.S. Healthcare Inc. of New York and United States Health Care Systems of Pennsylvania Inc., still retain their A+ ratings, but those could be downgraded if the companies continue their "unfavorable business trends," Best said. Aetna said Friday it disagrees with A.M. Best's decision to assign a negative outlook to the ratings. . . .The five **Blue Cross/Blue Shield** plans in New York State have announced plans to create an independent external review system of claims Blues plans have rejected for lack of medical necessity. Implementation is scheduled for Jan. 1, 1999. . . .A federal jury in Amarillo, Texas, found television talk show host **Oprah Winfrey** not liable last week in the defamation lawsuit brought against her by Texas cattle ranchers. Ms. Winfrey's defense was covered under a TV producer errors and omissions liability policy underwritten by Fireman's Fund Insurance Cos., sources familiar with the case said. . . .The **Internal Revenue Service** is expected to propose modifications later this month to make it easier for employers to use voluntary IRS programs to correct mistakes in administering company pension programs. . . .**Trenwick Group Inc.** has completed its previously announced acquisition of SOREMA (UK) Group Ltd., a unit of SOREMA S.A. in Paris. The London-based insurer and reinsurer will be renamed Trenwick International Ltd., and its capital will be doubled to $125 million. . . .Arnold Dutcher, chief deputy director of the **Illinois Insurance Department**, became acting director of the department March 1. He replaces Director Mark Boozell, who is rejoining the governor's staff.

Watson Wyatt

Continued from page 1

will allow them to focus on their core business," Mr. Bleau said.

Observers point to several missteps that Watson Wyatt took in its development of Wellspring. One key mistake, they say, was taking on projects involving extremely complex benefit plans before its systems were developed to handle those plans in a cost-efficient way.

"There is a big lesson in this. You have to work out what your platform is going to be before you open your door for services," said Mike Hager, president of Hager Strategic Inc. in Washington. Hager advises employers on whether to outsource benefit administration and helps employers select outsourcing vendors.

"You have to be very disciplined; you have to figure out your operating environment ahead of time and not take on business you can't handle," Mr. Hager said.

Wellspring has just nine clients, but they include some of the biggest names in corporate America, including AT&T Corp., Rockwell International Corp., Sears, Roebuck & Co. and Westinghouse Corp.

Agreeing to provide outsourcing services for so many massive employers, some of which have enormously complex benefit programs, also may have been a mistake.

"They took on huge, complicated cases. That slowed down its ability to get its basic infrastructure working right," Mr. Hager said.

Still, employee benefit manager clients, while noting that Wellspring at times missed project deadlines, give the outsourcing vendor high marks for flexibility and other strengths.

"They have a willingness to work with us and be flexible in meeting our requirements. They have a commitment to technology that supported a self-service environment," said Sue Wombacher, director of benefit services at US West Inc. in Englewood, Colo. US West is outsourcing administration of its health and welfare plans to Wellspring.

James Bronson, Sears' vp of benefits in Hoffman Estates, Ill., said he was very impressed with Wellspring's systems capabilities.

"Overall, we have been pleased," he said. Sears is using Wellspring to outsource administration of its defined benefit pension program, a project it expects to complete this summer.

Watson Wyatt's problems in the outsourcing business are just one facet of the changes buffeting the industry.

For decades, employers have outsourced specific administrative tasks, such as running nondiscrimination tests on their 401(k) plans, to their benefit consultants.

But in the past four or five years, benefit outsourcing has taken on an entire new dimension. Employers, anxious to concentrate on their core operations and reduce the sizes of their benefit departments, have turned over to consultants complete administration of their benefit plans.

With the need to constantly update systems, "It does not make sense to do benefit administration yourself," Sears' Mr. Bronson said.

The construction of giant call centers and training of phone staffers means benefit consultants in effect have taken on the benefit administration role formerly assumed by employers, rather than just administrative tasks. When employees call with questions, asking about such things as adding a dependent to a health care plan or when they will become vested in a pension plan, it is the consultant, through the call center staff, fielding the request.

"We are the reservoir of employer data. We are the ones answering questions," said Robert S. Byrne Jr., a managing principal with The Kwasha Lipton Group of Coopers & Lybrand L.L.P. in Fort Lee, N.J., a major player in the outsourcing field.

While benefit outsourcing has become a huge growth area for consultants and other vendors, some have faltered. Last year, William M. Mercer Inc. largely moved out of total outsourcing, turning over its call centers and defined contribution plan and health and welfare plan administration to Automatic Data Processing Inc. as part of an alliance with the payroll administration company. From the beginning, Mercer had problems in benefits outsourcing, at least in part because its early clients' benefit plans were so complex that the conversion proved harder than expected (*BI*, July 28, 1997).

In addition, the heavy capital investments that outsourcing demands was a driving factor behind Buck Consultants Inc. decision to be purchased by Mellon Bank Corp., the diversified financial services giant.

On the other hand, Hewitt Associates L.L.C., without the aid of an outside partner, has become the largest and perhaps the most successful provider of benefit outsourcing services.

More than half of Hewitt's revenues—or more than $300 million—now is generated by benefit outsourcing. Its four outsourcing centers in the United States—all of which are being expanded—now serve 121 employers with 9 million plan participants. A fifth center is scheduled to open later this year outside London.

"We made a conscious decision to do it right on our first clients. This is an integral part of our service area," a Hewitt spokeswoman said.

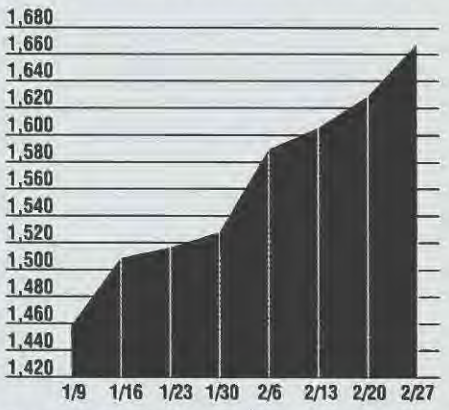
While the demand for outsourcing services is great, the complexity of benefit plans and the high cost of developing and perfecting technology have made outsourcing a business with high risk.

And some wonder whether the same rapid advances in technology that have made total benefit outsourcing possible also could pose a risk to consultants developing call centers.

"We have been very careful on what we spend on bricks and mortar," said John McGlone, a Buck Consultants principal in Secaucus, N.J. Mr. McGlone notes that as technology advances, more plan administration-related work will be done over the Internet and company intranet sites, possibly reducing the need for call centers.

On the other hand, notes Margaret-Ann Cole, a principal at Kwasha Lipton, the reality is that in certain situations, employees still need to talk to individuals to resolve problems. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc. (nordby.com) Boulder, Colo.

PCS catastrophe options

As of Feb. 27

Call spread	Price bid/ask
National Annual 1998	
40/60	9.8/—
60/80	7.0/7.5
80/100	5.0/6.0
Eastern September 1998	
20/40	3.5/5.5
40/60	3.1/3.4
Southeastern September 1998	
40/60	2.5/3.3
Northeastern September 1998	
100/150	.9/1.4

Call spread	Price bid/ask
California Annual 1998	
40/60	—/2.3
150C	1.8/3.0
Western Annual 1998	
40/60	—/2.5
80/100	1.0/1.9
150C	2.0/3.0
Florida September 1998	
40/60	1.4/2.4

Total volume: 300 Total open interest: 18,521

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Comml Union	1098	20.5	32.5	3.1	1150-630
Genl Accident	1363	9.4	37.5	3.5	1540-772
Gdn Royal Exch	457	6.8	11.5	2.6	496-257
Legal & Gen	681	17.8	11.6	2.1	775-377
Royal & Sun	774	26.2	19.7	3.2	799-429
Brokers					
Lmbrt Fenchurch	103	7.3	8.4	10.1	138-101
Lloyd Thmpson	156	12.8	10.8	8.7	206-151
Sedgwick Grp	149	11.4	7.0	4.9	171-115
Willis Corroon	141	11.2	6.6	5.9	165-116

Note: Prices are Feb. 27 closings; other numbers from Feb. 26.

Source: *Nordby International Inc.*(nordby.com) Boulder, Colo.

Government to survey retirees on care

WASHINGTON—The Department of Health and Human Services is launching its first-ever survey of retirees in Medicare risk HMOs and other managed care plans to measure retiree satisfaction with those plans.

About 130,000 retirees will be surveyed on several quality of care issues, including how well plan doctors communicate with them, how easy it is for them to obtain urgent care and how burdensome the paperwork requirements are.

The results later will be released so beneficiaries can better gauge plans before enrolling. About 6 million retirees now are enrolled in managed care plans that have contracted with the government to provide health care services to beneficiaries eligible for Medicare.

"Results of this survey will let beneficiaries make apples-to-apples comparisons of managed care plans," said Nancy-Ann DeParle, administer of the Health Care Financing Administration, which runs the Medicare program.

Survey results also could give employers that contract with Medicare risk HMOs to provide health care services to their retired workers more information on which HMOs are rated most highly by retirees.

—By Jerry Geisel

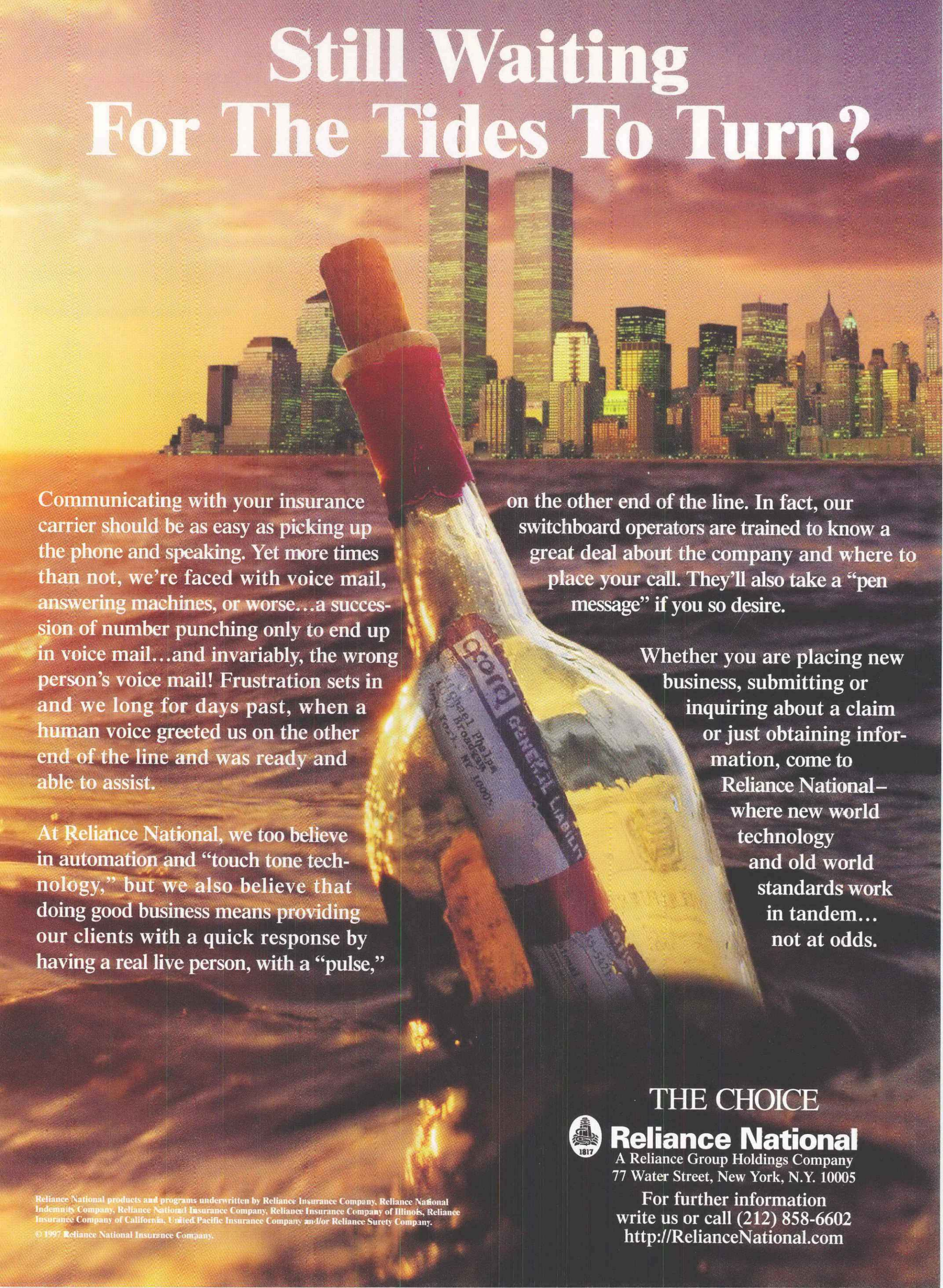
BI Industry Stock Report FEB. 23, 1998, THROUGH FEB. 27, 1998

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
Aon Corp.	NYS	59.81	3.24	2.03	59.88	40.25	1583
E.W. Blanch Holdings Inc.	NYS	35.94	-3.04	4.36	37.13	21.25	127
Gallagher Arthur J. & Co.	NYS	41.31	-7.65	19.96	41.50	30.38	312
Hilb, Rogal & Hamilton	NYS	18.69	0.67	-3.24	19.63	13.00	62
Kaye Group Inc.	NDQ	7.38	-3.28	11.32	9.00	4.38	11
Marsh & McLennan	NYS	86.69	2.36	16.26	86.94	56.50	2043
Poe & Brown	NYS	52.31	5.28	17.23	52.31	25.50	64
Sedgwick Group PLC	NYS	12.56	1.52	2.03	13.25	9.38	59
Willis Corroon Corp.	NYS	11.75	1.08	-4.57	13.50	9.75	447
BROKERS	AVERAGE		1.53	7.92			
INSURERS/REINSURERS							
ACE Ltd.	NYS	98.88	0.13	2.46	104.00	57.63	475
Acceptance Insurance Cos.	NYS	24.31	-0.26	0.52	28.63	17.75	133
AEGON N.V.	NYS	112.56	9.28	25.59	116.00	63.88	256
Aetna Life & Casualty	NYS	87.38	1.53	23.83	118.13	66.31	2389
AFLAC Inc.	NYS	61.44	0.61	20.17	62.19	37.50	929
Allied Group Inc.	NYS	31.50	2.65	10.04	35.75	22.19	231
Allstate Corp.	NYS	93.25	0.27	3.04	94.88	58.63	4028
AMBAC Indemnity Corp.	NYS	53.25	-0.47	15.76	54.19	31.00	1840
American Bankers Ins.	NDQ	56.25	1.01	22.45	56.44	24.38	3737
American Financial Group	NYS	40.44	4.35	0.31	49.25	32.38	281
American General	NYS	58.13	-1.17	7.51	59.38	36.50	2270
American Heritage Life Ins.	NYS	40.56	0.62	12.67	41.69	23.50	40
American Indemnity/Fin'l	NDQ	10.38	6.41	-25.23	15.50	9.50	12
American International	NYS	120.19	1.69	10.52	120.94	75.13	2842
Argonaut Group	NDQ	36.00	0.00	6.27	38.13	26.75	157
AXA-UAP Group	NYS	48.38	1.84	24.04	49.88	29.25	542
Baldwin & Lyons Inc.	NDQ	24.00	17.07	-0.52	28.75	17.38	2
Berkley W.R. Corp.	NDQ	45.63	-1.35	3.99	46.38	31.19	550
Berkshire Hathaway Inc.	NYS	55800.00	1.64	21.30	55800.00	30000.00	1
Capital RE Corporation	NYS	61.94	-2.36	-0.20	65.75	38.75	86
Capitol Transamerica Corp.	NAS	20.75	1.84	-2.64	28.13	19.25	113
Centris Group Inc.	NYS	25.13	0.75	12.61	25.88	17.88	179
Chartwell Re	NYS	30.63	7.22	-9.26	36.25	24.50	213
Chubb Corp.	NYS	79.81	3.07	5.54	80.81	51.13	1626
CIGNA Corp.	NYS	191.00	7.80	10.80	200.75	136.94	1536
CNA Financial Corp.	NYS	143.94	3.60	12.67	143.94	96.38	119
CNA Surety	NYS	15.75	-1.56	2.02	16.50	12.88	176
EMC Insurance Group Inc.	NDQ	13.13	0.96	-0.94	15.00	10.75	26
ESG Re Limited	NDQ	26.50	4.95	12.77	27.75	20.88	224
Enhance Financial Services	NYS	62.06	4.64	4.31	62.13	34.25	188
Everest Reinsurance	NYS	36.88	-3.44	-10.61	43.00	26.75	759
Executive Risk Inc.	NYS	68.19	-6.59	-2.33	75.75	43.25	110
EXEL Ltd.	NYS	66.19	4.03	4.44	66.81	39.00	825
Fremont General Corp.	NYS	58.69	9.06	7.19	60.25	26.38	1065
Frontier Insurance Group	NYS	23.56	-4.07	3.01	39.25	20.00	1125
Gainsco Inc.	NYS	8.19	-0.76	-3.68	10.19	7.88	179
General RE Corp.	NYS	213.00	-0.32	0.47	221.25	151.50	950
Gryphon Holdings	NDQ	15.38	0.82	-8.21	17.75	13.88	98
Harleysville Group	NDQ	24.38	0.00	1.56	27.50	15.00	96
Hartford Steam Boiler	NYS	63.13	0.70	14.38	64.25	44.00	238
HCC Insurance Holdings	NYS	20.50	-1.20	-3.53	32.69	15.63	544
ING Groep N.V.	NYS	53.19	5.58	25.70	53.19	38.88	385
IPC Holdings Ltd.	NDQ	30.88	1.86	-4.08	32.88	22.38	142
Hartford Financial Services	NYS	98.25	4.52	5.01	98.25	68.13	2002
LaSalle Re Holdings Ltd.	NYS	34.00	-2.86	-3.89	36.13	27.25	70
Life Re Corp.	NYS	63.63	2.21	-2.40	67.63	37.38	158
Lincoln National	NYS	84.00	1.66	7.52	84.50	49.00	1082
MAIC Holdings Inc.	NYS	29.13	8.88	8.73	29.50	15.06	75
Markel Corp.	NYS	174.00	2.35	11.45	177.50	102.50	6
MBIA Insurance Group	NYS	73.19	3.63	9.54	73.19	45.44	1195
Meadowbrook Insur. Group	NYS	30.25	-1.02	16.07	31.25	21.50	37
Mid Ocean Ltd.	NYS	61.31	-0.91	13.02	66.75	44.13	315
MMI Cos. Inc.	NYS	23.75	-6.86	-5.47	29.50	20.75	367
Mutual Risk Mgmt. Ltd.	NYS	32.00	5.57	6.89	32.25	16.75	1411
NAC Re Corp.	NYS	51.44	-2.49	5.38	53.81	35.38	294
Navigators Group	NDQ	17.38	-3.47	-7.49	22.50	15.75	11
Nobel Insurance Ltd.	NDQ	13.25	0.00	0.95	15.38	11.88	25
NYMagic Inc.	NYS	30.00	5.73	8.84	30.00	18.38	16
Ohio Casualty Corp.	NDQ	46.75	0.81	4.76	51.00	35.50	105
Old Republic Int'l	NYS	42.25	0.90	13.61	42.63	24.63	643
Orion Capital Corp.	NYS	48.81	2.76	5.11	51.00	30.88	208
Partner Re Ltd.	NYS	48.75	-1.02	5.12	50.00	30.75	289
Penn-America Group Inc.	NDQ	22.88	3.98	11.59	23.00	11.25	111
Philadelphia Cons. Holding	NDQ	20.25	1.41	14.08	23.25	14.00	153
PXRE Corp.	NYS	31.00	1.64	-6.59	35.25	24.75	49
Reliance Group Holdings	NYS	17.00	8.37	20.35	17.38	10.13	1448
Reliastar Financial Corp.	NYS	47.69	6.27	15.78	47.75	28.63	1695
RenaissanceRe Holdings Ltd.	NYS	43.38	0.00	-1.70	50.00	34.13	97
Risk Capital Holdings	NDQ	23.38	2.75	5.06	24.00	16.00	81
RLI Corp.	NYS	52.13	4.12	4.64	52.19	30.50	58
St. Paul Companies	NYS	88.63	0.07	8.00	89.13	63.00	1489
SCOR	NYS	52.00	1.46	8.90	53.50	38.25	27
SAFECO Corp.	NDQ	52.44	0.84	7.56	55.38	38.50	1734
SCPIE Holdings Inc.	NYS	29.38	-3.69	1.51	32.25	19.13	NA
Seibels Bruce Group	NDQ	7.50	0.00	0.00	8.94	5.88	108
Selective Ins. Group	NDQ	27.44	1.86	1.62	28.63	19.75	204
Terra Nova Insurance Co. Ltd.	NYS	28.56	2.01	8.81	30.00	18.00	54
TIG Holdings	NYS	26.56	2.41	-19.96	38.00	24.56	760
Tokio Marine & Fire	NDQ	57.00	4.59	-1.30	66.00	41.25	145
Torchmark Corp.	NYS	46.75	8.56	10.81	47.25	26.25	2643
Transatlantic Holdings	NYS	75.63	1.94	5.77	76.56	53.38	336
Travelers Property/Casualty	NYS	41.00	1.23	-6.82	46.06	31.38	1210
Travelers Corp.	NYS	55.50	-1.00	3.02	57.38	30.88	10116
Trenwick Group Inc.	NDQ	36.50	1.74	-2.99	39.63	31.88	77
Unico American Corp.	NDQ	13.00	5.05	6.12	14.13	9.63	298
United Fire & Casualty	NDQ	43.50	2.35	-1.69	47.00	30.00	5
Unitrin	NDQ	69.13	2.41	6.96	70.00	48.50	213
UNUM Corp.	NYS	51.44	1.23	-5.40	54.63	33.63	3281
USF&G Corp.	NYS	24.44	0.26	10.76	25.50	15.63	3793
Vesta Insurance Co.	NYS	57.31	-4.97	-3.47	64.75	32.75	453
Zenith National Ins.	NYS	27.31	5.81	6.07	28.75	24.50	109
INSURERS/REINSURERS	AVERAGE		1.86	5.32			
HEALTH MAINTENANCE ORGANIZATIONS							
Humana Inc.	NYS	25.44	0.49	22.59	26.13	18.44	2799
Oxford Health Plans	NDQ	17.19	-14.86	10.44	89.00	13.75	18572
Pacificare Health Sys.	NDQ	61.00	3.50	21.39	85.63	46.75	110
Safeguard Health Enter.	NDQ	9.25	-7.50	-31.48	15.00	8.13	77
Sierra Health Services	NYS	36.63	2.63	8.92	41.63	23.75	311
United Healthcare Corp.	NYS	60.69	3.52	22.14	61.75	42.44	4949
Wellpoint Health Networks	NYS	58.56	-1.26	38.61	61.13	37.50	1093
HMOs	AVERAGE		-1.93	13.23			
ALL COMPANIES	AVERAGE		0.49	8.82			

Top advancing issues: Baldwin & Lyons Inc., AEGON N.V., Fremont General Corp. Leading decliners: Oxford Health Plans, Safeguard Health Enter., MMI Cos. Inc. Most active issue: Oxford Health Plans. The *BI* Index rose 2.3%; the Dow Jones 30 Industrials gained 1.6%; the S&P 500 increased 1.8% and the NYSE Composite gained 1.5%. Average P/E: Brokers, 19.8; Insurers/reinsurers, 44.6; HMOs, 33.0.

Source: *Nordby International Inc.* (nordby.com), Boulder, Colo.

Still Waiting For The Tides To Turn?



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