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Updates

GE, EMLICO discuss settlement of dispute with state regulator

BOSTON—General Electric Co. and Electric Mutual Liability Insurance Co. are discussing a possible settlement with Massachusetts regulators of issues stemming from EMLICO's controversial 1995 move to Bermuda.

Insurance Commissioner Linda Ruthardt confirmed there are settlement talks but declined to comment on their status. One subject of negotiation, she said, is who will actually participate in any eventual settlement. Potential settling parties include GE, EMLICO and Electric Insurance Co., a former EMLICO unit

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Managing the managers

Legislation targets managed care cost-cutting, quality

By ROBERT KAZEL

WASHINGTON—Asserting that broad federal rules are needed to govern managed care plans, two Democratic lawmakers have introduced a bill in both chambers of Congress that would regulate how HMOs and other networks treat patients.

Sen. Edward M. Kennedy, D-Mass., and Rep. John D. Dingell, D-Mich., last week submitted the Quality Assurance and Patient Protection Act, nicknaming it the "Health Insurance Bill of Rights Act." Both argued that an overly tenacious emphasis on cost-cutting among health plans and employers had created a worrisome lack of regard for quality issues and many discontented patients.

The bill, which the Democrats have not yet offered to their Republican counterparts for bipartisan sponsorship, includes rules on how managed care plans must grant medical care to patients and mandates on keeping track of patient treatment data.

The bill, H.R. 820 in the House and S. 353 in the Senate, specifies in some detail what rights patients would have in obtaining emergency and specialist care through their plans. Plans could not deny coverage for emergency room care if "a prudent lay person" would consider the symptoms an emergency, and it specifies that plans could not require prior authorization for such care.

In addition, plan enrollees would be guaranteed access to specialty care for serious conditions and access to outside, non-network specialists would be required at no extra cost if no in-network specialist is available.

The bill would mandate a host of quality assurance programs for each plan, including collection of basic performance and outcome data. It also would require that considerable plan information be released to state agen-

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Health Insurance Bill of Rights

Provisions of the proposed Quality Assurance and Patient Protection Act would require:

- Reimbursement for necessary emergency room visits
- Treatment by specialists when appropriate
- Quality control programs
- Drug utilization monitoring
- Extensive information on tapping plan resources
- Guaranteed appeals process
- Health insurance ombudsmen to aid enrollees
- Unrestricted physician communication
- Care in accord with good medical practice

GRAPHIC BY ADAM GOLD

Court upholds Chicago immunity in 1992 flood

By RODD ZOLKOS

CHICAGO—A ruling upholding Chicago's sovereign immunity protection against claims stemming from the city's 1992 underground flood runs counter to a nationwide trend toward stricter limits on municipal immunity.

The Feb. 20 Illinois Supreme Court ruling involved negligence claims lodged in two suits.

The first was a class action suit businesses and individuals brought, claiming the city was liable for property losses they suffered after an antiquated freight tunnel system in the city's downtown "Loop" business district flooded when a section beneath the Chicago River collapsed. The flood damaged numerous buildings and forced businesses to close during the subsequent cleanup.

AP/ WIDE WORLD PHOTOS

The 'Great Chicago Flood of 1992' affected businesses such as Marshall Field's.

ITT Hartford Group Inc. filed the other suit, seeking to recover various flood-related claims it had paid.

The state's high court ruled that, under Illinois law, Chicago has immunity against any claim of negligence for failing to supervise or monitor the work the city claims led to the breach in the tunnel wall, any claim of willful and wanton misconduct, and for any alleged negligence in failing to repair the tunnel promptly or warn class plaintiffs of the tunnel damage.

The "Great Chicago Flood of 1992" resulted in an estimated $300 million in insured damage and prompted numerous suits against the city and Great Lakes

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Suitors eye Golden Eagle as CEO tries for sale himself

By DOUGLAS McLEOD

SAN DIEGO—Liberty Mutual Insurance Co. will step in as interim reinsurer of Golden Eagle Insurance Co., while a growing number of insurers consider bidding to take over the business permanently.

The California Insurance Department—which seized Golden Eagle Jan. 31 and quickly announced a rehabilitation plan backed by Zurich Centre Group and others—last month changed course and opened up bidding for the insurer's business.

Nearly a dozen insurers and reinsurers have expressed interest so far, regulators report. Bids are due by April 4, and the winning bid is subject to court approval.

Meanwhile, the tangled Golden Eagle affair is taking another contentious turn: Golden Eagle owner John C. Mabee, who feuded with regulators for months before the takeover, is apparently trying to sell the company himself or to line up investment partners.

Mr. Mabee, ousted as chairman and chief executive officer in the takeover, took out a classified ad in the "business opportunities" section of the Wall Street Journal Feb. 13, noting "an urgent need for a strong investor to provide the resources needed to continue to move (Golden Eagle) forward.

"If you are a substantial insurance or reinsurance company, industrial company or financial firm and have an interest in a super business. . .please contact John C. Mabee," the ad said.

Several days later, Mr. Mabee wrote to a number of insurance company executives directly, offering to sell his stock in Golden Eagle to support a bid for the company.

"As chairman, CEO and sole shareholder of Golden Eagle Insurance Co., I would like to invite you to bid on purchasing my company," says one such letter

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Capital markets lesson

CEA choice doesn't mean products doomed: Experts

By GAVIN SOUTER

SOUTHAMPTON, Bermuda—Losing out on available premium from the California Earthquake Authority does not spell the end for capital markets-based insurance products, investment experts say.

Rather, capital markets experts should learn from the deal and adopt different strategies in attempts to set up insurance and reinsurance deals, said an investment banker involved in arranging a capital markets-supplied layer of risk financing for the CEA.

The layer was later made redundant when Berkshire Hathaway Inc. stepped up with reinsurance capacity for the $1.5 billion layer that originally had been earmarked for the capital markets (*BI*, Nov. 25, 1996).

Bermuda Insurance Symposium III

Capital markets practitioners have lost out to the reinsurance market in part due to their inexperience in reinsurance, the investment banker says.

But insurance companies also are losing out on the advantages of the capital markets because they have a limited understanding of those markets, according to a broker involved with capital markets.

Only when both sides are comfortable with the products will capital markets-based insurance and reinsurance capacity take off, another investment banker adds.

The trio reviewed capital mar-

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NEWSPAPER

Updates

GE, EMLICO may settle dispute

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based in Massachusetts, she said.

The settlement talks were disclosed in a joint court filing by the Insurance Division, GE, EMLICO and EIC. The four asked a Massachusetts judge to delay proceedings in a case in which the Insurance Division sought to enforce a subpoena for EMLICO-related documents against consultant Tillinghast-Towers Perrin.

A GE spokesman declined to comment. EMLICO and EIC representatives could not be reached.

Lawyers for Kemper Reinsurance Co., an EMLICO reinsurer, wrote to Ms. Ruthardt Friday expressing concern about the settlement talks. The lawyers said they had heard unconfirmed reports about the negotiations, including that GE might agree to repatriate EMLICO in exchange for "concessions" from regulators and that regulators might allow EMLICO to remain in Bermuda if GE or EMLICO paid a fine. Kemper Re's lawyers expressed concern about any concessions granted to GE and EMLICO and complained that reinsurers haven't been included in the discussions.

Meanwhile, Allstate Insurance Co.—one of four EMLICO reinsurers that helped ignite the controversy by suing regulators for approving the redomestication—announced Friday that it has settled all insurance and reinsurance disputes with EMLICO's liquidators and GE.

The settlement has been approved by a Bermuda court, and all litigation between the parties will be dismissed, Allstate said. Terms of the settlement weren't disclosed.

Allstate and other reinsurers charged that EMLICO, a longtime GE liability insurer, knew it was insolvent and conspired with GE to mislead Massachusetts regulators into approving the redomestication. Shortly after the move, EMLICO declared itself insolvent by more than $500 million and filed for liquidation, a move reinsurers charge was designed to take advantage of Bermuda's creditor-friendly liquidation law.

Separately, Kemper Re has been given permission by a Bermuda court to appeal a ruling that barred it from seeking judicial review of Bermuda government orders that allowed EMLICO's move.

CIGNA to buy Healthsource

PHILADELPHIA—CIGNA Corp. aims to strengthen its health care business and enhance its competitive position by acquiring Healthsource Inc. for $1.7 billion in cash.

Under terms of the definitive agreement announced late last week, CIGNA will pay $21.75 per share in cash for all outstanding shares of Hooksett, N.H.-based Healthsource. That puts the purchase price at about $1.7 billion, including about $250 million of outstanding long-term debt. CIGNA expects to commence the tender offer this week. Regulatory approval is required for the transaction.

"Health care is our largest and most profitable business," Wilson H. Taylor, CIGNA's chief executive officer, said in a release. "Healthsource provides us with access to new markets, enhances our competitive position in others and fits well with our managed care and indemnity businesses."

In 1996, CIGNA Healthcare ranked as the second-largest HMO in the United States, covering 4.4 million lives (*BI*, Dec. 27, 1996).

Healthsource operates HMOs in 15 states, covering about 1.1 million members. It also maintains national medical and dental indemnity books of business covering about 4.5 million people.

Combined, CIGNA Healthcare would operate HMOs with total membership of 5.3 million members, maintaining its No. 2 ranking behind Kaiser Permanente. CIGNA's medical indemnity business after the merger would cover 7 million lives.

Healthsource's stock price closed at $20.88 on Friday, up 24% from the day earlier.

Third IIE syndicate in runoff

CHICAGO—A Cook County Circuit Court judge last week found an Illinois Insurance Exchange syndicate insolvent by at least $3.5 million and placed it in liquidation at the joint request of the syndicate and the Illinois insurance director.

Separately, Illinois regulators and IIE officials are negotiating to tighten a bill that would increase the Illinois department's oversight for the largely independent exchange.

Resure Inc. Syndicate, a wholly owned subsidiary of Las Vegas-based Talon Re Holdings Inc., is the third IIE syndicate to be placed in liquidation in the past several months (*BI*, Oct. 14, 1996).

Based on 1995 premiums of $13 million, Resure was the sixth-largest of 10 syndicates then on the exchange (*BI*, Sept. 16, 1996). However, Resure has not written new business since December 1996.

When the Insurance Department stepped in, Resure had $2.2 million in unpaid claims and loss adjustment expenses and did not meet the IIE's minimum solvency margin of $3.5 million.

Most of its losses stem from legal expense obligations and deteriorating claims from contractors' liability coverage written by a managing general agent in California from 1990 to 1994, said Resure President and Treasurer Wolfgang D. Daniel.

Resure takes part in the IIE's $35 million guaranty fund, which is designed to provide up to $300,000 per claimant, up to an aggregate $15 million, per insolvency.

In response to the syndicate insolvencies, the IIE hopes an oversight bill introduced last month in the Legislature would help improve its stability and credibility, said James E. Tait, IIE president and chief executive officer. The bill would require state insurance regulators to examine the IIE's financial records regularly, impose stricter financial reporting requirements and reject any new or modified IIE operating rules that regulators consider threatening to policyholders.

While the Insurance Department supports the concepts, "the bill doesn't go far enough," said Chief Deputy Director Arnold L. Dutcher. Syndicates should be subject to greater solvency standards, and the department should have even broader authority over them individually, he said.

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PBGC Executive Director Martin Slate dead at 51

By JERRY GEISEL

WASHINGTON—Martin Slate, executive director of the Pension Benefit Guaranty Corp., whose drive, focus and negotiating skills are credited with the enactment of legislation that put the PBGC on a sound financial footing, died last week in his home of a heart attack. He was 51.

John Seal, PBGC deputy executive director, who is responsible for the agency's internal management support services, was named acting executive director.

President Clinton described Mr. Slate as the "quintessential public servant" who spent his entire career "working to make sure our laws were fair and applied fairly." The president and First Lady Hillary Rodham Clinton were longtime friends of the executive director.

Mr. Slate

Assistant Secretary of Labor Olena Berg, who heads the department's office of Pension and Welfare Benefits Plan Administration, described Mr. Slate as a "phenomenal man. He was one of the smartest persons I ever met and one with the biggest heart. He was a wonderful friend and colleague."

Those remembering Mr. Slate recalled both his drive and focus.

"What made him unique was an extraordinary energy level and an intensity on issues that most people would find boring," said Dallas Salisbury, president of the Employee Benefit Research Insti-

See **Slate** *on page 27*

Chubb to sell life subsidiary

Proceeds from $875 million sale will go for stock repurchase

By JUDY GREENWALD

WARREN, N.J.—Chubb Corp. will become a highly specialized property/casualty company with the sale of its life insurance operations for $875 million, said a company spokesman.

Although the decision to use much of the proceeds to repurchase stock likely will make shareholders happy, the transaction will have no direct impact on Chubb's P/C operations, the company and observers say.

Chubb last week said it had signed a definitive agreement to sell its Chubb Life Insurance Co. of America unit to Greensboro, N.C.-based Jefferson-Pilot Corp. for $875 million in cash.

The company also is continuing to explore its options on real estate, the spokesman said in response to reports that a sale of these operations is imminent as well.

Chubb said last year it planned to evaluate its options for its life operation and its real estate unit, Bellemead Development Corp., including a possible sale.

Dean O'Hare, Chubb Corp.'s chairman and chief executive officer, said in a statement that the company's first goal in reviewing its strategic options for Chubb Life "was to enhance shareholder value, and the combination of the sale of Chubb Life and the redeployment of capital into an accel-

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Private funds vying for workers' attention—and money

Mexico's pension scramble

By ROBERTO CENICEROS

MEXICO CITY—Conference rooms at Mexican companies are buzzing as representatives from private pension administrators clamor to tell employees what they can offer beginning in July.

Privatization of the social security system already has begun, and under reforms, workers will be able to invest their money, including employer contributions, with private administrators of retirement funds. The administrators, known as AFOREs, include insurers and banks.

Twelve AFOREs recently received government approval to compete in the private pension market and begin soliciting workers' deposits. Six more are expected to win approval soon.

But many employers fear that an onslaught of advertising by the investment companies and poor direction from the government could result in employees not choosing plans carefully.

"The reality is employees are misinformed," said Jose Antonio Dominguez, director of human resources for Janssen Farmaceutica S.A., a Mexico City unit of Johnson & Johnson. "Authorities have not concerned themselves with providing workers with correct information. They gave them half-truths."

For example, the government has not made clear that workers could see a reduction of retirement benefits.

Meanwhile, additional adminis-

See **Mexico** *on page 31*

Munich Re appeals Integrity ruling

TRENTON, N.J.—Munich Reinsurance Co. has asked the New Jersey Supreme Court for permission to appeal a trial court's decision that Integrity Insurance Co.'s liquidator is not barred from estimating the insurer's contingent liabilities and immediately recovering $876 million from its reinsurers.

The novel estimation strategy would speed up Integrity's liquidation by decades, cut administration costs by $45 million and provide recoveries to policyholders and others who otherwise might be time-barred from recovering from Integrity's estate because of the long-tail nature of their claims, New Jersey regulators say (BI, Nov. 25, 1996). But, Munich Re and other reinsurers for Integrity, which is insolvent by about $1 billion, argue that New Jersey law does not expressly allow an estimation strategy.

A state appellate court Jan. 30 rejected Munich Re's request for approval to appeal the trial judge's ruling.

Meanwhile, Munich Re asked the trial judge last month to order the liquidator to turn over information the reinsurers say will allow them either to verify the numbers underlying the liquidator's plan.

Inside

• Proposals to offer tax incentives to employers that take steps to improve child care for employees are a good idea, one of this week's editorials says. **PAGE 8**

• A new law in the United Kingdom is intended to speed up the arbitration process. **PAGE 23**

• Putting local authorities in charge of pollution cleanup could hamper or even stall progress, U.K. risk managers say. **PAGE 24**

Departments

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Benefits: Administration & Online Resources

Intranets help raise departments' profiles

By JOANNE WOJCIK

If you build it, they will come.
—W.P. Kinsella,
"Field of Dreams"

As companies move to establish an online presence by linking their internal networks to the Internet, benefit information is fast becoming a popular offering on employers' intranets.

"There's a lot of money being invested in corporate intranets" as more and more employers try to catch the technological wave of the future, observed Wayne Randolph, a senior consultant in the World Class Human Resources Practice of KPMG Peat Marwick L.L.P. based in New York.

And because employee benefit administration and communication are so easily adaptable to the interactive Internet environment, benefit departments are getting a lot more attention within corporations. "Only training is more interactive in the exchange of information," he pointed out.

"But that's the good news and the bad news," Mr. Randolph said.

While benefits are getting top priority on company intranets, employers need to maintain other forms of benefit communication, he advised.

"Say you don't have to use a PC in your job and you don't have one at home. What do you do?" he queried. "Will we be creating a population of information haves and have-nots?"

Unless an employer can afford to invest in computers for all of its employees, other media—including interactive voice response, kiosks and, yes, even paper—still will be necessary, Mr. Randolph said.

And even though benefits seem to be at the forefront of the online revolution, few employee benefit transactions are being conducted on the Internet, experts say.

One reason is that employers want to reassure workers that online benefit information will remain confidential.

In fact, some employees just this year are gaining the ability to obtain information on their health plans or to check their 401(k) account balances.

For example, more than 1 million employees and dependents of 2,500 California government agency employers can access more than 100 electronic pages of information about their health care benefit programs and pension fund investments on the World Wide Web.

Employees of California Public Employees Retirement System members also can download a special program to estimate their monthly retirement benefit. In the future, they will be able to calculate a benefits estimate online. Users also eventually will be able to print a CalPERS form or application from the World Wide Web site, http://www.calpers.ca.gov.

Two other large employers—Rosemead, Calif.-based Southern California Edison and U.S. West of Denver—have been working with Health Pages, a New York-based consumer health magazine and information service, to develop a Web site.

The site, which is located at http://www.thehealthpages.com, designed to help employees make choices during open enrollment, includes plan descriptions and HEDIS performance

See **Intranets** *on page 4*

Fast-food company offers self-service enrollment

By JOANNE WOJCIK

Internet technology is propelling one small fast-food company's benefits administration into the 21st century overnight.

Now, instead of working overtime manually sorting through stacks of individual health plan enrollment forms before sending them to the appropriate insurer, Del Taco Inc.'s human resources director can turn her attention elsewhere while 100 corporate employees enroll themselves online from home or work via the company's new internal intranet.

Eventually all 500 of Del Taco's 5,000 employees eligible for health benefits will enroll online via a system that didn't cost the Laguna Hills, Calif.-based employer a dime.

Del Taco's primary health plan underwriter, Blue Cross of California, is paying for the new interactive HealthFare system that was developed by San Diego-based xyberNET.

"When I do open enrollment, I have to hold 15 to 20 enrollment meetings that take two to three hours each," explained Charmaine Smith, director of human resources. "Then each person sends back five different enrollment forms, and I have to make sure they're complete and that they've included their Social Security numbers, etc.

"So it was really cumbersome, especially during open enrollment time. Also, the billings for health insurance needed to be prorated" every time an employee left the company or added a dependent.

As a result of this paperwork burden, Ms. Smith explained, "We couldn't get our bills paid in time—not because we didn't have money,

See **Enrollment** *on page 10*

A new interactive system allows some of Del Taco Inc. employees to enroll themselves for health insurance, freeing time for Charmaine Smith, director of human resources for the California company.

Poor oversight may reward hurt workers too richly

By MEG FLETCHER

Most companies are incurring needless costs to compensate employees injured on the job because the administration of benefit programs for those workers is not sufficiently coordinated by the company.

Because of that lack of coordination, experts say, recuperating employees may get greater compensation when they are off work than when they are working, which creates a disincentive for them to return to work. And companies may spend unnecessarily for duplicate benefits and replacement staff.

Employees injured on the job may have access to a variety of state-mandated and voluntary benefits from their employers, some of which should offset others. These collateral source benefits may include: workers compensation, salary and wage continuation, occupational pay supplements, standard disability benefits, state disability benefits and Social Security disability (see story, page 14).

"Three-fourths of companies have some redundancies" among collateral source benefits, estimates Rebecca S. Bruce, president and CEO of Aon Management Institute in Glastonbury, Conn., a consulting unit affiliated with Aon Group Inc. in Chicago.

"In one large company with 13 unions, it was possible to earn more when not working," Ms. Bruce said. The combination of all collateral source benefits allowed employees to receive 122% of pay while they were off the job, she said.

Redundant benefits are probably costing large U.S. businesses about 0.5% of payroll costs, said Jack Bredehorn, president of VPA Inc., a third-party administrator in Calabasas, Calif.

A 1996 survey of 241 employer respondents by Bethesda, Md.-based consultant Watson Wyatt Worldwide and the Washington Business Group on Health, a national coalition of large employers, also supports the need for action.

Two-thirds of companies that do not integrate their disability programs reported incurring annual direct disability costs of 5.4% of payroll, while those that did integrate these benefits reported incurring direct costs of only 2.7% of payroll, the survey indicates (*BI*, Oct. 28, 1996).

A company's payment of duplicate or excessive benefits often results from in-house administration problems.

"In most companies, workers comp (administration) is under human resources, and in other companies it is under risk management and finance. Whenever you have workers comp separate from HR, there is the possibility there will not be cooperation and communication," said Diana Rich,

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Intranets

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information. Plans also provided information on their affiliated physicians.

A number of sorting features were built into the site to allow employees to narrow their searches. For example, employees can isolate searches to find physicians who are board certified or affiliated with certain plans.

The site also includes hypertext links to Web sites maintained by the managed care plans the two employers offer.

Numerous health plan providers, such as Guardian Life Insurance Co. of America, have developed Internet-based enrollment systems for employers that buy coverage from them.

"We're looking at a way to educate people in a friendly, consumer-focused way," said Robin Appelbaum, manager of worksite selling and enrollment for the New York insurer.

But, even with today's high-speed Internet communication capabilities, when employees can make open enrollment choices "online," their elections still are being routed directly to the benefit department, which uses a modem connection to deliver the information to vendors in "batches."

Such is the case with Guardian Life's system.

"The key is to give the employee or employer the power to confirm elections," Ms. Appelbaum explained.

Often, billing is being done on "the honor system," with employers calculating premiums themselves based on the number of employees enrolled in a specific plan. The benefit department then issues checks to the various plans based on those calculations.

"All of us a year ago had a vision of a transactional system, but all we could achieve was information access. It's more a look-up than a transaction system," explained Curtiss Butler, director of new media at Buck Consultants Inc. in New York.

"What's new and exciting about what's happening now is the ability to personalize information," he said.

For example, while a year ago employees might only have been able to access generic information about mutual fund performance on their 401(k) fund managers' home pages on the World Wide Web, they now can find out how much they have invested in their individual accounts, Mr. Butler said. "Today we're closer to having transactional systems, and a year from now we'll be there."

"Between creating intranets, linking PCs and Macs and publishing, most employers are now just beginning to give employees the capability to do their own transactions," said KPMG's Mr. Randolph.

By 1998, most Internet-savvy employers will conduct their open enrollment online, he predicted. And eventually every automated employee benefit department will use the Internet to educate employees and to make transactions.

Depending on their level of technological sophistication, employers may be at one of three stages in the evolution of Internet-based benefit administration, Mr. Randolph said.

- The first stage is one-way communication, using the Internet or corporate intranet to publish benefit information, such as plan descriptions and physician directories.
- The second stage is to personalize information for employees, such as 401(k) fund balances.
- The third and most advanced stage is to permit employees to complete transactions online, such as selecting health plans or primary care physicians during open enrollment.

But not all employee benefit information systems can be accessed via the Internet without some sort of software "bridge," according to Mr. Randolph (see story, page 10).

"When Internet technology is brought in-house, it has to be integrated with the other existing systems," such as human resources or employee benefits and payroll, Mr. Randolph explained.

Furthermore, "there are some inherent weaknesses in database access and information management on the Internet," Buck's Mr. Butler noted.

For example, most "calls" for information are being conducted individually via a process known as "Common Gateway Interconnect," he said.

"Every single CGI call is a separate call to the database, so it goes out each time to get information. It doesn't just maintain the connection," he said.

This can make transactions cumbersome and time-consuming.

For example, an employee cannot send out one request to find out how much supplemental life insurance he or she can purchase on each dependent. Instead, the employee first must look up each dependent and then make separate requests on life insurance available for each of these dependents.

CGI is especially inefficient "when you've got 10,000 or 20,000 employees and they all want to access information at once, say at lunchtime," Mr. Butler said. The solution is to access the database with an "Application Programming Interface," which would tell the database management software what kind of information is being sought so that it could go out and retrieve it from multiple sources at once.

Employee benefit information system vendors are developing this type of software, he explained.

As insurers, HMOs and 401(k) fund managers shift to Internet-based applications, vendors also are working on software to create a single point of entry for employers with more than one benefit plan.

Other new entries to the Internet-based benefit communications market are presenting solutions to the problems Messrs. Butler and Randolph cited.

For example, New York-based R.R. Donnelley Financial is getting ready to roll out its "Benefits Selection" product that takes a multimedia approach to benefit administration and communication by combining Internet access with interactive voice response and print materials.

R.R. Donnelley Financial, a unit of R.R. Donnelley & Sons Co., decided to get into the business after participating in a pilot project involving MedAccess Corp.'s Internet-based Health Fair On-Line product.

"They were an employer that used it, and they liked it so much that they invested in the company," said Gene Pettinelli, vp of Lexington, Mass.-based MedAccess. Its site is at http://www.medaccess.com.

Indeed, "by capitalizing on MedAccess's online technology, Donnelley can provide a total communication service that integrates phone, online and traditional paper in the selection and enrollment process," said Lia Spiliotes, vp and director of R.R. Donnelley Financial's Benefit Communication Services group in Boston.

No matter how popular the Internet becomes, a multimedia approach will always be necessary, because "many employees don't have PCs," KPMG's Mr. Randolph pointed out.

This is "just one part of a total benefits communication strategy" that should include other media, such as interactive voice response and print, he warned. **BI**

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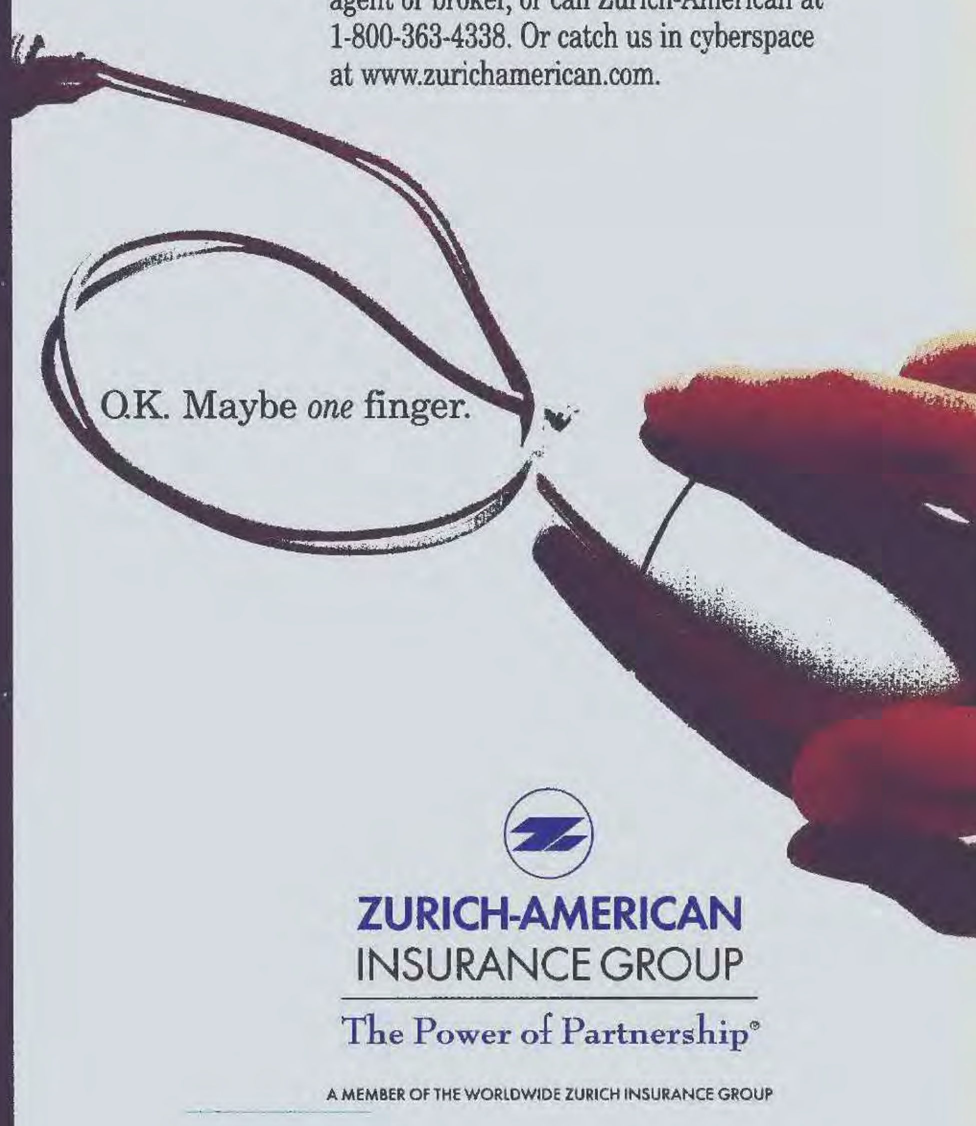

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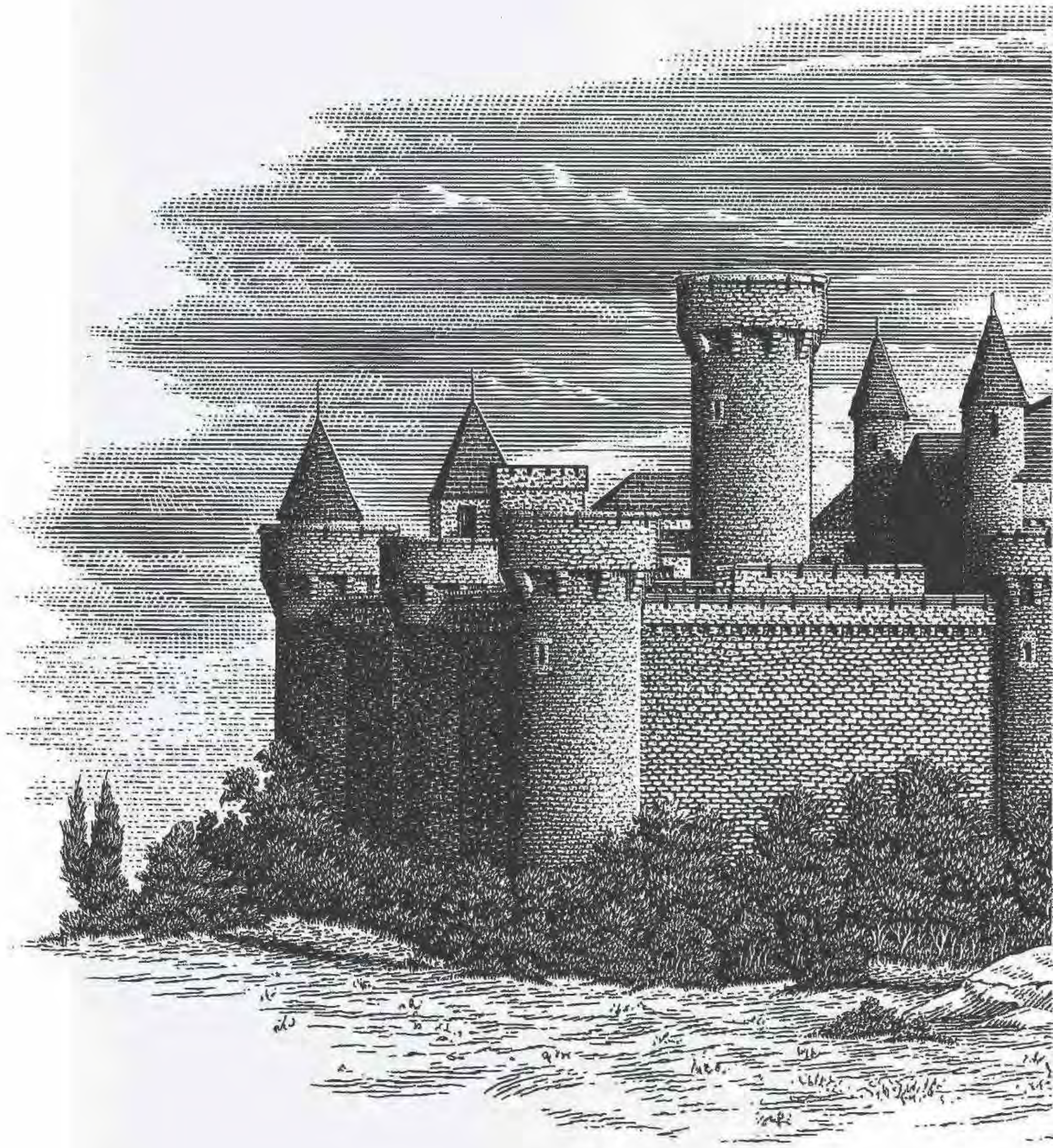

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Opinions

A welcome legislative surprise

AFTER GROWING ACCUSTOMED to getting the stick, employers may finally get a carrot from lawmakers.

As we reported last week, certain lawmakers have hit upon a way to promote sound employee benefit policy without resorting to their beloved mandate.

Legislation introduced in the U.S. Senate and in several statehouses would encourage employers to provide child care assistance to employees. The Senate measure, for example, would offer tax credits to companies that: buy, build or repair day care centers near their facilities or onsite; subsidize the costs of a day care facility; fund resource and referral services; and reserve slots for employees in a licensed day care facility. The state measures, pending in Indiana, Missouri and Ohio, are fairly similar.

We are impressed with this measure not only because of the manner in which it would promote its goal, but also because it would benefit many employers.

The legislation would reward employers that already voluntarily provide child care assistance to workers and would provide an incentive for other companies to do so.

We see child care benefits as a win-win situation for employers and their employees. The benefits for workers are obvious: convenience, peace of mind and often greater affordability. For employers, the return comes in the form of greater loyalty, fewer distractions and more productivity.

And the legislative proposals are broad enough that they would be beneficial to employers that can afford to make a modest investment, such as resource and referral services, as well as to companies that build onsite facilities.

In fact, perhaps the only drawback to the legislation is its focus on child care. We would like to see the measure broadened to provide incentives for employers to provide dependent care assistance, which could include children as well as ailing parents, spouses or partners.

For many workers, the stress of finding care for an ailing relative is as great as finding day care for a child. It also would broaden the benefit's appeal beyond that segment of the workforce made up of working parents.

We do not naively expect lawmakers to suddenly embrace tax incentives as the preferred method of setting benefit policy: for one, it would pose a drain on tax revenues they would be hard-pressed to make up elsewhere.

But, in today's climate, in which benefit mandates and government intervention in health care are becoming more frequent, it is refreshing to see proposals that would preserve the right of employers to choose.

We also happen to think the measures give employers a good choice.

Awaiting managed care response

WE SAW THIS ONE COMING.

Legislation unveiled last week in both chambers of Congress would set broad federal regulations controlling managed care plans.

Among other things, the measure would: prohibit so-called gag clauses; ban incentives to limit the amount of care; and require plans to gather and report performance data, have a clear complaint-handling and appeals process, cover emergency room visits and provide access to non-network specialists as needed at no additional cost.

The measure was drafted in response to a rising tide of consumer complaints against managed care plans.

The federal legislation comes on the heels of a proposal by a group of Republican and Democratic state legislators for a model bill to restrain what they described as "managed care excesses" (*BI*, Jan. 20).

While we oppose limits on physician communication and participant complaints, we're wary of imposing regulations on plans that will drive up their operating costs for no good reason. And we also fear that this measure could spawn more severe restrictions on managed care plans.

Although the managed care industry always has been a target for consumers and physicians who resent the loss of certain freedoms they enjoyed under a fee-for-service health care model, much of the animus also is due to the managed care industry's own mistakes and shortsighted coverage decisions.

We've said it before, and it bears repeating: The managed care industry has to get its house in order, or else legislators will be happy to do it for them. If legislators do it, the baby will get tossed out with the bath water, and employers will lose much of what's good in managed care in attempts to wipe out what's bad.

Letters

Social changes unlikely without a mandate

To the editor: I wish to take issue with your Feb. 10 editorial, "Partner Mandate Still a Bad Idea."

The basis of your argument seems to be that governments have no right to force social issues to the forefront. I wonder how many African-Americans would agree with your position?

Our country's history has clearly shown that social issues are often addressed only when a few brave souls are willing to take a stand and force our legal and judicial systems to right a social wrong. Would we be able to live today with a policy that said Jewish married couples are not entitled to the same benefits as those of any other race or creed? Yet there was a time in history when such prejudice and differences in laws were accepted.

There are still those out there who insist gays and lesbians do not deserve "special rights." I wholeheartedly agree. What we do deserve are "basic rights." I would gladly give up any request for "special rights" if our government would only give us the opportunity to make a conscientious decision to "legalize" our relationship.

I have more problems with heterosexual couples who want the same rights as "married couples." Why should they? They have made a conscientious decision to not legalize their relationship. I have no problem with there being consequences to that decision. I only wish I could make that same conscientious decision. Until then, I have no problem whatsoever with forward-thinking governmental bodies forcing the issue on my behalf.

Richard L. Smith
Denver

■ *Editor's note: The Feb. 10 editorial, which opposed a proposed New York City mandate for city contractors to offer domestic partner benefits, expressed* Business Insurance*'s view that each employer must be free to determine which benefits best meet the needs of the company's employees.*

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Enrollment

Continued from page 3

but because of administrative hassles."

"Now, all the vital statistics are on file and (eligible employees will) be able to enroll online, so I won't have stacks of paper as tall as me waiting to be input," she quipped.

The only paperwork that will be necessary will be a signed form giving the employer permission to make the necessary payroll deductions or a declination of coverage.

And the system is so user-friendly that "I learned how to use it in a couple of hours, and I would not consider myself computer-literate," Ms. Smith said.

Before HealthFare, Del Taco had only an antiquated AS 400 payroll system and no in-house computerized employee benefits information system, she explained. Now when employees have benefit questions, Ms. Smith can access all the pertinent information with a few clicks of her mouse.

For example, "if they say they want to change doctors and they don't have a directory, I can pull up a directory right on the system," she said. "Or say the dental office calls and needs a birthdate. I can also look at an employee's history, what plans they have and which ones they had before to ensure their (health plan membership) cards are updated." Eventually, Ms. Smith plans to publish human resources policies, benefit plan descriptions and even HR newsletters online.

The software also enables Ms. Smith to easily enroll former employees in health care continuation benefits required under the Consolidated Omnibus Budget Reconciliation Act of 1985.

"I can put them on COBRA really quick when the check comes because people don't pay it until the last minute because it's so expensive," she explained. The program immediately back-dates the payment to the date employment terminated.

None of the transactions are completed, however, until Ms. Smith reviews pending changes and additions at the end of each workweek.

"I can pull up the pending screen that gives me a list of all the people whose changes were made that week," she said. "Every Friday I just click three buttons and it automatically transfers (the information) to xyberNET in San Diego, and on Monday morning they route it to Blue Cross."

Ms. Smith can access every employee's records, while the security system ensures that employees can access their individual records only. And employees can only make changes during open enrollment.

Del Taco is the first company to pilot the system, which has been in development for three years, according to Joe Bigley, chairman and chief executive officer of xyberNET.

Founded in 1979, xyberNET designs information services products for insurers and financial service companies worldwide.

While only one insurer is online in the Del Taco pilot, "There's no limit to the number of insurers or locations" that can connect to the system, he said.

Del Taco's employee health plan coverage is underwritten by Blue Cross of California in the state and by WellPoint Health Systems Inc. elsewhere.

The HealthFare system is free to employers, because xyberNET sells to the insurers, which, in turn, provide it to their customers as a value-added service.

Usually one insurer is the primary sponsor. But if an employer has multiple insurers, "we'll build relationships with them and they will all contribute to the cost," Mr. Bigley said.

Currently, xyberNET's only customers are Blue Cross of California and Canada Life Insurance Co., but it is negotiating three other insurer contracts and has 22 proposals outstanding.

The system costs insurers less than $9 per year per plan enrollee, Mr. Bigley estimated. It's up to the insurer to decide whether to pass the cost on to employers.

But because xyberNET's HealthFare system also includes a billing module "so the employer can bill himself for health care premiums," it saves insurers "a lot of money," he pointed out.

Employees can access HealthFare either at work via a personal computer kiosk connected to the company intranet or anywhere they have Internet access.

"The HealthFare Web page comes up if they use the insurer Web page" on the World Wide Web, Mr. Bigley explained. "Then they need to pick out the employer, the insurance company and give their employee ID number and password. When they get to the HealthFare server they also need to enter an insurance ID number and another password, so there are double passwords. All the security is built in." BI

Internet products in works

By SALLY ROBERTS and JOANNE WOJCIK

While benefit administration's front end may be undergoing a radical face lift, that venerable employee benefit information system in the back still has an important role to play.

In fact, benefit managers today can use Internet technology—the newest front room feature—to more easily access information stored on an EBIS.

Already, most EBIS vendors are pitching to their customers customized systems that integrate their existing products with Internet technology.

And other benefit administration service providers are developing "mix-and-match" systems that can connect virtually any brand of EBIS to the Internet or a company's intranet.

The Internet's cost-efficient and user-friendly point-and-click technology has piqued benefit managers' interest, information system vendors and consultants say.

This is resulting in a marketplace frenzy as vendors try to come up with Internet products to meet benefit needs.

"The pace in the marketplace is frantic," said Mark Rand, a principal of A. Foster Higgins & Co. Inc. in New York. "Software vendors are acting frantically" to provide Internet access to systems. "Everyone is talking about HR functionality of the Internet."

"Every major vendor and consulting company is offering transactional Internet capability or is promising it in the next several months," said John R. McGlone, director of participant

See **Vendors** *on page 12*

Vendors

Continued from page 10

services for Buck Consultants Inc. in Secaucus, N.J.

"That is the big trend: The fact the Internet has become transactional, its utility will escalate ten-fold," predicts Jay Marchant, a principal in the Deerfield, Ill., office of William M. Mercer Inc.

Most EBIS vendors are offering the new Internet technology as a separate infrastructure, and those that are not will make that a feature in the next few months, vendors and consultants say.

At Lawson Software, for example, all the human resource and benefit applications performed on Lawson's human resource information system, or in "the back room," can be communicated over Lawson's Internet software.

"The Internet can do everything HRIS software does," a spokeswoman for Minneapolis-based Lawson said.

The back room operations aren't not new; it's the front room that is new, she said.

But "the back room got an addition. It's a lot cooler house. One that is easier to get to and has a lot more people in it, but it's the same old house," she said.

Likewise, PeopleSoft Inc.'s Internet software "is another way to access our back room engine," said Row Henson, vp-product strategy for the Pleasanton, Calif.-based software company.

Yet while vendors may make it sound easy, "there are always integration issues," warned Wayne Randolph, a senior consultant in the World Class Human Resource Practice of KPMG Peat Marwick L.L.P. based in New York.

For example, "the technology may be of different vintages," he explained. He described a typical scenario in which the human resources information system is using client-server technology, the payroll function is outsourced, and all the company's employees are connected on an intranet.

"It's a real challenge," he said.

And because each company collects and stores data in different ways, "every single benefit program that we've taken a look at is very complex," said Curtiss Butler, director of new media for Buck Consultants in New York.

"The rules that impact the payroll system vary, and there are differences between collectively bargained employees and exempt employees. It creates a complex environment," he explained.

But this demand for a single interface is what's driving competition in the EBIS/HRIS marketplace, according to Mr. Randolph, who spoke to *Business Insurance* while attending a human resource software convention in New York last week.

"There are basically two types of vendors here," he said.

"The old-line HRIS vendors like Lawson and PeopleSoft are creating self-service versions of their HRIS," he said. "But these don't mix or match with any other HRIS."

"Then there are another set of vendors that graft onto HRIS data," he said. "They take transactional information and download that information nightly into the HRIS. And they do mix and match with existing HRIS."

Many of these non-HRIS vendors started out offering voice response systems and personal computer-based kiosk technology to employers. But they shifted focus in response to growing Internet popularity, Mr. Randolph explained.

Essense Systems Inc. of Peabody, Mass., for example, was founded in 1991 as primarily a customized front-end, kiosk-based technology vendor, explained Hank Barnes, director of product marketing. It eventually developed interactive voice response products and late last year developed an Internet product.

Because Essense's Internet software will mix and match with any brand of HRIS or EBIS, it offers employers "flexibility," Mr. Barnes said. Employers "are not forced to wait to have a PeopleSoft or Lawson system to derive the benefits of Internet technology."

Other vendors are entrepreneurial start-ups targeting the potentially lucrative employee benefit marketplace, he said.

Indeed, according to a 1996 Foster Higgins survey, 25% of the 336 employers surveyed currently use the Internet in their human resource administration process, and 26% are planning to do so within two years.

It's the Internet's inherent adaptability that has made it possible for vendors to roll out EBIS-Internet integration software so quickly, experts say.

"The beauty of the Internet is that it connects to any platform," said Buck's Mr. Butler.

"It doesn't care of you're operating on a mainframe, a midframe or the very latest version of client/server technology," added Mr. McGlone of Buck. "The Internet is just a highway; it doesn't matter what kind of car you drive. It could be a '57 Chevy or a Bentley."

The EBIS, or HRIS, "is really just a consolidated information database"—like any other Internet server, Mr. Butler explained.

Realizing this, it's easy to see how an employee benefit "home page" on a company's intranet can serve well as the front end to an EBIS, Mr. Butler said.

But some complications occur when each HMO or mutual fund manager offered by a company has its own enrollment system available on the Internet.

"There needs to be a central point of entry," he said. "We (Buck) want to put a consistent face on this for the employee."

Currently it's easier for an employer to establish an Internet connection with a single benefits provider, he said.

But "there are a few (HRIS) companies that have started to recognize the need for consolidation of databases," Mr. Butler said.

Eventually, a single interface might make it possible for employees to search all of their company health plans' primary care provider directories at once, he suggested.

At the moment, Lawson is capable of building multiple provider links to and from an employer's World Wide Web site, the company's spokeswoman said.

But this so called "extranet" is not part of Lawson's standard product right now, she said. "We're a little ways away, but not too far," she said.

PeopleSoft also has the capability, and its extranet will be part of its next standard release, Ms. Henson said.

Other vendors, such as San Diego-based xyberNET, also are developing a single Internet interface.

"We feel the Internet will be one access point," said Joseph S. Bigley, chairman and chief executive officer. "Our goal is to provide a family of products that allows employers to manage all of their benefits with one system—whether it's on a TV or a PC." BI

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Spotlight report

Coordinating benefits can speed injured employees' return to work

By MEG FLETCHER

Companies can encourage injured employees to return to work if they integrate benefits to avoid providing employees duplicate or excessive compensation while off work.

However, benefit managers should make sure they are aware of all collateral source benefits available to injured employees before they can determine appropriate offsets.

Injured employees' mandatory and optional benefits, which vary by state and employees' duration of disability, may include:

• **Workers compensation.**

Most states require companies, or their workers compensation insurers, to compensate injured employees' lost wages by paying 66 2/3% of gross wages, up to state-specific maximum amounts, on a tax-free basis.

However, a few states take a newer approach and base wage-loss compensation on employees' spendable income, which reflects the impact of taxes. For example, Alaska, Iowa and Michigan each base injured workers' compensation on 80% of spendable earnings, according to a 1996 U.S. Chamber of Commerce report.

This newer method is intended to create more incentive for injured workers to return to work.

• **Salary and wage continuation.**

"Some companies pay 100% of salary in lieu of having an employee collect workers compensation for injuries of short duration," said Rebecca S. Bruce, president and chief executive officer of Aon Management Institute, a consulting firm based in Glastonbury, Conn. "In some states, it has been argued that to the extent this is a replacement for workers' compensation benefits, it is non-taxable," she added. In such cases, a company may have to adjust the earnings to prevent injured employees from receiving excessive payments.

• **State disability insurance.**

Several jurisdictions require employees receive state disability insurance, which typically begins paying benefits after they are off work seven days, said Jack Bredehorn, president of VPA Inc., a third-party administrator based in Calabasas, Calif.

Those jurisdictions are California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico.

• **Occupational injury pay supplements.**

Some companies pay supplemental benefits to make up the difference between employees' compensation benefits and regular earnings, with some thinking that's the right thing to do for employees and some compelled by contract to make the payments.

• **Standard disability coverages.**

Short-term disability payments usually are two-thirds of salary for six days to six months, Aon's Ms. Bruce said.

Long-term disability payments usually begin after six months and may last two years or more.

• **Rehabilitation and retraining benefits.**

Depending on the state, these mandatory benefits typically would help employees with counseling about the appropriateness of physical therapy or to seek education to improve the marketability of their skills.

• **Unemployment insurance.**

Most jurisdictions ban employees from collecting both workers comp wage-loss benefits and unemployment benefits.

• **Social Security disability benefits.**

Some states allow workers comp benefits, excluding medical and legal expenses, to be offset by Social Security disability benefits, according to Aon's Ms. Bruce.

In addition, she said 21 states permit Social Security to be the primary source of disability benefits for injured workers: Alaska, Arkansas, California, Colorado, Florida, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nevada, New Jersey, New York, North Dakota, Ohio, Oregon, Utah, Washington and Wisconsin.

"However, because it is often difficult for an individual to qualify for disability benefits under Social Security, some employers hire someone to represent the employee before the Social Security Administration," she said.

• **Other benefit payouts.**

Companies may want to consider offsetting sick and retirement benefits by workers comp payouts. They may also want to evaluate the appropriateness of offsets for other coverages, including disability retirement, as well as disability life insurance or accidental death and dismemberment coverages.

• **Third-party liability settlements.**

Employees occasionally are injured in situations in which a third party is liable, the employee sues and wins damages. For example, a salesman on a business trip who is injured because a wheel fell off his car may be able to successfully sue the auto maker.

"The workers compensation insurer could subrogate their claim seeking reimbursement, but may not do so," Aon's Ms. Bruce said.

"In these cases, the employee (the plaintiff) has a reason to build up damages, by not returning to work promptly. The longer the employee stays out of work, the more he makes," she said.

In a related scenario, an employee receiving workers comp because of a job-related driving accident may also be able to collect from an auto insurer.

• **Company perks.**

Companies may want to evaluate the appropriateness of allowing injured employees who are off work to continue using travel passes, merchandise discounts and tuition reimbursement programs.

• **Loan protection coverage.**

Companies also should be aware of the impact of loan protection insurance coverage, which can be purchased individually or provided by a company credit union, on injured employees' willingness to return to work. The policies typically provide funds to pay mortgages and credit card debts. BI

Work comp

Continued from page 3

workers comp manager for Freedom Communications Inc., an Irvine, Calif.-based media conglomerate that operates in 15 states.

In addition, managers of individual company operations can exacerbate the situation by not notifying a company's in-house workers compensation manager if a health benefit claim turns out to be a workers comp claim, she said. For example, without that information, the workers comp manager would not be able to inform the employee about—or enforce—company policy that requires offsetting the leave allowed under the Family and Medical Leave Act with the workers comp leave taken during the year.

Other problems that contribute to duplicate and excessive payments include lack of internal company awareness or support for solving the problem, as well as a lack of benchmarking data, according to the Watson Wyatt survey.

However, companies can adopt policies and procedures to correct the situation.

For example, companies should try to limit excessive payments by basing wage supplements on the employee's net take-home pay. In some cases, that may require giving an employee full salary as long as his sick time lasts. In return, the company should require employees to sign all workers comp checks over to the company, Aon's Ms. Bruce said.

Procedurally, companies should consider consolidating departments, adopting an employee-centered approach so injuries can be reported to a single source and implementing a return-to-work program, said Catherine Cather, senior vp-integrated benefits with Aon/Alexander & Alexander in Costa Mesa, Calif.

Companies in states that mandate disability insurance programs should consider establishing a self-insured plan, said VPA's Mr. Bredehorn. That approach gives some companies greater control over the method of benefit payments, he said.

Other companies may prefer to buy integrated disability services like those available to CIGNA Corp. clients, said Jacalyn Reinberg, assistant vp in the 24-hour business unit of CIGNA Corp. A company using CIGNA's telephone reporting, case management, return-to-work guidelines, and other services is expected to save 15% or more in total loss costs, she said.

"The key is not to let employees get disconnected," said Aon/A&A consultant Ms. Cather. BI

Directory of benefit information and claims systems

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Benefit systems since: 1991.
Software systems:

■ LuminX.
Price quoted individually.
System requirements: Pentium PC; Windows 3.1 and above or UNIX platform; 512MB RAM, 10,000MB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported.
Customization optional.
First installation: 1991.
Total installations: 21 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. 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: 35 total, 20 professionals.
Clients: 21 total. Sold systems to six clients in 1996.
Officers: Joseph C. Ott, president; Susan Pastroff, vp; James Senge, general manager; Mark Brown, vp-sales/marketing.
Contact: Mark Brown.
** Included in system price.*

American Technical Services Inc.

28050 U.S. Highway 19 N., Suite 400,
Clearwater, Fla. 34621; 800-654-7611;
fax: 813-799-9826

Benefit systems since: 1987.
Software systems:

■ ATS/MED.
Price: $35,000 minimum. Quoted individually.
System requirements: 486/66 or Pentium PC; Windows 95, Windows NT or AIX/SCO platform; 16MB RAM, 100MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES; database management systems supported include Oracle, Sybase, NT SQL and Informix.
Internet/intranet access.
Customization optional.
First installation: 1987.
Total installations: Six in employee benefit departments.
Benefits managed: Workers comp, disability, leave of absence, COBRA, group health plans.
Features: Claims administration, eligibility verification, health care utilization review, medical case management, disability duration monitoring, HMO/PPO management, ad hoc analysis and reporting, precertification, dependent coverage and benefit tracking. Benefit communication features include custom module. Options include disability and workers comp modules for 24 hour coverage.
User support: User groups/meetings*, onsite training, online support, telephone assistance 11 hours per day*.
Staff: 16 total, eight professionals.
Clients: Six total. Sold systems to four clients in 1996.
Contact: Cheryll Wing, president or Craig Zivolich, director-technology.
** Included in system price.*

Aon Consulting

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

Benefit systems since: 1970.
Parent: Aon Corp.
Software systems:

■ AlexWare Pension.
Price: $60,000 minimum. Quoted individually.
System requirements: 486 or Pentium PC; Windows 3.1 and above or UNIX platform; 16MB RAM; VGA or SVGA 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.
Customization optional.
First installation: 1995.
Benefits managed: Retirement/pensions.
Features: Calculates individual retirement benefits; projects estimated retirement benefits; calculates a variety of optional forms of payment; provides personal retirement reports, customized benefit quotation letters and explanatory calculation worksheets; ensures compliance with legal/regulatory requirements; calculates benefits for early, normal and postponed retirement, vested terminated, death and disability. Benefit communication features available. Options include interactive voice response, imaging, web enablement, and integration with human resource, payroll and payment systems.
User support: User groups/meetings*, onsite training, online support, telephone assistance 10 hours per day.
Officers: Daniel T. Cox, chairman-Aon Consulting Worldwide Inc.; Donald C. Ingram, chairman-Aon Consulting Inc.
Contact: Olya Broadwell, 404-240-6109.
** Included in system price.*

Apex Data Systems.

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

Benefit systems since: 1974.
Parent: Babcock Financial Group.
Software systems:

■ COGNAC*PLUS.
Price quoted individually.
System requirements: 486 or Pentium PC; DOS, Windows or OS/2 platform; 8MB RAM; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Customization optional.
Benefits managed: Disability, COBRA, group health plans, life insurance, accidental death and dismemberment, dental, vision, prescription.
Features: Enrollment, eligibility verification, rating, billing, agent commissions, cash receipting/posting, correspondence, pending/tickler, plan set-up and maintenance, claims data entry, claims adjudication, repetitive payments (disability claims), dual/triple option PPO for health and dental, check writing, check reconciliation. Options include claims system.
User support: Onsite training, online support, telephone assistance eight hours per day*.
Staff: 16 total.
Clients: 30 total.

Continued on next page

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Officers: Dwight Babcock, president; Cynthia Stewart, vp.
Contact: Cynthia Stewart.
** Included in system price.*

Arena Systems Inc.

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

Benefit systems since: 1987.
Software systems:

■ Accountable Care.
Price: $60,000 to $100,000. Quoted individually.
System requirements: Pentium PC; Windows 95 or Windows NT platform; 16MB RAM; SVGA video; multiple user; network operating systems supported include Novell Netware, database management systems supported include NT SQL and dBASE.
Customization optional.
First installation: 1987.
Total installations: 28 in employee benefit departments.
Benefits managed: Group health plans.
Features: Enrollment, eligibility verification, health care precertification, claims management, health care utilization review, medical case management, tracking reinsurance liability, disability duration monitoring/control, health plan provider contract management, ad hoc data analysis, ad hoc report generation, electronic claims processing, provider credentialing, work group management. Benefit communication features include computer terminal dial-up to check enrollment status, benefit terms, benefit utilization levels and remaining coverage. Options include employer and provider dial-up to check enrollment, claims payment status, precertification approval and utilization.
User support: User groups/meetings*, onsite training, online support, telephone assistance 10 hours per day, customized enhancements.
Staff: 11 total, five professionals.
Clients: 25 total, including 10 benefit departments. Sold systems to four clients in 1996.
1996 revenues: $800,000 total. $800,000 from employee benefit information systems sales and services, 50% from software sales, 50% from software services.
Officers: Karl Kaiser, president/CEO.
Contact: Elizabeth Hauck, director-business development.
** Included in system price.*

Associated Systems Inc.

1425 N. Broadway, Wichita, Kan. 67214; 316-263-1035 or 800-524-2327; fax: 316-263-0961

Benefit systems since: 1993.
Software systems:

■ Complete Claims.
Price: $42,000. Quoted individually.
System requirements: 486 PC; DOS platform; 4MB RAM; SVGA video; single or multiple user; network operating systems supported include Novell Netware and Windows NT; database management systems supported include dBASE.
Customization optional.
Total installations: 14 in employee benefit departments.
Benefits managed: Disability, COBRA, group health plans.
Features: Processes medical, dental, short-term disability and prescription claims; precertification; coordination of benefits; PPO management; fee schedules and co-payment; reinsurance tracking; laser checks with MICR coding; billing and administration, including individual and group policy administration; interfaces to general accounting; ad hoc reporting. Options include total billing and accounting system and interfaces with other benefit systems.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance 10 hours per day*.
Staff: 10 total, all professionals.
Clients: 14 total.
1996 revenues: $1 million total. $300,000 from employee benefit information systems sales and services, 60% from software sales, 40% from software services.
Officers: Frank Smith, president; Randy Conyers, director-research/development; Chuck Prickett, director-communication systems.
Contact: Frank Smith.
** Included in system price.*

B

Benefit Plan Systems Corp.

16 Technology Drive, Suite 161, Irvine, Calif. 92618; 800-523-8047; fax: 714-753-0845

Benefit systems since: 1987.
Software systems:

■ COBRA EAS.
Price: $1,995. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 and above or OS/2 platform; 16MB RAM, 20MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware and Banyan VINES; database management systems supported include dBASE.
Online system.
Customization optional.
First installation: 1987.
Total installations: 1,000 in employee benefit departments.
Benefits managed: COBRA.
Features: Complete COBRA administration from notification through conversion; prints creditable coverage certificates, including period of active coverage; full accounting, reporting and up/download; complete online help. Benefit communication features include custom letters and correspondence.
User support: Onsite training, telephone assistance eight hours per day.

■ GIBS (Group Insurance Billing System).
Price: $2,495. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1, Windows 95 or OS/2 platform; 16MB RAM, 20MB hard disk; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include dBASE.
Internet/intranet access.
First installation: 1987.
Total installations: 500 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Complete billing and payment tracking for retirees, leave of absence, family medical leave and other non-COBRA programs; handles any benefit or rate, including rates determined by one or more variables such as age or length of service; full online help and illustrated user reference manual. Benefit communication features include custom letters and correspondence.
User support: Onsite training, online support, telephone assistance eight hours per day.
Staff: 16 total, 12 professionals.
Officers: Leonard B. Wierzba, president; Christopher Jarl, vp; G. Schuessler, secretary.
Contact: Leonard B. Wierzba.

Benefit Resource Management Inc.

530 Howell Road, Suite 107, Greenville, S.C. 29615-2000; 864-268-4955; fax: 864-268-5018

Benefit systems since: 1990.
Software systems:

■ DOCSQL (Disability Operational Control-SQL).
Price quoted individually.
System requirements: 486 PC; Windows 3.1 and above platform; 16MB RAM; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and Windows NT; database management systems supported include Oracle, Sybase and NT SQL.
Internet/intranet access.
Customization optional.
First installation: 1992.
Total installations: 11 in employee benefit departments.
Benefits managed: Disability, life insurance.
Features: Tracking of reinsurance liability; certificate level information; policy plan design module; claim module for loss detail, claim history loading, offset management, automatic calculations; flexible benefit plan support; online benefit history, profile alerts, coverage edits, statutory warnings; medical, rehabilitation and investigation tracking; payment generation; direct deposit; custom report writer; instant ad hoc reports; query-by-example; pre-programmed reports for claim detail, tax and benefit details, reserves, benefit offsets; disability duration monitoring/control; form letter generation; user maintenance tables; vendor payments; remote claim entry; case manager. Benefit communication features include explanation of benefits, pre-programmed messages for Social Security, claim statements, workers comp, pension plan benefit, request for document, final payment, free-form text entry, letter writer. Options include short- and long-term disability modules and life module.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance*, system maintenance via modem*, system enhancements*.
Staff: Seven total, five professionals.
Clients: 11 total, including two benefit departments. Sold systems to three clients in 1996.
Officers: Theodore W. Mahler, president; George W. Andrews, vp; Toni Sloan, treasurer.
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.
Online system.
Customization optional.
First installation: 1985.
Total installations: Five in employee benefit departments.
Benefits managed: Flexible benefits, workers comp, COBRA, group health plans.
Features: Automatic benefit calculation, supporting all contract and pricing arrangements. All necessary modules are included, from enrollment through payment and reporting. Benefit communication features include built-in word processing, automatic follow-up and online notebook. Options include a front-end graphical user 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, 630-789-2082, ext. 200.
** Included in system price.*

BeneSoft Inc.

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

Benefit systems since: 1987.
Software systems:

■ Flexible Software.
System requirements: 486 or Pentium PC; DOS or Windows platform; 8MB RAM, 256MB 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 MDBS.
Internet/intranet access.
Customized system.
First installation: 1987.
Total installations: 100 in employee benefit departments.
Benefits managed: Flexible benefits, flexible spending accounts, group health plans.
Features: Administration, management and analysis of flexible benefits, flexible spending accounts and traditional benefits. Benefit communication features include enrollment forms, benefit statements and confirmation statements. Options include a voice response system and an accounts receivable program.
User support: User groups/meetings, onsite training*, online support*, telephone assistance 12 hours per day*, emergency pager numbers*.
Staff: 25 total, 18 professionals.
Officers: Faisal A. Saleh, president; Steve Froebel, vp.
Contact: Faisal A. Saleh.
** Included in system price.*

Buck Consultants Inc.

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

Benefit systems since: 1970.
Software systems:

■ BASK (Buck Actuarial Systems Kit).
Price quoted individually.
System requirements: 486 PC; Windows 3.1 platform; 8MB RAM, 250MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
Customized system.
First installation: 1970.
Total installations: 30 in employee benefit departments.
Benefits managed: 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 and salary increase tables, census data management features.

■ Buck BENCAL PC.
Price quoted individually.
System requirements: 486 PC; DOS or Windows 3.1 platform; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Btrieve.
Online system.
Customized system.
First installation: 1986.
Total installations: 170 in employee benefit departments.
Benefits managed: Leave of absence, life insurance, retirement/pensions, Social Security benefits, employee counseling, post-retirement medical and life insurance.
Features: Maintenance of all required participant data; data editing and reporting; assistance in pre-retirement counseling; preparation of employee benefit statements; creation of management reports. Benefit communication features include communication with plan participants, trustees and company management; computer terminals, phone and service center providing information regarding plan benefits, eligibility, Social Security benefits, what-if scenarios and counseling. Options include interfacing with existing payroll/human resource systems and complete participant service center capabilities.

■ Buck-Health & Welfare Benefit Administration System.
Price quoted individually.
System requirements: AS/400 3.1; 36GB hard disk; multiple user.
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, flexible spending accounts, vacation.

Continued on next page

Explanation of terms

The directory of employee benefit information 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 Nov. 24, 1997, issue of BI.

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

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

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

Information on the company overall follows the product listings. This section includes **user support** offered and whether it is included in the system price; and **staff** figures, given in full-time equivalents for year-end 1996. Also provided is the total number of employee benefit information system **clients** in 1996, including the number of corporate benefit department clients (both sales and service) and the number of clients who bought systems in 1996. The next section states the organization's total **1996 revenues**; revenues from employee benefit information systems sales and service; and a percent breakout of the employee benefit information system revenue between sales of hardware, software and services. Names and titles of **principal officers** and a **contact person** complete the listings.

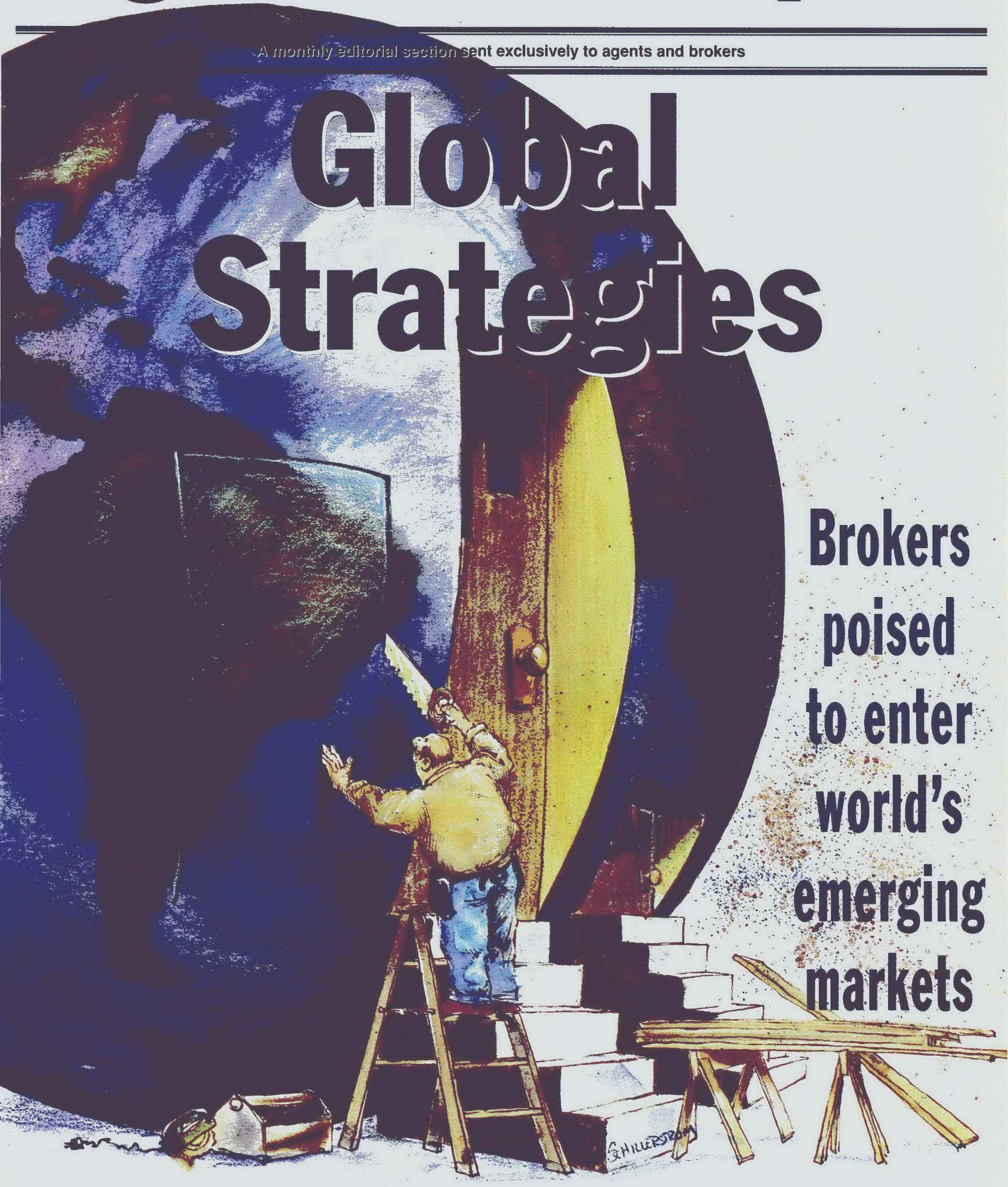
The directory is published as an editorial service; there is no charge to be included. However, to be listed companies were required to complete a *Business Insurance* questionnaire.

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

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Global Strategies



Brokers poised to enter world's emerging markets

Agent/Broker Topics

Brokers await opening of global markets

Agreements, reality can differ under pressure on regulators in their countries, exec says

Global Strategies

By REGIS COCCIA

Brokers are expecting to see more international opportunities this year as the world's insurance markets open their doors to intermediaries.

While many countries, particularly in Asia, have been slow to ease restrictions on foreign companies, some recent market reforms have been passed.

For example, Japan revised its insurance industry law last year to allow brokers to operate in that country for the first time. South Korea also has agreed to recognize brokers starting this year. And India's government has expressed interest in opening its market as well.

Although such developments are encouraging, and the insurance industry will continue to push for regulatory reform, brokers say they must monitor the progress of proposed changes.

Agreeing to introduce reform is one thing, but regulatory authorities often face pressure from domestic companies that can alter the original agreement, explained Teresa Pahl, executive vp of Aon Global in Chicago and chairman of the National Assn. of Insurance Brokers' International Committee.

A prime example is India, noted Carl Modecki, president of the National Assn. of Insurance Brokers in Washington. "The current government may not be able to maintain its position (of introducing insurance reforms) because of unrest" among trade unions and the local industry.

India, which has a nationalized market dominated by a handful of insurers, has been reluctant to recognize brokers.

"A lot of it is protecting the insurance companies," Mr. Modecki said. "If you've got only three companies to deal with, you don't need a broker for that."

The NAIB is working with brokers and insurers in the United States and Europe to help countries such as India understand the value of brokers, Mr. Modecki said.

One way the NAIB has helped make intermediaries' voice heard is through a model broker law. Introduced last year, the model law "outlines things that should be considered" by foreign insurance regulators, Mr. Modecki said.

So far, dozens of countries have found the model helpful, he added.

"Education is a critical component" in helping to liberalize international markets, said Claude F. Gallello, managing director of Willis Corroon International in New York.

Many countries have "a general perception that brokers do not bring value to the commercial customer. Some carriers prefer to deal directly with customers," he said. "There is a need to explain what the role of the broker is and what value they add to the market."

For example, "it has been a very restrictive situation" in South Korea, Mr. Gallello said. "Foreign brokers will be allowed to be recognized in April '98. In April '97, domestic brokers will be allowed."

Korea loosened its insurance regulations to comply with the Organization for Economic Cooperation and Development's requirement that members accept bilateral trade, Mr. Gallello said. The Paris-based OECD is an association of nations that focuses on members' economic and social welfare.

"Japan has been evolving very nicely," he said, but "not everything is crystal clear."

Although London-based Willis Corroon Group P.L.C. last month established Willis Corroon Japan Ltd. as the first fully licensed insurance brokerage in Japan, questions remain about what brokers ultimately will be able to do.

"The real issue becomes one of what do we get when we become a broker" in Japan, Mr. Modecki asked.

What it means to be fully licensed to broker business in that country has yet to be determined, he said.

"The Japanese have 32 ways of saying 'yes' and no way to say 'no.' So things may appear to moving when in reality they aren't," Mr. Modecki said. "Recognition of a broker and willingness to license them is clearly an important first step."

See **Markets** *on page 16D*

Your client qualifies for HPR. Now you want it combined with other coverages. Who has that capability?

Markets

Continued from page 16B

Other areas where brokers are hopeful about opportunities include Brazil, Indonesia, Thailand, Venezuela and Vietnam. As Hong Kong prepares to revert to Chinese control this year, brokers also are keeping an eye on China.

"We're all concerned about China, particularly the reversion of Hong Kong. It's a very vibrant insurance market," Ms. Pahl said.

She noted that China has an agrarian economy and that business risks common in more developed nations don't yet exist there. "We can be of service by helping them develop products they need at the time of their (economic development) cycle," she said.

"Where we'll be successful in these countries is where we form true strategic alliances with the companies in these countries," Ms. Pahl said.

"We need to embrace the (domestic) carriers and have a good understanding" of their place in the market," Mr. Gallello said. "Even after liberalization occurs, they'll still be very powerful in those countries."

'There is a need to explain (in some other countries) what the role of the broker is and what value they add to the market,' says Claude F. Gallello of Willis Corroon.

Brokers and insurers will have a chance to further their global standing when negotiations on the General Agreement on Tariffs and Trade resume April 10 in Geneva, Mr. Modecki pointed out.

"At the moment, everyone in the financial services industry here in Washington that I've talked to is very optimistic we'll see offers in the GATT negotiations that will bring us exciting changes in the world and that everyone will benefit from," he said. "I think the scene is set for good things to happen."

Ms. Pahl said it's important for insurers, reinsurers and brokers to coordinate their efforts to access international markets. "Unlike other industries, we do not speak with a common voice," she said.

The separate approaches inevitably cause problems in trying to steer reforms. "It's understandable that the regulatory authorities have been very confused," Ms. Pahl said. "Other countries just aren't as familiar with our distribution systems."

Mr. Modecki noted that brokers are trying to get their voice heard, not dictate how countries should regulate their markets.

"Regulation is not inherently bad. It's the way you do it," he said. "We're saying: 'Make it reasonable. Don't make it prohibitive.' " BI

Global Strategies

Brokers meeting on Latin America

An association of agents and brokers in Latin America is meeting this week to discuss the region's developing insurance markets.

COPAPROSE, the Confederacion Panamericana de Productores de Seguros, is meeting March 2-6 in Buenos Aires, Argentina.

Representatives of the Washington-based Council of Insurance Agents & Brokers, a member of the COPAPROSE board, will attend the conference.

The Latin American confederation represents agents and brokers in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Uruguay and Venezuela. In addition to the Latin American countries, COPAPROSE also represents producers in Portugal and Spain.

COPAPROSE is an associate member of BIPAR, the Bureau International des Producteurs d'Assurances et de Reassurances. Brussels, Belgium-based BIPAR is an international organization of insurance broker associations. Its members include agent/broker associations in Africa, Asia, Europe and North America. BI

Brokers can see Internet as friend, not enemy: Panelist

By MICHAEL PRINCE

The Internet won't drive commercial brokers into extinction but instead will become another tool in their arsenal, according to an Internet product manager.

"The Internet is not going to replace the face-to-face advice-giving aspects of the business," said Jim Christie, product manager for Access A&A, an Internet-based service that New York-based Alexander & Alexander Services Inc. developed for its clients.

Access A&A, among other things, links the broker's clients to A&A account service teams, insurance information and other industry Internet sites.

Speaking during a panel discussion on the Internet and intermediaries sponsored by the American Conference Institute in New York, Mr. Christie said that rather than eliminate the role of the broker, brokers can use the Internet to enhance their value to clients.

As risk managers are being asked to do more with smaller staffs, they need access to more information organized for their needs, he said.

Also, risk managers frequently are requiring insurance brokers to provide a value-added service to justify their expense. This is where the broker's expertise can play a role by structuring the information and providing it to the client via the Internet.

An Internet presence also helps to build relationships with clients, Mr. Christie said.

"It cements relationships between the broker and client" by allowing clients to access information 24 hours a day, seven days a week in their own time, Mr. Christie explained. "We see it as a relatively low-cost information delivery system," he said.

The bottom line, according to Mr. Christie, is the Internet allows brokers to better perform their jobs as valuable service providers to their clients, and he is optimistic about its future.

"The Internet for commercial brokers is positive, and I see opportunities," he said. BI

Insurer sites don't meet customer wants: Survey

By MICHAEL PRINCE

Insurance companies have established Internet sites but have not equipped them with the services their customers desire, a recent survey says.

According to the study, 81% of insurance companies surveyed maintain an Internet site, and the remainder plan to introduce one within the next year.

The companies that already have sites, however, have not utilized the technology as fully as possible, not even to the degree their customers have requested.

"Insurance companies are behind banks and other industries in leveraging Internet technology," according to the survey conducted by New York-based management consultants Booz-Allen & Hamilton and released last month. "Customers are anxious to take advantage of the service and cost advantages of the Internet. . .(but) their desires have far outpaced the capabilities offered by insurance companies."

For example, the survey shows that while less than 10% of multiline insurance companies offer online quotes, 68% of surveyed companies said their customers request this capability.

Similarly, 32% of customers seek to purchase policies over the Internet, while only about 1% of companies offer that service. Customers also want the ability to change policy information and make personal information changes—such as a beneficiary change—over the Internet.

One reason for insurance companies' reluctance to more fully utilize the technology is their concern about alienating their agents. More sophisticated Internet sites that permitted online selling of products might have devastating consequences on their agents' income. As a result, the World Wide Web sites are primarily designed to disseminate information and are not geared to sell products. In fact, one of the most important goals for their Internet sites, cited as most important by 34% of respondents, was to facilitate customers' access to agents.

But this may be changing. Insurers said they plan to add more functions to their Internet sites in the coming years. Within two years, 40% of multiline insurers plan to provide personalized quotes at their sites, and 56% plan on providing advice online. Also, 19% of multiline insurers plan to allow registration for policies within two years.

What the future holds for the Internet in the insurance industry is unknown. Only 10% of the responding companies said their Internet sites were linked to the company's overall strategy, whereas 76% "are moving forward with their Internet sites with little or no consideration for the strategic implications of the technology," the survey states.

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Contact Katherine Ellis at Booz-Allen & Hamilton at 212-551-6396 for a free copy of the report.

Agent/Broker Topics

Panel urges agents to fight health care mandates

The battle against government intervention is not over, business lobbyist warns

By MARK A. HOFMANN

Insurance agents and brokers have a vital role to play in making sure that insurers and other businesses aren't hampered by government health care mandates.

And new mandates seem certain to arise during the current Congress, agreed participants in a panel discussion of health care reform at the Council of Insurance Agents & Brokers in Washington last month.

For example, legislation already has been introduced that would require health insurers to cover mandatory minimum stays for mastectomy patients, pointed out Stuart J. Brahs, vp-federal government relations in the Principal Financial Group's Washington office.

Mr. Brahs also warned that many other mandates have little health care value but that lawmakers get swept into supporting them.

In addition, the president is attempting to expand children's health care coverage, noted Mr. Brahs. He called doing so "a very nice concept" but added that the concept demonstrates a lack of understanding of the working of health plans.

How do you define a child? he asked rhetorically. Fifteen years? Eighteen years? Twenty-five years?

Mr. Brahs said that an insurance agent has more knowledge about the things he encounters in his job on a daily basis than a congressman does. That puts agents in the role of educators who can help walk lawmakers through their concerns about mandates and other health care issues.

"Simply tell your congressman, 'No new mandates, period,' " advised Mark Isakowitz, director of government affairs for the National Federation of Independent Business.

"I want to take a couple of conventional wisdoms and throw them out," he said.

The first, he said, is the notion that health care costs have been licked and the second is that attempts to extend the government's role in health care issues have been beaten back.

Regarding the first piece of convention wisdom, Mr. Isakowitz said recent a survey of NFIB members showed the cost of health insurance is their No. 1 concern, even more than tax issues.

He said the recent survey by A. Foster Higgins & Co. Inc. showing that employers' health care costs were rising relatively modestly was flawed in its methodology because it defined small businesses as those with 10 to 500 employees (*BI*, Jan. 20). NFIB members have an average of five employees and therefore weren't part of the survey, he said.

To remedy the situation, Mr. Isakowitz urged that small businesses be allowed to set up buying groups that would be exempt from mandated benefits.

Large businesses with self-insured health plans enjoy immunity from state mandates, he said. That allows larger employers to take advantage of the savings available through managed care without having to deal with state curbs on managed care, he said. All employer plans should be regulated the same way, said Mr. Isakowitz.

As for the second piece of conventional wisdom–that the government's role is diminishing–"We don't want the government to run health care," yet mandates increase the government role, he said. The states alone collectively impose more than 1,000 mandates, he said.

Mr. Isakowitz urged his audience to make known their opposition to an expanded government health care role.

"If you don't like this, don't ask your congressman to oppose this if you are not willing to speak out against this yourself," he warned.

Mr. Brahs had another warning for his audience. "There is a movement undermining employer-provided benefits" on Capitol Hill, he said.

This could be manifested through tax policy as lawmakers examine the tax breaks employers receive for providing health care and other benefits, he said. Many members of Congress have indicated that they believe individuals should be more responsible for their own health care and retirement, through vehicles such as tax-favored medical savings accounts and individual retirement accounts, he pointed out.

"I think members of Congress are saying: 'Hold on here. What are we, the government, getting out of this? Should we continue to provide tax incentives on the same basis?' "

Matthew J. Dolan, a partner in the Washington office of law firm Baker & Hostetler, moderated the session. BI

Managed care translates to underwriting challenge

By Steven C. Spina

As managed care organizations weave their way into the fabric of our national health care delivery system, they are raising concerns for underwriters.

Primarily due to the federal government's failure to find an appropriate balance among quality of care, access to care and controlled costs, managed care organizations have become "de facto health care reform."

Yet managed care systems have produced much controversy over their ability to improve health care delivery. Many say the system has been successful, attributing some of the controversial decisions managed care organizations make in weighing cost vs. care to the industry's "growing pains." Others argue that the health care industry's shift to for-profit from non-profit status is changing the medical community's allegiance from the patient to the stockholder, sacrificing quality of care.

Professional liability underwriters

A/BT Perspective

are monitoring the many issues facing managed care organizations and their inevitable effect on liability risks. How these issues play out—particularly vicarious medical professional liability, negative publicity and industry consolidation—will determine how underwriters respond in terms of underwriting philosophy, approach toward coverage and product pricing.

In the past, many underwriters of managed care errors and omissions coverage viewed vicarious liability as something that "just existed" from the potential for managed care organizations to be held liable under the legal theories of ostensible agency or respondeat superior. This is no longer the case, for a number of reasons.

Managed care organizations were thought to be shielded from liability by the Employee Retirement Income Security Act. ERISA's pre-emption clause states that if the complaint "relates to" a benefit plan, the case is automatically pre-empted at the state level, excluding discussion of compensatory and punitive damages.

Recently, courts have more liberally interpreted the "relates to" clause of ERISA with respect to managed care organizations and in a handful of situations have not allowed cases to be pre-empted automatically (*BI*, July 29, 1996). Therefore, these cases remained at the state level, where damages are not limited as they are under ERISA. The potential erosion of the ERISA protection for managed care organizations increases the risk of medical professional cases being brought against the organization under the theories of ostensible agency and respondeat superior. This is an issue that has not fully matured but one that professional liability underwriters are watching very closely.

A companion issue to the potential erosion of ERISA is that utilization review decisions are becoming more closely related to diagnostic medical care and no longer just a purely administrative function. As underwriters, we look for the controls, contract wording and procedures to be in place that limit a managed care organization's liability as "health care provider" during the utilization review process.

This is becoming increasingly difficult to do because the power managed care organizations wield in determining payment for care can be viewed as affecting the quality of care a patient receives. The problem is exacerbated when managed care organizations offer bonuses, withholdings of risk and other forms of compensation to encourage UR decision-makers to control costs. The resulting shift to for-profit status from non-profit means these decision-makers may appear to have a sinister motive for making cost-containment decisions, thus increasing the liability exposure that underwriters must take into account.

Another trend complicating liability underwriting for managed care organizations is the creation and evolution of integrated delivery systems, which function as both a health care provider and a managed care organization—that is, an insurance company, risk taker and administrator of benefit plans.

IDSs are emerging from opposite directions. First is the provider side, which is attempting to compensate for the loss of control and profits to managed care organizations by taking on and managing risk themselves. The second is the insurer side, where large managed care organizations such as Aetna, CIGNA and United HealthCare are creating "super" health care organizations by bringing what they know about utilization and cost to the provider side for greater control and to settle some of their disputes with providers.

The resulting organizations no

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Liability

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longer can use the defense that they "are not the providers of care, just facilitators," which increases their liability beyond the realm of vicarious liability, as they have actively engaged in the business of providing medical care. This increased liability affects pricing, terms and attachment points, closing the gap in pricing between managed care liability vs. medical professional liability.

Large managed care organizations are being aggressively underwritten. More and more, these managed care organizations have components of direct medical professional liability exposure or a much higher level of vicarious liability risk, which underwriters need to take into account when determining pricing and attachment point.

These organizations are growing rapidly through acquisition and attrition and are just beginning to accumulate the higher level of liability exposure, which has yet to show its face to the underwriters of these organizations. In most cases, not only are these entities being underwritten at a low deductible or self-insured retention, but the retention also is being aggregated.

The historical loss data that gave underwriters a certain comfort level in allowing low deductibles and aggregates now is useless in predicting future results, because a new organization with new exposures exists.

Undeveloped liabilities are accumulating, most of which are due to the increase in exposure from more significant vicarious liability and the introduction of direct medical professional liability exposure. This, along with the potential erosion of ERISA pre-emption and the prospect that utilization review is starting to be viewed as "diagnosis" as opposed to "administrative," may make the medical professional liability risks inherent in these organizations outweigh the current attachment point and premium levels.

Managed care organizations are undertaking new functions, causing underwriters to rethink their entire approach to assessing risk and developing a premium. Assigning a premium to a certain type of managed care organization simply by virtue of its type no longer works.

For example, underwriters historically have looked at a PPO as being much less of a risk than an HMO. PPOs traditionally did not get involved in capitating providers, conducting prospective or concurrent UR, collecting premiums or paying claims, which are all functions HMOs provide.

But now PPOs are taking on a new role as UR contractors and claim handlers to varying degrees. Conversely, many managed care organizations are subcontracting functions such as utilization review that they traditionally performed, hiring contractors who may carry their own liability insurance specific to their function. All of this "cross-functioning" has made the underwriter's evaluation of the risk more challenging.

Despite the managed care industry's efforts to monitor enrollee satisfaction and conduct surveys to help enhance the perception of the quality of care they provide, public scrutiny of managed care activities is at an all-time high. Numerous stories about HMOs are reported in the media, such as wrongful denial of benefits to an enrollee and discharge orders for new mothers 24 hours after delivery. The increasing public awareness has put pressure on regulators and lawmakers to react, creating new challenges for the underwriter of managed care liability insurance, including:

- The potential for increased claims as enrollees realize they can file grievances under the plan's provisions.
- The potential for managed care organizations to be easier targets for lawsuits due to negative publicity portraying them as profit-seeking "villains."
- Increased regulation of managed care organizations, already seen with the issues of "gag orders," "drive-through" deliveries and copayment cases.
- Liability potential created from more accurately defined protocols, whether they evolve from regulation, accreditation or are self-imposed by managed care organizations.

This last issue is a particular problem. Without these protocols, establishing bad faith on the part of the managed care organization must be egregious to be proven. Underwriters need to be concerned that as these industry protocols develop, claim defenses can be weakened by ambiguity of protocol until accepted as a standard for operation and an organization's policies and procedures

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that differ from established protocols.

Managed care, as well as and the health care industry in general, is experiencing consolidation through mergers, acquisitions and other structural alliances, posing new issues to be addressed by managed care liability underwriters, including:

- Antitrust. Not only do mergers and acquisitions create potential antitrust risk from the perspective of market monopolization, price fixing and restraint of trade, but also in ambiguities between the merging organizations' policies on provider credentialing and peer review. These ambiguities can create liability risk from the perspective of deselection of providers in the credentialing and peer review processes.
- Utilization review and claims handling. Ambiguity can result from the merging of entities that have differing policies and procedures for handling UR or claims. They may, for instance, have different enrollee plan documents with conflicting definitions. Any ambiguity, such as in defining "experimental treatment," can be used to sue a managed care organization.
- D&O claims. Consolidation can result in claims against directors and officers in their handling of such transactions. Publicly traded companies are more susceptible to expensive shareholder's actions than privately held companies.

As managed care organizations look for an appropriate balance between quality and cost, underwriters will continue to look for the appropriate balance between premium and risk. By now it has become clear to underwriters of managed care organizations that the historical profitability of managed care professional liability insurance no longer can be relied on to predict profitability, because the nature of the risk has changed so dramatically in recent years. But, with their evolution in unprecedented directions and the liability risks associated with them, managed care organizations have made these exciting times for underwriters who have the privilege to work in such a fast-paced and dynamic industry. BI

Steven C. Spina is assistant vp for Zurich-American Specialties, a strategic business unit of Schaumburg, Ill.-based Zurich-American Insurance Group. He is responsible for Zurich's professional liability underwriting initiatives for the health care industry in the insurer's Central Region.

Brokers need to expand reach to compete

Associations can help by offering background information on doing business in other countries

By Ken A. Crerar

A/BT Perspective

BACK IN 1913, far-sighted members of The Council of Insurance Agents & Brokers—then known as the National Assn. of Casualty & Surety Agents—were responding to changes in commerce and technology by reaching across borders to conduct interstate business.

They had to overcome regulatory and market differences before they could succeed at mastering these areas outside their home region. More than 80 years later, these same changes are causing mid-market insurance agents and brokers once again to reach across borders; but this time, their range isn't just over state lines, but around the world.

Over the past several years, our members, and the brokerage community in general, have metamorphosed from domestic to international businesses. Our customers are driving this change.

Not so long ago, only Fortune 500 companies had an international presence. Today, the biggest growth in international business consists of mid-level businesses expanding their operations to foreign shores.

Changes in the brokerage business itself also are pushing us toward internationalism.

Brokerages that grow through mergers and acquisitions must live up to that growth by offering a full range of services to an increasingly cosmopolitan clientele.

A large regional broker should be able to offer as many services as an "alphabet house" if it wants to compete. It's no longer enough for an agent or broker to go to a big insurer to have access to international

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Growth

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business; they need to offer their own full menu of sophisticated services to attract top-notch clients.

Increasingly sophisticated technology also is spurring this trend. Advances such as the fax and the Internet make it just as easy to do business across the world as across the street. Better and faster automation is making the world a little smaller every day.

The convergence of all these trends is forcing mid-market brokers to focus on their ability to place business in foreign markets. As a result, the Council and other associations must be able to help members develop the tools that will help them serve their clients here and abroad.

Unlike the large international brokerage houses or multinational insurance companies that maintain overseas branches, our members find it more effective to establish flexible arrangements with selected broker partners in a variety of countries. This network give both parties the freedom to work with other brokers if needed, particularly in countries where the client company already has a relationship with a broker. It also affords the U.S. broker the opportunity to deal with a local expert who knows the regulatory, social and economic climate of the country in which it is conducting business.

Wherever there is economic development, insurance products are needed, and there are a number of "hot spots" in the world right now.

Activity in the Russian states remains high, but there also are legitimate concerns about political and economic risk in these areas. Central and South America, Southeast Asia, India and China are all rapidly developing countries. Although these are still relatively immature markets—only 10% to 15% of the Latin American population can afford insurance—the growth of government privatization in these regions is encouraging growth.

Many developing countries, including India, China and the Philippines, have embarked on massive infrastructure and power projects, involving companies from around the world.

John L. Wortham & Son L.L.P., for example, has many energy-related clients that have developed power projects around the world. This Houston-based brokerage got in on the ground floor of the international business almost seven years ago by hiring a consultant with international expertise to develop a network of brokerage contacts around the world. Wortham currently has 126 of these "correspondents" in 110 countries.

A more equitable balance of trade also means more business activity in developed nations. Even though Europe is a relatively well-penetrated market, the increase in reverse-flow business from countries like Germany and the United Kingdom is another opportunity for brokers to solidify their international presence.

Adams & Son Inc. of Auburn, N.Y., for example, has a medical instruments manufacturer client that ships products around the world. This client has plants in Dublin, Ireland; Stuttgart, Germany; and several locations throughout Asia. Adams & Son is currently working with a German broker whose client wants to do business in the United States.

Three years ago, only a handful of our members' clients had an overseas presence. Today this is rapidly changing. For the most part, Council members cut their teeth in overseas markets by taking advantage of our association's international activities.

This began in 1994, when the Council hosted the first BIPAR Congress ever held in the United States. Since this successful gathering, the Council maintains an active membership and a strong affiliation with BIPAR, or Bureau International des Producteurs d'Assurances et de Reassurances, a prominent broker organization that represents members in 50 countries in Europe, North and Central America, the Near East, Africa and the Pacific Rim.

Through participation at meetings and educational programs such as these, Council members can capitalize on the information presented about foreign markets as well as establish valuable contacts through networking opportunities.

This is also the case with the Council's close affiliation with another fast-growing association, COPAPROSE, an organization that brings together agents and brokers of the United States and Latin America. This umbrella group's work is especially critical, given the increase in business with Mexico and other Latin American countries.

The Council's membership in BIPAR and COPAPROSE has provided our members with great exposure, offering mid-market agents and brokers an entry to the world and helping all of us realize that the insurance business isn't really that different from country to country.

To reciprocate, U.S. agent/broker associations need to open their doors to foreign membership.

Recently, the Council opened its doors to our first international brokerage member, Coyle Hamilton Ltd. of Dublin, the largest property/casualty brokerage in Ireland. Coyle Hamilton executives are looking forward to interacting with U.S. brokers to exchange views and share experiences on the world risk, as well as to meet with U.S. insurers and reinsurers at our annual meeting.

Mid-market brokers also need practical services to help them succeed in their efforts abroad. Even though English is the universal business language, many U.S. businesspeople worry about the communication barrier. Agent and broker associations can assist their members by offering translation services and establishing clearinghouses of background information on how to conduct business in a given country, including tips on social customs and insurance laws.

As we get closer and closer to the new millennium, the world will continue to shrink. Our best bet for survival and growth in the year 2000 and beyond lies with our ability to tap into a global economy. Our industry must position itself to help the brokerage community make the transition from a regional or national to a global business—to help make all world-class businesspeople. BI

Ken A. Crerar is president of the Council of Insurance Agents & Brokers, a Washington-based organization that represents about 3,000 commercial property/casualty agencies and brokerages. Mr. Crerar also is a member of BIPAR's Directors Committee and is an adviser on insurance matters to the U.S. secretary of commerce and the U.S. trade representative's Industry Sector Advisory Committee on Services.

Program designed to expose agents

An advertising and promotion program getting under way aims to help agents improve "consumer awareness and appreciation" of the independent agency system.

The National Communications Program—a partnership among the Independent Insurance Agents of America, agents and 33 insurance companies—is funding the program. Catastrophe preparedness and response, the work-at-home customer, small-business issues and the women's insurance market are key themes for the program, the IIAA said.

The IIAA has sent to all member agencies a logo-awareness kit, including logo slicks, legal recommendations on usage and ways to display the logo on stationery and other materials.

The kit is designed to help members take advantage of the Big "I" brand, the Alexandria, Va.-based IIAA said.

The program will let agents 'link their own agency logos to a well-respected' brand, says Frank Ridley.

Also, beginning March 24, 1,500 advertisements will appear on major cable television networks throughout the year. The ad program will feature 25-second spots on CNN, Headline News and The Weather Channel, with five seconds at the end designed for tags from local agents or statewide groups.

"By building recognition of the national logo among consumers, individual agents can link their own agency logos to a well-respected and established national brand," Frank Ridley, chairman of IIAA's communications committee, said in a statement.

A kit that explains how to buy media with the IIAA national campaign will be available this month for agents and companies. It includes a guide to buying media for the campaign, a schedule of air times for the campaign, a VHS tape of the commercial, a radio script agents can customize and other material.

The advertising portion of the program is designed to work together with public and media relations, the IIAA said.

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IIAA members may order the logo or advertising kits by calling 800-261-4422.

A/BT Briefs

Ethics awareness

MALVERN, Pa.—Insurers, insurance industry trade groups and professional associations once again will commemorate March as Ethics Awareness Month.

Ethics Awareness Month is designed to promote awareness of ethics issues affecting the insurance industry as a whole.

Participants from 270 insurance companies, professional societies and associations in the insurance and financial services industry are expected to be involved in the educational effort.

Many insurers have planned activities such as reaffirming their commitment to a corporate code of ethics and publishing ethics-related articles in employee publications and training guides for Ethics Awareness Month.

The American Institute for CPCU, the CPCU Society, The American College and the American Society of CLU & ChFC are sponsoring the event.

Many CPCU and CLU/ChFC chapters will host ethics programs with speakers and panel discussions.

For more information on the program, contact Karen Burger, 720 Providence Road, Malvern, Pa. 19355-0716; 610-644-2100, ext. 7805; fax: 610-644-7629; e-mail: burgerk@cpcuiia.org.

Environmental cover

Almost 70% of contractors do not have environmental liability insurance coverage, according to a survey by an environmental insurance services provider.

The survey also showed almost 40% of contractors do not know their general liability policies contain pollution exclusions.

Of about 60% who are aware of the exclusion, only 31% buy pollution policies, according to the survey commissioned by Exton, Pa.-based ECS Underwriting, which provides environmental insurance services.

The most common reason contractors gave for not carrying pollution insurance was their belief that the construction work they performed had no environmental exposures, said Mark Elgin, a senior underwriter at ECS. Cost and a lack of understanding and availability of coverages also were cited.

Mr. Elgin talked about the findings at a recent Construction Financial Management Assn. meeting.

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The survey, conducted in October 1996, asked about 250 contractors about their awareness and use of pollution insurance, ECS said.

For more information, contact Christine Weirsky, 609-895-0200, ext. 414.

Education study

Educating students and teachers in insurance improves their attitudes about the industry, according to a study by the Insurance Education Foundation.

High school students who took a regular course that included insurance instruction showed "statistically significant" improvements in perceived understanding of and attitudes toward insurance, when compared with a control group, the Indianapolis-based IEF said.

The survey included 550 students and more than 180 teachers nationwide.

Almost 70% of the students who got instruction reported better understanding, 73% said they could explain how insurance works, and 66% said they knew how a loss is handled, the survey found.

Improvement in understanding directly affected attitude, the survey found.

A statistically significant improvement in attitudes toward insurance came in 66% of the students who got insurance instruction.

In addition, 70% thought insurance companies were fair, and 67% saw good job opportunities in the industry.

The research also supports a 1992 study by The College of Insurance that showed teachers' knowledge and attitudes about insurance improved after attending IEF-funded summer workshops.

Hundreds of thousands of students have learned about insurance from more than 1,100 teachers who have attended IEF-funded summer workshops at five universities since 1988, the IEF said.

For more information, contact the Insurance Education Foundation, P.O. Box 68700, Indianapolis, Ind. 46268; 800-IEF-4811.

IIS names director

NEW YORK—Linda C. Bock has been named executive director of the International Insurance Society Inc.

Ms. Bock will oversee administration and finance operations, annual seminars, awards programs, and marketing and communications for the non-profit organization.

She will report to John P. Meyerholz, president and chief executive officer.

The society's membership consists of insurance executives, academics and people in insurance worldwide.

The New York-based IIS has about 200 corporate members and more than 1,000 individual members in about 90 countries.

New CPCUs

MALVERN, Pa.—More than 200 people became Chartered Property Casualty Underwriters Jan. 1 after taking an examination in September.

The 223 new CPCUs will be eligible to attend the American Institute for CPCU's national conferment ceremony and the CPCU Society's Annual Meeting and Seminars Sept. 28-Oct. 1 in Dallas, said Lawrence Brandon, president and chief operating officer of the Malvern, Pa.-based American Institute for CPCU and the Insurance Institute of America.

As a result of the September exam session, nearly 900 people completed one of these IIA programs: General Insurance, the Associate in Claims, the Associate in Risk Management or the Accredited Adviser in Insurance.

ASCR study plan

PALM SPRINGS, Calif.—A new self-study program will provide industry professionals an alternative method of earning an Accredited Customer Service Representative designation.

The self-study programs only require agencies to buy educational materials, and let professionals work at their own pace, compared with seminar programs that force agencies to pay travel and other expenses, said Lowery D. "Tuck" Finley III, national education committee chairman for the Alexandria, Va.-based Independent Insurance Agents of America.

The IIAA is offering the self-study program and debuted it earlier this year at the IIAA's Education Convocation in Palm Springs.

ASCR, an international designation program, promotes and recognizes the professionalism of industry customer service personnel. The course of study leads to designations in personal and/or commercial lines.

IIAA recommends that people who want to earn the designations have at least a year of insurance experience.

Courses may be taken in any sequence, and coursework must be completed in three years.

Six hours of continuing education each year are required to maintain the designation.

For more information, contact your local IIAA state association. BI

A&A Services Inc. moves its New York office

Talk about awkward timing.

Alexander & Alexander Services Inc., after more than a year's hemming and hawing about where to put its big Manhattan office when its lease expires this spring, decided to leave 1185 Sixth Ave. for midtown south. Helped by LaSalle Partners, the insurance broker inked a deal last November for about 140,000 square feet of space at 11 Madison Ave.

But, on Dec. 12, Chicago-based Aon Group Inc. agreed to buy A&A (*BI*, Dec. 16, 1996). That $1.2 billion deal ended a two-year restructuring of the broker under Chairman Frank Zarb, the soon-to-be president of the National Assn. of Securities Dealers.

With all the changes, perhaps real estate was the last thing on A&A's mind. Or perhaps the broker used the real estate deal as a negotiating ploy in its buyout talks with Aon. Either way, the new lease soon became redundant.

"Aon's desire, and A&A concurs, is to merge operations down at the World Trade Center," says Mary Ann Tighe, a real estate broker with Insignia/Edward S. Gordon Co. who works with Aon in New York.

'Aon's desire, and A&A concurs, is to merge operations down at the World Trade Center,' says Mary Ann Tighe.

That leaves 140,000 square feet of unnecessary space at 11 Madison Ave.

Metropolitan Life Insurance Co., which owns the building, has the option to simply take the space back. MetLife isn't talking, but observers figure the space is headed for sublease.

Despite the corporate uncertainty—or perhaps because of it—the insurance broker is in luck. It is believed to have negotiated substantial free rent and flexible sublease terms from its new landlord. With a buoyant real estate market on its side and an increasingly desirable location, A&A could recoup the millions it has tied up in that deal.

—Crain News Service

Price is key with large commercial risks

ALEXANDRIA, Va.—Price, underwriter capability and flexibility of company underwriting are very important in placing large commercial risks, according to the Independent Insurance Agents of America's 1996 Agency Universe Study.

Claims service and an insurer's stability are very important when placing small commercial and personal lines business, the study from the Alexandria, Va.-based IIAA found. It was released by Future One, a cooperative effort of the IIAA and 35 independent agency companies.

Of the nearly 2,000 independent agents who responded, 69% said price was very important in placing large commercial risks with an insurer. Almost two-thirds said capability of the underwriter was very important, and 64% called underwriting flexibility important.

Respondents were asked to name the six most important factors when choosing a commercial lines insurer out of a list of more than 20 factors, the IIAA said.

Sixty-one percent said an insurer's quality of claims service was a very important factor when placing personal lines risks, with 49% saying it was very important for small commercial lines.

Forty-seven percent of agents said company stability in the market was very important in placing large commercial risks, while 57% said stability was a very important factor for placing personal lines, and 42% said it was for small commercial accounts.

The survey provides information about independent agencies, including premium base, ownership, mix of business, income sources, employment patterns and business development strategies.

The Agency Management Summary of the study is available for $45 plus $10 shipping by writing to P.O. Box 1528, Waldorf, Md. 20604-1528; 800-261-4422.

Errors & omissions

An article in the Jan. 6 *Agent/Broker Topics* incorrectly stated that Thomas S. Carpenter is the former president of American International South Insurance Co.

Mr. Carpenter is the current president of the New York-based insurer, which is a unit of American International Group Inc. In addition, Mr. Carpenter was a field office manager for 32 years with Aetna Life & Casualty Co. of Hartford, Conn. BI

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PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

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B ☐ Association G ☐ Ins Broker L ☐ TPA
C ☐ Union H ☐ Ins/Reins Co M ☐ Health care Inst
D ☐ Government I ☐ Consultant
E ☐ Educational Inst J ☐ Actry/Attorney N ☐ Other______

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

3. My title is best defined as:
A ☐ Administrative Mgt D ☐ Benefits Mgt
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Features: Enrollment; eligibility for all health and welfare plans, including flex, calculations of credits, FSA administration; payroll and insurance interfaces; discrimination testing for FSAs; ad hoc reporting and data analysis; accommodates multiple benefit options, variations by division/operating company, tracking by election and by type of money used. Benefit communication features include enrollment form production and election confirmation statements, coupon booklets, leave of absence letters and mailing labels. Options include benefit statements, telephone enrollment/inquiry and electronic file transfers.

■ Buck Retirement Planner.
Price quoted individually.
System requirements: 486 PC; Windows 3.1 or Windows 95 platform; 8MB RAM; SVGA video; single user.
Internet/intranet access.
Customized system.
First installation: 1995.
Total installations: Four in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, profit sharing, retirement/pension benefits, Social Security benefits.
Features: Complete retirement planning, customized to fit client's needs, data entry via a graphical interface representing a city and buildings. Benefit communication features include online help.

■ Recordkeeping Plus.
Price quoted individually.
System requirements: 386 PC; Windows 3.1 or Windows 95 platform; 80MB RAM; 66MB hard disk; VGA video; multiple user; database management system 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/pension benefits, post-retirement medical.
Features: Online data entry and modification of account balances and requests, investment elections, pending voice transfers, distributions and withdrawals; ability to integrate with voice or service center; pre-retirement and financial planning; management reports and participant statements; balance projections and what-if calculations. Benefit communication features include computer terminals, voice and service center. Options include a Windows-based graphical user interface for client/server processing.

■ Value Index.
Price: $12,000 to $30,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 or Windows 95 platform; 80MB RAM; SVGA video; single user.
Customized system.
First installation: 1995.
Total installations: Four in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, Social Security benefits.
Features: Compares and values benefits from companies selected. Benefit communication features include optional add-ons.
User support: Onsite training, online support, telephone assistance eight hours per day, project and implementation support.
Staff: 2,500 total.
1996 revenues: $224.7 million total.
Officers: William E. Giegerich, chairman; Joseph A. LoCicero, president/CEO; Merril S. Delon, secretary; Gary S. Stephen, treasurer; Karl W. Lohwater, general counsel.
Contact: Ed Gadowski, 201-902-2565.

C

California Interactive Computing Inc.

25572 Ave. Stanford, Valencia, Calif. 91355-1102; 805-294-1300; fax: 805-294-1310

Benefit systems since: 1979.
Software systems:

■ GenDIS.
Price quoted individually.
System requirements: Pentium PC; Windows NT, UNIX or AIX platform; 32MB RAM, 1GB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1997.
Total installations: One in an employee benefit department.
Benefits managed: Disability.
Features: Enrollment; eligibility verification; short- and long-term disability plan definition; medical case management, duration management, reinsurance tracking, claims management; automated adjustment processing, including calculation of over/underpayment, offsets, FICA, auto release of future (cycle) payments; ability to calculate and deduct employee RICA and other tax; rehab tracking; reserve calculations; capture ICD-9 and DSM-IV codes; disability duration; protocol calculations; system-driven diary; free form notes; interface to W-2 system; produces sick pay report; integrated with workers comp system (GenCOMP); SQL; Excel ad hoc report generation. Options include a document scanning, archival and retrieval system, and electronic data interchange.

■ GenIRIS.
Price quoted individually.
System requirements: Pentium PC; Windows NT, UNIX or AIX platform; 32MB RAM, 1GB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include NT SQL.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1979.
Total installations: 100 in employee benefit departments.
Benefits managed: Workers comp, disability, COBRA, group health plans.
Features: Enrollment; eligibility verification for health, dental and vision plans; hospital precertification; claims management; utilization review; claims edit for medical coding; notes and diary for medical case management; treatment guidelines; disability duration guidelines; specific and aggregate reinsurance tracking; medical bill repricing; PPO discounts; ad hoc data analysis and reporting; billing; COBRA administration; query tools; seamless integration for workers comp, disability and group health administration. Options include a document scanning, archival and retrieval system, and electronic data interchange.

■ GenMED.
Price quoted individually.
System requirements: Pentium PC; Windows NT, UNIX or AIX platform; 32MB RAM, 1GB hard disk; SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include NT SQL.
Internet/intranet access.
Customized system.
First installation: 1979.
Total installations: 12 in employee benefit departments.
Benefits managed: COBRA, group health plans.
Features: Enrollment; eligibility verification for health, dental and vision plans; hospital precertification; claims management; utilization review; claims edit for medical coding, unbundling and rebundling; notes and diary for medical case management; tracks reinsurance for both specific and aggregate liability; health care provider contract management; PPO; ad hoc data analysis for cost management; COB analysis; outcomes analysis; billing; COBRA administration; integrated imaging for documents, data and text. Options include a document scanning, archival and retrieval system, and electronic data interchange.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance nine hours per day*.
Clients: 12 total. Sold systems to two clients in 1996.
Officers: Jerry Buckley, president; Ralph Flygare, director; Eric Hoffberg, vp; Nora Kenner, assistant vp.
Contact: Jerry Buckley.
** Included in system price.*

Cantor & Co.

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

Benefit systems since: 1983.
Software systems:

■ Riskmap & MQMS.
Price quoted individually.
System requirements: 486 Pentium PC; DOS, Windows 3.1 and above or OS/2 platform; 16MB RAM; 500MB hard disk; multiple user; network operating systems supported include Novell Netware, Banyan VINES, IBM LAN Manager and Windows NT; database management systems supported include dBASE.
Internet/intranet access.
Customization optional.
First installation: 1985.
Total installations: 50 in employee benefit departments.
Benefits managed: Workers comp, group health plans.
Features: Riskmap: Forecasting of frequency, severity and total benefit cost; paid reserve and incurred loss development; multiple flexible risk financing modules, including discounted cost after tax. MQMS: Pre-programmed modules for incident reporting and claims management, customized modules can be changed without programming, statistical analytical reporting, built-in form and letter processing. Options include interactive voice response and telephone-based entry.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance eight hours per day*.
Clients: 110 total, including 50 benefit departments. Sold systems to 10 clients in 1996.
1996 revenues: $600,000 total. $250,000 from employee benefit information systems sales and services, 25% from software sales, 75% from software services.
Officers: Alan B. Cantor, president; Judith J.

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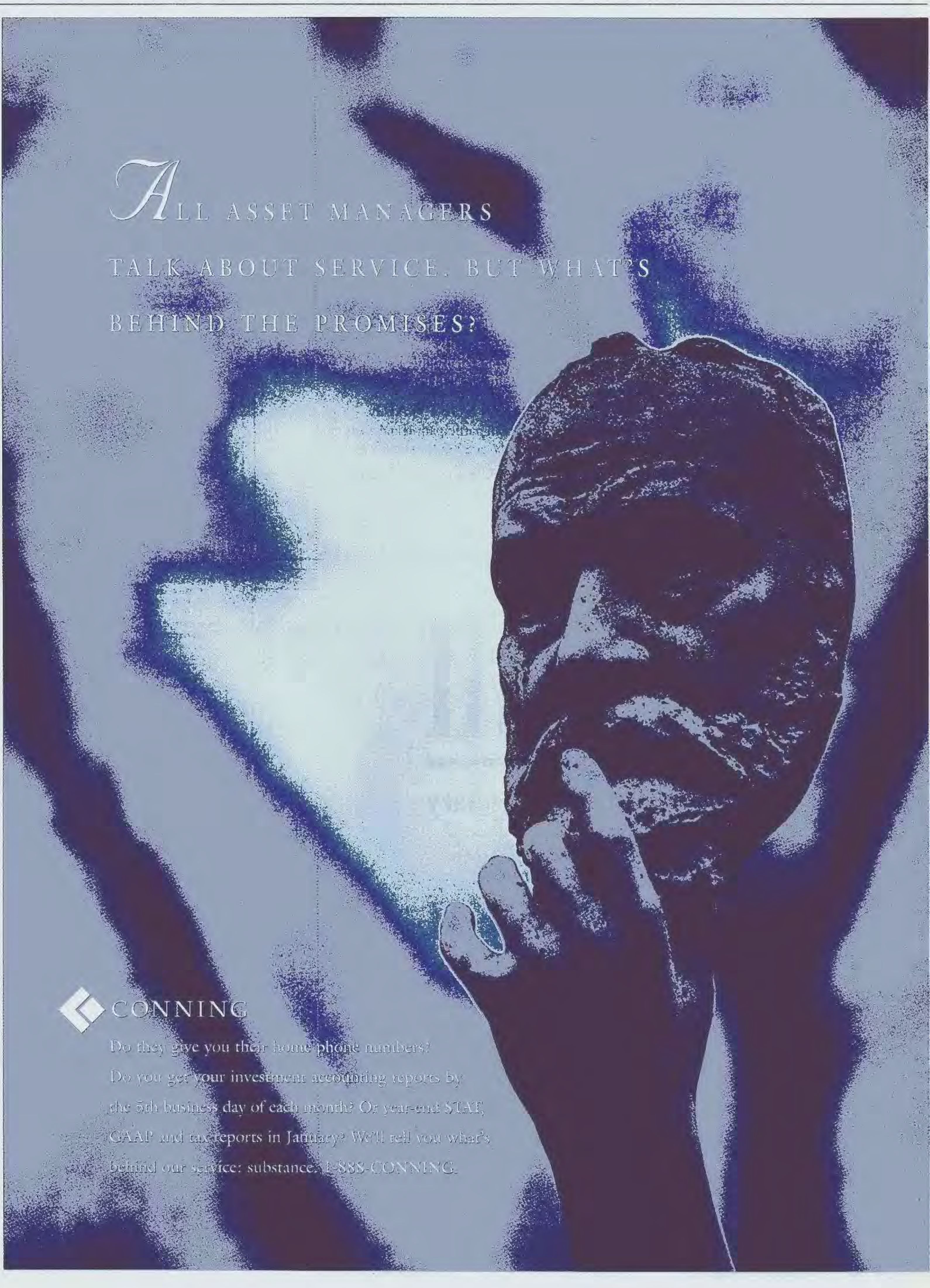

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Szarka, vp.
Contact: Alan B. Cantor.
* *Included in system price.*

Cascade Technologies Inc.

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

Benefit systems since: 1985.
Software systems:

■ Passport.
System requirements: Client: Pentium PC; Windows 3.1 platform; 16MB RAM, 300MB hard disk. Server: Pentium PC; Windows NT platform; 256MB RAM. Client/Server: VGA video; multiple user; network operating systems include any supported by Windows NT and Windows 3.1; 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.
Features: Client/server-based record keeping system for defined contribution administration; supports all types of defined contribution plans, including 401(k), profit sharing, money purchase, ESOPs and employee savings plans; accommodates periodic and daily processing; includes high-level data conversion facilities, transaction data imports/exports; compliance testing; tax reporting; plan and loan setup; multitasking capabilities; online access for remote sites. Benefit communication features include CAS Voice and Cascade Call Center for distributing calls to benefit personnel.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance nine hours per day*, bulletin board service*, documentation*, software updates*.
Staff: 30 total, 28 professionals.
Officers: Vigdis Austad, president; Frank Joicy, executive vp; Michael George, vp-sales/marketing; Adrian Gurzau, vp-client services.
Contact: Jackie Laguna, 908-906-2020, ext. 139.
* *Included in system price.*

Ceridian Employer Services

8100 34th Ave. S., Minneapolis,
Minn. 55425; 800-729-7655, ext. 600;
fax: 612-853-5390

Benefit systems since: 1982.
Parent: Ceridian Corp.
Software systems:

■ Ceridian's Integrated HR/Payroll System for DOS.
Price quoted individually.
System requirements: 386 PC; DOS platform; 540KB RAM (2MB RAM expanded), 45MB hard disk; multiple user; network operating systems supported include Novell Netware; database management systems supported.
Customization optional.
First installation: 1994.
Total installations: 2,000 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, leave of absence, COBRA, group health plans, life insurance, stock options.
Features: Expanded human resources/payroll module; complete COBRA management; health and welfare plans, including enrollment, tracking and premium management. Benefit communication features include ad hoc reporting for individual benefit reports/statements. Options include human resources/payroll module, applicant track module and check detail module.

■ Ceridian's Integrated HR/Payroll System for Windows.
Price quoted individually.
System requirements: 486 PC; Windows 3.1 and above platform; 16MB RAM; SVGA video; multiple user; network operating systems supported include Novell Netware and Windows NT; database management systems supported.
Customization optional.
First installation: 1995.
Total installations: 3,000 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, leave of absence, COBRA, group health plans.
Features: Enrollment, employee and employer premium management, ad hoc report generation, eligibility verification. Benefit communication features include ad hoc reporting tool using spreadsheets and word processing software. Options include garnishments, check detail, COBRA, employee profile, mass time card entry and group term life.
User support: User groups/meetings, onsite training, telephone assistance, customer conference.
Staff: 3,250 total.
Clients: 3,500 total. Sold systems to 1,020 clients in 1996.
1996 revenues: $1.3 billion total.
Officers: Ron James, president; George Klauser, vp-sales/service operations; Robert Digby, vp-sales; Ken Davison, director-marketing; Frank Reid, vp-human resources; Ken Weber, vp-technology; Lyn Jenson, vp-finance; Vince Freese, vp-service.
Contact: Barry Brown, 612-853-4881.
* *Included in system price.*

Computer Workware Inc.

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

Benefit systems since: 1984.
Software systems:

■ FAST Benefits Administration System.
Price: $25,000 to $40,000. Quoted individually.
System requirements: 386 Pentium PC; DOS, Windows 3.1 and above or OS/2 platform; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Sybase and dBASE.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1984.
Total installations: 2,800 in employee benefit departments.
Benefits managed: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance.
Features: Enrollment, eligibility verification, health care precertification, tracking of reinsurance liability, accounting, discrimination testing, ad hoc data analysis and reports. Benefit communication features available include terminals and electronic files. Options include trust accounting module.

■ FASTCHOICE Enrollment System.
Price: $10,000 to $15,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 and above or OS/2 platform; 8MB 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 Sybase and dBASE.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1995.
Total installations: 10 in employee benefit departments.
Benefits managed: Flexible benefits, disability, group health plans, life insurance.
Features: Enrollment processing and modeling for flexible benefit plans and standard plans. Benefit communication features available.
User support: Onsite training*, online support*, telephone assistance eight hours per day*.
Staff: 15 total, six professionals.
Clients: 2,800 total, including 2,600 employee benefit departments. Sold systems to 250 clients in 1996.
1996 revenues: 65% from software sales, 35% from software services.
Officers: Edward G. Robinson, president; Keith Formosa-Blundell, vp.
Contact: Keith Formosa-Blundell, 416-620-1704, ext. 223.
* *Included in system price.*

Corbel

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

Benefit systems since: 1974.
Parent: Sungard.
Software systems:

■ AutoDoc Pension.
Price quoted individually.
System requirements: 386 PC; DOS platform; 2MB RAM, 40MB hard disk; multiple user; network operating systems supported include Novell Netware; database management systems supported.
Customization optional.
First installation: 1994.
Total installations: 650 in employee benefit departments.
Benefits managed: 401(k) plans; flexible benefits; profit sharing; retirement/pensions; all types of qualified plans, including 403(b), target, defined benefit, ESOP, stock bonus and money purchase.
Features: Single point of entry, validates data entry for inconsistencies, tracks plan modifications, audit trail, generates complete document package, multilevel pricing. Options include document reporting system that tracks plan data and generates hoc reports.
User support: Onsite training, telephone assistance 12 hours per day*, legal/technical consulting*.

■ AutoDoc TPA.
Price: $2,500. Quoted individually.
System requirements: Pentium PC; Windows 95 platform; 16MB RAM, 1GB hard disk; VGA or SVGA video; network operating systems supported include Novell Netware; database management systems supported.
Customization optional.
First installation: 1992.
Benefits managed: Group health plans.
Features: Up-to-date self-funded health plan language, data entry from checklist format, automatic build and print capability, editing, validation, tracking, automatic table formatting, automatic summary plan description booklet layout. Options include administrative services agreement document, trust document.
User support: User groups/meetings, onsite training, online support*, telephone assistance 12 hours per day*.

■ Quantech.
Price: $6,700 to $29,000. Quoted individually.
System requirements: Pentium PC; Windows 3.1 and above platform; 16MB RAM; 750MB hard disk; VGA or SVGA video; single user or multiple user; network operating systems supported include Novell Netware and Windows NT; database management systems supported include Oracle.
Customization optional.
First installation: 1994.
Total installations: 800 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing, money purchase, ESOP.
Features: Eligibility verification, contribution and gain/loss allocations, non-discrimination testing, Actual Deferral Percentage/Actual Contribution Percentage testing, relational database, report writer, participant loan module, census import/export, transaction import/export. Benefit communication features include standard reports, report writer and voice response unit. Options include client and task tracking, trust accounting, government reporting and daily processing.
User support: User groups/meetings, onsite training, online support*, telephone assistance 12 hours per day.
Staff: 198 total, 120 professionals.
Clients: 2,000 total. Sold systems to 200 clients in 1996.
1996 revenues: $19.5 million total, all from employee benefit information systems sales and services, 30% from software sales, 70% from software services.
Officers: Don Mackanos, senior vp.
Contact: AutoDoc Pension: Tim Edgar, 800-326-7235. AutoDoc TPA: J. Derek Holmes or Joseph Leo, 800-326-7235. Quantech: Jim Barth or John Latson, 800-326-7235 ext. 1100.
* *Included in system price.*

Corporate Health Strategies

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

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

■ Parallax.
Price: $45,000 minimum. Quoted individually.
System requirements: 486 PC; Windows 3.1 or Windows 95 platform; 8MB RAM, 35MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
Online system.
Customization optional.
First installation: 1985.
Benefits managed: Workers comp, disability, leave of absence, COBRA, group health plans, employee assistance program, wellness, prescription, mental health.
Features: Decision support tools for analyzing, managing, forecasting, monitoring and evaluating various benefit plan design issues related to health care costs, quality outcomes and access; ad hoc data analysis and report generation. Options include benefits modeling for indemnity network and HMO plans using a claims repayment methodology.
User support: User groups/meetings; onsite training*; telephone assistance eight hours per day*; analytic and consulting assistance.
Staff: 70 total.
Officers: Robert Jahreis, vp.
Contact: Stephanie Valeiko, manager-marketing.
* *Included in system price.*

Corporate Systems

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

Software systems:

■ Disability Claims Management System.
Price quoted individually.
System requirements: Pentium PC; Windows platform; network operating systems supported include Novell Netware; database management systems supported include Oracle.
Online system.
Customization optional.
First installation: 1967.
Benefits managed: Workers comp, disability.
Features: Claims administration system; integration between workers comp and non-occupational disability; interface capabilities with case management systems; automated user-defined adjuster diaries; check writing, taxation, application and tracking capabilities; statutory reporting. Benefit communication features include integrated word processing package for document creation. Options include CS Knowledge, CS + Managed Care and TeleClaim modules.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance eight hours per day*, tutorials*, CS university courses*.
Staff: 434 total.
1996 revenues: $45 million total.
Officers: Johnny Mize, president/CEO; John Champlin, vp-client services; Scott Gilmour, vp-sales/marketing; Mike Unruh, vp-finances/CFO; Marc Sollosy, vp/chief information officer.
* *Included in system price.*

D

DAVID Corp.

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

Benefit systems since: 1984.
Parent: Platinum Equity Holdings.
Software systems:

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

■ CompPlus.
Price quoted individually.
System requirements: 386 PC; DOS platform; 4MB RAM, 300MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include DataFlex.
Customization optional.
First installation: 1986.
Benefits managed: Workers comp, disability.
Features: Claims management, utilization review, medical fee schedules, loss development, loss fore-

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casting, policy and reserve tracking, risk analysis, certificates of insurance, safety and loss control, incident reporting, federal and state reporting, OSHA reporting, payment processing, laser check printing, diary and notepad functions, litigation and medical detail tracking, online help. Benefit communication features include customized form letters. Options include interfacing with P&CPlus and payroll/personnel systems.

User support: User groups/meetings, onsite training*, telephone assistance 15 hours per day*, product integration consulting.
Staff: 24 professionals.
Clients: 295 total, including 230 benefit departments. Sold systems to 45 clients in 1995.
Officers: Christopher Carpenter, president.
Contact: Stacey Spencer.
** Included in system price.*

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 & Plan Administration System (SURPAS).
Price: $30,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 and above 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: Flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance, retirement/pensions, Social Security benefits.
Features: Stores and displays data for enrollment, eligibility dates, participation dates, vesting dates, multiple pay types, premium deductions, employees, spouses, dependents, beneficiaries, employment history, 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 notes, data validations. Benefit communication features include printed statements or voice response for current elections in flexible benefits and retirement plans; generates employee/participant correspondence with calculated data, including flexible benefit confirmation statements, COBRA letters, vested certification and estimate letters. A separate add-on is available to perform individual retirement planning. Options include a customized health and welfare module to calculate and communicate eligibility, available coverages and payroll deductions; customized defined benefit module to calculate and communicate participation, eligibility, vesting and service.
User support: Onsite training*, online support*, telephone assistance eight hours per day*, data maintenance.
Staff: 12 total, 11 professionals.
Officers: Richard Berens, principal/national practice leader-employee benefits group.
Contact: James R. Zook, director-national technology group, 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:

■ HCPSystem.
Price quoted individually.
System requirements: Open VMS platform; multiple user; network operating systems supported; database management systems supported.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1986.
Benefits managed: Group health plans, dental, vision, prescription.
Features: Benefit plan administration; enrollment and eligibility; provider administration; premium billing/accounts receivable; utilization management/authorizations and referrals; claims adjudication and payment for medical and dental plans; application security; letter generation; generates utilization management, financial and management reports; general inquiry. Optional modules for provider capitation, trust fund processing and EDI.
User support: User groups/meetings, onsite training, telephone assistance 10 hours per day, consulting, installation support.
Staff: 20 total, all professionals.
Officers: Donald F. Demers, president; Paul Balcerzak, vp.
Contact: Paul Balcerzak.

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: $25,000 to $80,000. Quoted individually.
System requirements: Pentium PC; Windows 3.1 platform; 16MB RAM; SVGA video; multiple user; network operating systems supported include Novell Netware and Banyan VINES; database management systems supported include Sybase and NT SQL.
Customization optional.
First installation: 1982.
Total installations: 250 in employee benefit departments.
Benefits managed: Workers comp.
Features: Claims management, medical case management, OSHA and first report of injury form generation, bill review. Options include administrative tracking.
User support: User groups/meetings*, onsite training, telephone assistance 12 hours per day.
Staff: 50 total, 35 professionals.
1996 revenues: $6.2 million total.
Officers: Mark Dorn, president; Steven Dorn, marketing manager.
Contact: Mark Dorn.
** Included in system price.*

E

Eldorado Computing Inc.

5353 N. 16th St., Suite 400, Phoenix, Ariz. 85016; 602-604-3100; fax: 602-604-3115

Benefit systems since: 1984.
Software systems:

■ HEALTHpac.
Price: $80,000 to $200,000. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 and above or UNIX platform; 16MB RAM, 500MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Windows NT and UNIX; database management systems supported include DB/C Databus.
Customization optional.
First installation: 1984.
Total installations: 25 in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, prescription, dental, vision.
Features: Enrollment, eligibility verification, claims management, multi-option coordination of benefits processing, aggregate and specific tracking, fund accounting, hour banking, case management, utilization review, explanation of benefits, accepts user-defined and multiple standard usual and customary fee schedules, batch checks, ad hoc report generation. Options include modules for managed care, PPO claims repricing, provider contract management, medical code unbundling, MICR encoded laser check, optical character recognition/intelligent character recognition scanning.
User support: User groups/meetings, onsite training, online support, telephone assistance eight hours per day.
Staff: 50 total, 30 professionals.
Clients: 125 total. Sold systems to 22 clients in 1996.
Officers: Zane Bell, president/CEO.
Contact: Robert A. Hass, vp-marketing, 602-604-3100, ext. 285.

Empire Medical Review Services

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

Software systems:

■ ElectroniClaim.
Price: $5,000 to $50,000. Quoted individually.
System requirements: Pentium PC; Windows 95 or Windows NT platform; 16MB RAM, SVGA video; multiple user; network operating systems supported include Novell Netware and Windows NT; database management systems supported include MS-SQL and most desktop.
Customization optional.
First installation: 1995.
Benefits managed: Workers comp, group health plans.
Features: Receiving software supporting professional services and hospital bills; 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*, telephone assistance eight hours per day*.
Staff: Five total.
Clients: Four total. Sold systems to three clients in 1996.
Officers: Robert W. Thickens, president.
Contact: Robert W. Thickens.
** Included in system price.*

Erisco Inc.

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

Benefit systems since: 1968.
Parent: Cognizant.
Software systems:

■ ClaimFacts.
Price quoted individually.
System requirements: MVS or VSE platform; VGA video; multiple user; network operating systems supported include IBM LAN Manager; database management systems supported.
First installation: 1980.
Total installations: 101 in employee benefit departments.
Benefits managed: Workers comp, disability, group health plans.
Features: Eligibility verification; duplicate search; coordination of benefits checking; claims benefit determination; payment computation; automatic claims adjudication; single screen processing; online file maintenance; automated correspondence. Options include periodic enhancements.

■ Facets.
Price quoted individually.
System requirements: 486 PC; Windows 95 platform; 16MB RAM, 330MB hard disk; VGA video; multiple user; network operating systems supported include IBM LAN Manager; database management systems supported include Sybase.
Internet/intranet access.
Customization optional.
First installation: 1993.
Total installations: 16 in employee benefit departments.
Benefits managed: Group health plans.
Features: Online and batch claims processing, claims prepricing, referral management, hospital and ambulatory preauthorization, case management, customer service, group/membership authorization, plan/product and benefit calculations, provider network management, premium billing and receivables, capitation/risk fund accounting, reporting. Options include periodic enhancements.

■ GroupFacts.
Price quoted individually.
System requirements: MVS or VSE platform; VGA video; multiple user; network operating systems supported include IBM LAN Manager; database management systems supported.
Customization optional.
First installation: 1980.
Total installations: 32 in employee benefit departments.
Benefits managed: Disability, leave of absence, COBRA, group health plans, life insurance.
Features: Online administration of traditional group health plans, including enrollment, premium billing, commissions, membership and benefit functions. Options include periodic enhancements.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance 24 hours per day*.
Staff: 239 total, 209 professionals.
Officers: Anthony Bellomo, president; Joseph Posluszny, senior vp/CFO; John Jordan, vp-sales; Rich Kerian, vp-operations.
Contact: Maribel Dominquez, 800-537-4726.
** Included in system price.*

F

FDP Corp.

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

Benefit systems since: 1968.
Software systems:

■ Easy Laser 5500/SAR Forms.
Price: $595 to $995.
System requirements: IBM compatible PC; DOS or Windows platform.
Customization optional.
First installation: 1985.
Benefits managed: IRS forms.
Features: Uses automatic calculations, data merge ability and year-to-year data mapping to generate completed laser printed 5500 and related forms and reports; provides IRS help screens and edit checks; electronic filing available.

■ FDP/125 (Cafeteria Plan Enrollment & Administration System).
Price: $1,995 to $5,000.
System requirements: IBM compatible PC; DOS platform.
Customization optional.
First installation: 1987.
Benefits managed: Flexible benefits.
Features: Feasibility testing, enrollment and administration for all phases of Section 125/cafeteria plans; what-if scenarios for onsite enrollment; tax savings for employer and employee; check writing; discrimination testing and full rollback capabilities. Options include a cafeteria plan document module.

■ FDP/PEN.
Price quoted individually.
System requirements: IBM compatible PC; DOS or Windows platform.
Customization optional.
First installation: 1984.
Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Proposal and administration of defined benefit and defined contribution plans, including 401(k), age-weighted and ESOPs; handles non-insured, insured and self-insured plans; computes solutions for specific cost goals, formulas and Keough salaries; includes discrimination tests and other compliance features. Benefit communication features include computer printouts. Optional modules available.
User support: User groups/meetings, onsite training, telephone assistance 10 hours per day*.
Staff: 300 total, 250 professionals.
Clients: 2,000 total. Sold systems to 200 clients in 1996.
1996 revenues: $26.4 million total. $5 million from employee benefit information systems sales and services, 85% from software sales, 15% from software services.
Officers: Michael C. Goldberg, president; Doug Kennedy, executive vp; Chris Stroud, Ed Pick, Richard Fleischman, Beverly Price, Kathy Muro, vps; Cindy Goldberg, secretary/treasurer.
Contact: Chris Stroud, vp-pension marketing.
** Included in system price.*

FACTS Services Inc.

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

Benefit systems since: 1981.
Software systems:

■ FACTS.
Price quoted individually.
System requirements: DOS, Windows 95, Windows NT or UNIX platform; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, NFS and Windows NT; database management systems supported include PICK.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1981.
Benefits managed: COBRA, group health plans.
Features: Enrollment, eligibility verification, claims management, medical coding/unbundling, health plan provider contract management, ad hoc/standard reporting and analyses, correspondence generator, cost containment, health care preauthorization, utilization review, medical case management, capitation, accounting, disability. Benefit communication features are optional. Options include integrating with other FACTS software.

■ FACTS 125.
Price quoted individually.
System requirements: DOS, Windows 95, Windows NT or UNIX platform; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, NFS and Windows NT; database management systems supported include PICK.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1981.
Benefits managed: Flexible benefits.
Features: Enrollment, eligibility verification, claims management, health plan provider contract management, correspondence generator, discrimination tracking, accounting, automatic evaluation compliance. Benefit communication features are optional. Options include integrating with other FACTS software.

■ FACTS COMP with Integrated Managed Care.
Price quoted individually.
System requirements: DOS, Windows 95, Windows NT, or UNIX platform; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, NFS and Windows NT; database management systems supported include PICK.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1981.
Benefits managed: Group health plans, workers compensation.
Features: 24-hour coverage; eligibility verification; claims management; medical coding/unbundling; health plan provider contract management; ad hoc/standard reporting and analyses; integrates claims processing routines for medical, indemnity, vocational rehabilitation, lump sum settlements, legal and miscellaneous expenses; experience modifiers; lost time tracking; procedure fee schedules; automated calculation of compensation rates; diaries; correspondence generator; enrollment; health care preauthorization; utilization review; medical case management; cost containment; accounting; disability. Benefit communication features are optional. Options include integrating with other FACTS software.

■ FACTS Managed Care Suite.
Price quoted individually.
System requirements: DOS, Windows 95, Windows NT or UNIX platform; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, NFS and Windows NT; database management systems supported include PICK.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1981.
Benefits managed: Group health plans.
Features: Managed care processing, eligibility verification, claims management, medical coding/unbundling, health plan provider contract management, correspondence generator, enrollment, health care preauthorization, utilization review, medical case management, cost containment, accounting, disability. Benefit communication features are optional. Options include integrating with other FACTS software.
User support: User groups/meetings, onsite training, online support, telephone assistance eight hours per day.
Staff: 25 total, all professionals.
1996 revenues: $4.75 million total.
Officers: Robert S. Graham Jr., president; David L. Graham, vp; Jose Lopez, vp-sales; Jane Whitelock, marketing manager.

Flex Compensation Inc.

10405 Sixth Ave. N., Suite 170, Plymouth, Minn. 55441; 612-544-8332; 612-544-8287

Benefit systems since: 1986.
Software systems:

■ FLEXADMIN-Spending Account Administration.
Price: $1,495. Quoted individually.
System requirements: 386 PC; DOS or Windows 3.1 platform; 4MB RAM, 5MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware; database management systems supported include FoxPro.
First installation: 1986.
Total installations: 270 in employee benefit departments.
Benefits managed: Flexible benefits.
Features: Maintains participant records for health and dependent care accounts for two plan years simultaneously, processes deposits, edits and adjudicates claims, prints checks/EOBs, direct deposit capability, ASCII import/export for payroll/HRIS interface. Multiple company processing optional.
User support: Onsite training, telephone assistance eight hours per day*, reimbursement administration guidebook*, periodic newsletter legislative updates*.
Staff: Nine total, all professionals.
Clients: 270 total, all benefit departments. Sold systems to 17 clients in 1996.
Officers: Gary Bohline, president; Allison Hendrickson, vp.
Contact: Allison Hendrickson, 800-333-5597.
** Included in system price.*

Foundation Technologies Inc.

1 Kendall Square, Suite 2200, Cambridge, Mass. 02139; 617-720-2760; fax: 617-720-4153

Benefit systems since: 1989.
Software systems:

■ Beneflex Software.
Price quoted individually.
System requirements: 386 PC; Windows 3.1 and above platform; 8MB RAM, 30MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Online system.
Internet/intranet access.
Customized system.
First installation: 1989.
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, health and welfare, defined benefit.
Features: Assists administrative staff in answering questions from a customized call center; provides participant-specific answers to employee questions via corporate Intranet; hierarchical and key word search to desired topics for easy to read, understandable answers; reporting capability; integrates with interactive voice response/call tracking systems, plan administration systems and other databases. Benefit communication features include optional interfaces to other applications.
User support: Onsite training*, telephone assistance 24 hours per day*.
Officers: Tod Loofbourrow, president/CEO.
Contact: Peter Damon, marketing director.
** Included in system price.*

G

Genelco Inc.

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

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

■ Health Claims Plus.
Price quoted individually.
System requirements: IBM OS/400 platform; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include DB2 for OS/400.
Online system.
Customization optional.
First installation: 1985.
Total installations: Eight in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, group life, accidental death and disability.
Features: Adjudicates and administers claims for medical, dental, disability, vision, prescription, group life and accidental death and disability for a wide range of plans, including various managed care and point-of-service plans. Options include unbundling system that allows access to claims editing databases for detecting coding errors; batch claim adjudication/EDI automates claim adjudication and accepts data electronically or on tape; dental subsystem.

■ Benefit Administration Plus.
Price quoted individually.
System requirements: IBM OS/400 platform; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include DB2 for OS/400.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1986.
Total installations: Eight in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, group life, accidental death and disability.
Features: Bills and collects premiums/fees, provides online eligibility information for health claim administration.
User support: User groups*, user meetings, onsite training*, telephone assistance nine hours per day*, system maintenance, technical support, one-week implementation support*, documentation*.
Staff: 133 total, 33 professionals.
Clients: 119 total, including 55 benefit departments. Sold systems to 15 clients in 1996.
1996 revenues: $42.2 million total. $12.5 million from employee benefit information systems sales and services, 3% from hardware sales, 27% from software sales, 70% from software services.
Officers: E. Christopher Simonds, COO; Russell E. Korte, executive vp-software division; David J. Litschgi, Michael S. Molinar, product vps; Robert E. Helbig, vp-technology.
Contact: Susan L. Wagy.
** Included in system price.*

GENESYS Software Systems

5 Branch St., Methuen, Mass. 01844; 508-685-5400; fax: 508-794-0502

Benefit systems since: 1993.
Software systems:

■ Benefit Payments.
Price quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 and above, OS/2, UNIX, MVS or VSE platform; 8MB RAM (client), 32MB to 64MB RAM (server), 200MB hard disk; VGA, SVGA or XGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, NT SQL and DB2.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1993.
Total installations: 10 in employee benefit departments.
Benefits managed: Profit sharing, retirement/pensions.
Features: Add payee, distributions, profiles, direct deposit, online check, payee maintenance, disbursements, account maintenance. Benefit communication features include benefit statements and other correspondence, optional Kiosk HRMS Software application for employee self-service, IVR. Options include applications for flexible benefits, defined benefits and defined contribution.

■ Defined Benefits.
Price quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 and above, OS/2, UNIX, MVS or VSE platform; 8MB RAM (client), 32MB to 64MB RAM (server), 200MB hard disk; VGA, SVGA or XGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Orace, NT SQL and DB2.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1987.
Total installations: 60 in employee benefit departments.
Benefits managed: Pension benefits (management and administration).
Features: Plan setup, retirement modeling, benefit calculations, setting up profiles, qualified domestic relations orders, participant enrollment, participant history, group maintenance. Benefit communication

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features include benefit statements and other correspondence, optional Kiosk HRMS Software application for employee self-service, IVR. Options include applications for flexible benefits, defined contribution and benefit payment.

■ Defined Contribution.
Price quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 and above, OS/2, UNIX, MVS or VSE platform; 8MB RAM (client), 32MB to 64MB RAM (server), 200MB hard disk; VGA, SVGA or XGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, NT SQL and DB2.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1986.
Total installations: 30 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing.
Features: Enrollment, participant profile maintenance, plan balances, transfers/withdrawals, loan processing, QDRO processing, pensioner processing, special processing, group/plan maintenance. Benefit communication features include benefit statements and other correspondence, optional Kiosk HRMS Software application for employee self-service, IVR. Options include applications for defined benefits, defined contribution and benefit payment.

■ Flexible Benefits.
Price quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 and above, OS/2, UNIX, MVS or VSE platform; 8MB RAM (client), 32MB to 64MB RAM (server), 200MB hard disk; VGA, SVGA or XGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include Oracle, NT SQL and DB2.
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, flexible spending accounts, vacation buying and selling, benefit provider data management, more.
Features: Enrollment, participant profile, spending accounts, benefit history, COBRA, benefit provider, group/plan maintenance. Benefit communication features include benefit statements and other correspondence, optional Kiosk HRMS Software application for employee self-service, IVR. Options include applications for defined benefit, defined contribution and benefit payment.
User support: User groups/meetings, onsite training, online support, telephone assistance 24 hours per day, complete maintenance/support services available at additional cost.
Staff: 10 total, all professionals.
Clients: 125 total, all benefit departments. Sold systems to 25 clients in 1996.
Officers: Lawrence J. Munini, president; Ruth A. Ladner, senior vp-sales/service; Robert R. Pomerleau, senior vp-finance/treasurer; Scott Martiny, vp-business development.
Contact: Rick Banzi or Darlene Lussier, inside sales representatives.
** 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 (Comprehensive Healthcare Analysis & Management Program).
Price quoted individually.
System requirements: Pentium PC; Windows 95 or Windows NT platform; 32MB RAM; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES or IBM LAN Manager; database management systems supported include Visual FoxPRO.
Online system.
Customization optional.
First installation: 1989.
Total installations: 80 in employee benefit departments.
Benefits managed: Workers comp, disability, COBRA, group health plans, mental health/substance abuse, prescription, dental, vision.
Features: Supports claims management, utilization review, tracks reinsurance liability, medical coding/unbundling, medical case management, health plan financial management and provider contract management, physician hospital profiling, disease management, demand management, episode of care analysis, HEDIS measures health plan network management, quality of care and outcomes management, benefit modeling, ad hoc data analysis and report generation. Any detail not in a client's database can be provided through a generic database.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance eight hours per day*, newsletter*.
Staff: 75 total, 63 professionals.
Clients: 80 total, including 55 benefit departments. Sold systems to nine clients in 1996.
1996 revenues: $73.5 million total. $8.6 million from employee benefit information systems sales and services, 45% from software sales, 55% from software services.
Officers: George Pillari, chairman/president/CEO; Barry Offutt, senior vp-finance; Jean Chenoweth, senior vp-industry relations; Don Good, senior vp; Sachi Morishige, senior vp-operations.
Contact: Tony Likovich, senior director.
** Included in system price.*

Hay/Huggins Co. Inc.
229 S. 18th St., Philadelphia,
Pa. 19103; 215-875-2569;
fax: 215-875-2524

Parent: Hay Group Inc.
Software systems:
■ PCL Pension Calculation Language.
Price quoted individually.
System requirements: 486 PC; Windows 3.1 and above platform; 8MB RAM, 5MB hard disk; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported include Oracle, Sybase, NT SQL and dBASE.
Customized system.
First installation: 1992.
Benefits managed: Disability, life insurance, retirement/pensions, social security benefits.
Features: Calculates retirement income, benefits under different retirement scenarios, disability benefits, vested benefits upon termination, cash-outs, death benefits, retirement income projections, calculates optional benefit forms, including joint and survivor benefits, temporary social security supplements, special early retirement windows, lump sum payments, certain and continuous payments, supplemental executive plans. Benefit communication features available.
User support: Onsite training, telephone assistance.
Staff: 200 total, 70 professionals.
Contact: Kurt Fichthorn, executive vp.

Health Management Technologies Inc.
1150 Moraga Way, Suite 150, Moraga,
Calif. 94556; 510-631-6750;
fax: 510-631-6789

Benefit systems since: 1988.
Parent: Systems Communications Inc.
Software systems:
■ Return for Managed Care.
Price: $30,000 to $100,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 or Windows 95 platform; 16MB RAM, 1GB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported.
First installation: 1994.
Total installations: 10 in employee benefit departments.
Benefits managed: Workers comp, disability, leave of absence, group health plans.
Features: Precertification; utilization review; case management; disability duration monitoring; provider contract management; ad hoc report generation; savings from case management, utilization, case outcomes, treatment (type, frequency, provider, site). Options include accounts receivable.
User support: User groups/meetings, onsite training, online support*, telephone assistance 10 hours per day*, newsletter*.
Staff: 15 total, 12 professionals.
Clients: 10 total. Sold systems to eight clients in 1996.
Officers: K.J. Wolfe, president; James Wolfe, chief marketing officer; Eric Wolfe, senior vp-technical services.
Contact: James Wolfe.
** Included in system price.*

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

Benefit systems since: 1974.
Software systems:
■ Integrated Health Information System (IHIS).
Price quoted individually.
System requirements: Pentium PC; DOS, Windows 3.1 or Windows 95 platform; 16MB RAM, 1GB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle.
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 and eligibility analysis, vendor analysis and management of claims payment performance, network provider analysis and performance profiling, chronic illness analysis and performance monitoring, lifestyle and preventable illness analysis, flexible benefit plan pre- and post-election analysis, total episode of disability analysis, comparative analysis of health care experience and disability experience, online ad hoc reporting capabilities. Options include condition-based episoding by claimant, disability analysis, workers compensation.

■ Pension Administrator.
Price quoted individually.
System requirements: 486 PC; DOS or Windows 3.1 platform; 4MB RAM; VGA video; single or multiple user; network operating systems supported include Novell Netware and Banyan VINES; database management systems supported.
Online system.
Customized system.
First installation: 1986.
Total installations: 160 in employee benefit departments.
Benefits managed: Retirement/pensions, social security benefits.
Features: Calculates various pension benefits; manages and maintains a comprehensive employee database; uses participant and plan data to calculate various retirement, disability, termination and death benefits; determines plan eligibilities and calculates actual benefits for retirement dates; optional forms of payment may be displayed; provides online or batch processing and producing benefit statements; estimates social security benefits based on input earnings; monitors IRS code Section 415 benefit limits. Benefit communication features include report writer, customized statements, letters, listings and worksheets; voice response system for accrued and projected retirement benefit estimates; access to account representatives at Hewitt Associates Benefits Center.

■ Total Benefits Administration (TBA) System.
System requirements: 486 PC; OS/2 platform; 16MB RAM, 250MB hard disk (stand-alone); SVGA video; single or multiple user; network operating systems supported include Novell Netware; database management systems supported.
Online system.
Customized system.
First installation: 1992.
Total installations: 55 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Integrated benefits administration and delivery system supporting defined contribution services, defined benefit administration and health and group benefit programs. Benefit communication features include telephone voice response system, access to account representatives at Hewitt Associates Benefits Center on an interactive computer link that allows modeling and performance transactions via kiosk.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance eight hours per day*, software update training and installation*.
Staff: 2,018 total, 437 professionals.
Clients: 597 total. Sold systems to 20 clients in 1996.
1996 revenues: $568 million total. $227 million from employee benefit information systems sales and services, 100% software sales.
Officers: Dale L. Gifford, CEO; James J. Rushin, director-business development; Gerald I. Wilson, chairman-executive committee; Christine A. Seltz, director-public relations; Thomas L. Schmitz, director-Total Benefits Administration.
Contact: Integrated Health Information System: James Connor. Pension Administrator: Larry Garifo. Total Benefits Administration: Brad Anderson.
** Included in system price.*

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

Benefit systems since: 1984.
Software systems:
■ HRIS-Pro.
Price: $25,000. Quoted individually.
System requirements: Pentium PC; Windows 95 platform; 16MB RAM, 200MB hard disk; multiple user; network operating systems supported include Novell Netware, Banyan VINES and Windows NT; database management systems supported include XBASE.
Internet/intranet access.
Customization optional.
First installation: 1984.
Total installations: 500 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, workers compensation, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Enrollment, eligibility verification; tracks employee contribution, employer premium and dependent coverage. Benefit communication features include benefit statements.
User support: User groups/meetings, onsite training, online support, telephone assistance eight hours per day.
Staff: 25 total, all professionals.
Clients: 500 total.
Officers: Don Helt, president.
Contact: Leonard Mayo, national accounts manager.

Human Resources Consulting Group Inc. (HRCG)
1202 E. Dover Drive, Provo, Utah 84604;
801-765-4417; fax: 801-765-4418

Benefit systems since: 1983.
Software systems:
■ Flexcomp.
Price: $5,000. Quoted individually.
System requirements: 386 PC; DOS platform; 1MB RAM; Mono video; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Online system.
Customization optional.
First installation: 1986.
Benefits managed: 401(k) plans, flexible benefits, leave of absence, COBRA.
Features: Enrollment, database of employee information, benefit explanations, FSA claims adjudication, insurance carrier check cutting, discrimination testing, report generation. Benefit communication features include computer terminals. Optional modules available.

■ Voice Response.
Price: $10,000 minimum. Quoted individually.
System requirements: 486 PC; OS/2 platform; 8MB RAM; Mono video; multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1989.
Benefits managed: 401(k) plans, flexible benefits, leave of absence, COBRA, life insurance, retirement/pensions.
Features: Enrollment, eligibility verification. Benefit communication features include phone service. Optional modules available.
User support: User groups/meetings, onsite training, telephone assistance 10 hours per day*.
Staff: 25 total, all professionals.
Clients: 600 total.
Officers: Rob Thurston, senior vp; Richard Packham, vp.
Contact: Rob Thurston.
** Included in system price.*

I

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

Benefit systems since: 1990.
Software systems:
■ IQ+ Administration.
System requirements: 386, 486 or Pentium PC; DOS or OS/2 platform; Mono, VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware.
Online system.
Customization optional.
First installation: 1990.
Total installations: Six in employee benefit departments.
Benefits managed: 401(k) plans, workers comp, disability, COBRA, group health plans, retirement/pensions.
Features: Health and welfare: multiemployer billing and receipts accounting, member and dependent enrollment, eligibility calculation and verification, health care claims management, 1099 forms and government reporting via tape or disk. Pension: defined benefit, defined contribution and 401(k) management; pension calculated and payment; Social Security Administration and Pension Benefit Guaranty Corp. reporting; 1099R forms and government reporting via tape or disk; benefit notification. Benefit communication features include printed notices and computer terminal displays.
User support: User groups/meetings, onsite training*, online support**, telephone assistance 12 hours per day*, onsite assistance as needed.
Clients: Six total. Sold systems to two clients in 1996.
1996 revenues: $250,000 total. $250,000 from employee benefit information systems sales and services, 40% from software sales, 60% from software services.
Officers: J. Patrick Broman, president; Edna Buttery, vp-sales.
Contact: J. Patrick Broman.
** Included in system price.*
*** Included in system price first year.*

Information Learning Systems, division of USERTECH
1 Selleck St., East Norwalk, Conn. 06855;
203-851-4335; fax: 203-851-4399

Benefit systems since: 1989.
Parent: Ceridian.
Software systems:
■ The Plan Expert.
Price: $25,000 to $300,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 platform; 12MB RAM, 120MB hard disk; VGA video; single or multiple user; network operating systems supported include Novell Netware and Windows NT.
Internet/intranet access.
Customized system.
First installation: 1990.
Total installations: 50 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, payroll, life events, relocation.
Features: Enables companies to provide consistent scripted customer service answers to employee and retiree questions about benefits, payroll and human resource policies; customized answers to a company's plans, policies, procedures and investigative practices; supports shared service centers, employee self-service, field operations and in-house experts. Benefit communication features include stand-alone or networked PC and corporate Intranet. Options include links to desktop applications, multimedia, human resource databases and workflow.
User support: Onsite training, online support, telephone assistance eight hours per day.
Officers: Joan Breiner, president; Stephen Rappaport, director/chief technology officer; Diane Cummins, director-operations; Bill Lamar, national sales/product manager.
Contact: Bill Lamar.

Insurdata Inc.
5215 N. O'Connor Blvd., 800 Central
Tower, Irving, Texas 75039; 972-402-4000;
fax: 972-556-0572

Benefit systems since: 1973.
Parent: UICI Inc.
Software systems:
■ Insurdata Claims & Administration System.
System requirements: Hardware required to access system is included with system license.
Online system.
Customization optional.
First installation: 1973.
Benefits managed: Flexible benefits, COBRA, group health plans.
Features: Provides document imaging/optical character recognition, eligibility verification, claims processing via auto adjudication, medical unbundling, precertification tracking, COBRA notification and premium tracking, cafeteria plan administration, flexible spending account administration, ad hoc reporting, physician profiling, patterns of treatment.
User support: User groups/meetings*, onsite training*, online support*, telephone assistance 24 hours per day*.
Officers: Raymond C. Morrison Jr., president; Jim Taylor, vp-finance/administration; Doug Freeman, vp-data processing.
Contact: Ray Morrison.

L

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

Benefit systems since: 1987.
Software systems:
■ Logical Claim Solutions.
Price: $35,000 to $75,000. Quoted individually.
System requirements: 486 PC; DOS platform; 4MB RAM, 600MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware.
Customized system.
First installation: 1987.
Benefits managed: Flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, life insurance, dental.
Features: Provides enrollment, eligibility verification, health care precertification, claims management, utilization review, medical coding, medical case management, reinsurance liability tracking, disability duration monitoring/control, health plan provider contract management, discrimination testing, ad hoc report generation, electronic data interface, bulk payments to providers, capitation maintenance and payment to providers, PPO and other provider contract automated adjudication and repricing, medical outcomes and total care comparative data generation.
User support: User groups/meetings, onsite training, telephone assistance 24 hours per day.
Staff: 17 total, nine professionals.
Clients: 61 total.
Officers: Donald Long, president.
Contact: Don Long or Kathy Hildreth.

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

Benefit systems since: 1988.
Software systems:
■ Lawson INSIGHT Benefits Administration.
Price: $25,000 minimum. Quoted individually.
System requirements: 386 PC; DOS, Windows 3.1 and above, OS/2, OS/400, AIX, HPUX, Sun Solaris, Dynix PTX, OSF/1 or System V platform; 2-4MB RAM, 16MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle and Sybase.
Online system.
Internet/intranet access.
Customization optional.
First installation: 1988.
Total installations: 549 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Internet self-service, Web-deployable, graphical process menus, personal and workgroup workflow, payroll interface automatic deduction creation, flexible and cafeteria-style benefits plans, testing for highly compensated employees and automated data processing, online employee benefit modeling and forecasting, online benefit history by participant, personalized employee benefit statements, retiree processing, spending accounts, defined contribution and defined plans. Benefit communication features include eligibility, benefit statements, costs, benefit enrollment or alteration via Internet self-service. Options include integration with Lawson packages for payroll, personnel, time accrual, time and attendance, financial management, procurement and supply chain management.
User support: User groups/meetings*, onsite training, online support, telephone assistance 24 hours per day, upgrade support*, cyclical notification*, critical patch delivery*, fax line support*.
Staff: 46 total, 26 professionals.
Clients: 549 total. Sold systems to 98 clients in 1996.
1996 revenues: $123.7 million total. $4 million from employee benefit information systems sales and services, 75% from software sales, 25% from software services.
Officers: Richard Lawson, chairman; Bill Lawson, president/CEO; Susan Dub, CFO; Don Slusarski, executive vp-field operations; Dan Metzger, executive vp-marketing.
Contact: Sales service, 800-477-1357.
** 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.
Price quoted individually.
System requirements: 386 PC; DOS or Windows 3.1; 4MB RAM, 20MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware and Banyan VINES; database management systems supported.
Customization optional.
First installation: 1988.
Total installations: 12 in employee benefit departments.
Benefits managed: Disability, group health plans, life insurance.
Features: Supports multiple benefits, provides comprehensive eligibility maintenance, premium billing, ID cards and certificates, payment accounting, commission processing, full audit history, flexible rate design, agent file maintenance (including 1099s), accounts receivable, late letters, user security and extensive reporting; automatic calculation of retroactive rate and eligibility transactions. Options include transfer of eligibility to claims systems, reinsurance administration, Medicare risk, PCP capitated reimbursements, case management.
User support: Onsite training*, online support, telephone assistance eight hours per day*.
Staff: Four total, three professionals.
Clients: 12 total, including one benefit department. Sold systems to three clients in 1996.
1996 revenues: 50% from software sales, 50% from software services.
Officers: David Maron, president.
Contact: Mike Barbarine, marketing manager.
** Included in system price.*

Continued on next page

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William M. Mercer Inc.

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

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

■ 415 Express.
Price quoted individually.
System requirements: DOS platform; 1MB RAM; single user.
Customized system.
First installation: 1988.
Total installations: Eight in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing, retirement/pensions.
Features: Tests for compliance with Section 415 combined limits, customized defined benefit plan provisions, recognizes benefits grandfathered under pension laws, allows projection of limits to future determination dates.

■ Allocation Express.
System requirements: DOS platform; single user.
Customization optional.
First installation: 1989.
Total installations: 50 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing.
Features: Participant recordkeeping system for all aspects of defined contribution plan administration. Benefit communication features include employee statements and other printed material and voice response systems.

■ Chart.
System requirements: Windows platform; 8MB RAM; single user.
Customized system.
First installation: 1994.
Total installations: Three in employee benefit departments.
Benefits managed: Flexible benefits, group health plans, life insurance.
Features: Health and welfare plan enrollment and ongoing processing; inquiry access to enrollment and eligibility information; personalized enrollment materials/confirmation statements; automated eligibility testing and computation of credits, prices and benefit coverage; interface file to pass information to other systems; ad hoc queries and reports; online display EDI; mailing services. Optional modules available.

■ Data Reconciliation System (DRS).
System requirements: DOS platform; 1MB RAM; single user.
Customized system.
First installation: 1988.
Total installations: 31 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Reconciliation of yearly census data, incrementing of service fields and other pertinent data.

■ Global Retirement System (GRS).
System requirements: DOS or Windows 95 platform; 32MB RAM; single user.
First installation: 1989.
Total installations: Six in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Provides modules for valuation and reporting on various kinds of retirement plans, including pension valuation, retiree medical valuation and asset/liability modeling and projection, associated reporting (results of valuation/modeling, regulating and accounting reports and management reports), data management module for data collection and editing.

■ LoanKey.
System requirements: DOS platform; 640KB RAM; single user.
Customization optional.
First installation: 1986.
Total installations: 60 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing.
Features: Loan administration, amortization schedules, promissory note, truth-in-lending, what-if loan modeling, standard reports, conforms to regulation Z requirements, functions independently of any recordkeeping system. Benefit communication features include reports, schedules, promissory notes and non-disclosure statements. Optional modules available.

■ Mercer's Global Database System.
Price: $5,000 plus $500 per year for upgrades and updated resources.
System requirements: 386 PC; Windows platform; 4MB RAM, 6MB hard disk; VGA video; single user; network operating systems supported include Novell Netware, Banyan VINES, IBM Lan Manager; database management systems supported include NT SQL, dBASE, Access and SQL.
Customization optional.
First installation: 1995.
Total installations: 100 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.
Features: Database for multinational companies to store information on worldwide benefits, including cross-country comparison reports, summary reports, updated typical practice and social security in applicable countries, updated quarterly legislative changes.

■ Pension Express.
System requirements: DOS platform; 540K conventional memory, 6MB extended memory; VGA video; single user; network operating systems supported include Novell Netware.
Customized system.
First installation: 1989.
Total installations: 40 in employee benefit departments.
Benefits managed: Retirement/pensions.
Features: Eligibility verification for defined benefit events, including normal retirement, vesting, early retirement, disability and death benefits; defined benefit calculation results storage; data impact and batch printing. Benefit communication features include reports and batch printing of customized reports.

■ SSCalc (Social Security Calculation System).
System requirements: DOS platform; 640KB RAM; single user.
First installation: 1979.
Total installations: 45 in employee benefit departments.
Benefits managed: Social Security benefits.
Features: Calculates Old-Age Survivors & Disability Insurance (OASDI) benefits under Social Security law in effect at any time since 1975.

■ TestKey.
System requirements: DOS platform; 640KB RAM; single user.
Customization optional.
First installation: 1987.
Total installations: Six in employee benefit departments.
Benefits managed: 401(k) plans.
Features: Performs discrimination tests in accordance with the rules established by the Tax Reform Act of 1986.

■ TRACS OnLine.
System requirements: DOS, Windows or OS/2 platform; 4MB RAM; VGA video; single user.
Online system.
Customization optional.
First installation: 1993.
Total installations: 50 in employee benefit departments.
Benefits managed: 401(k) plans, profit sharing.
Features: Allows inquiries and changes to investment elections and contribution percents, initiation and modeling of loan requests, initiation of withdrawals and distributions, performs balance rearrangements and fund transfers. Benefit communication features include report generation and confirmation statements based on employee-initiated activity. Options include activating or deactivating features based on intended use by employees and plan sponsors.
User support: User groups/meetings available for Global Retirement System and Mercer's Global Database System only, onsite training available for all systems except SSCalc, telephone assistance available for all systems, installation support available for LoanKey, Pension Express, TestKey and TRACS OnLine systems only.
Staff: 4,029 total.
Clients: 581 total, including 309 benefit departments.
Officers: Timothy J. Lynch, chairman; Vikesh Mahendroo, president; Yves Roy, chief information officer.
Contact: Edward R. Angel, principal, 847-317-7513.

O

Omni Software Inc.

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

Benefit systems since: 1982.
Software systems:

■ OmniClaims.
Price: $3,950 to $27,600. Quoted individually.
System requirements: 486 or Pentium PC; SCO Unix platform; 16MB RAM, 100MB hard disk; Mono, VGA or SVGA video.
Online system.
Customization optional.
First installation: 1995.
Benefits managed: Disability, group health plans, life insurance.
Features: Tracks eligibility for up to 10 coverages per employee, multiple plans per group, claims processing, billing, agent commissions, fund accounting and reporting, adjudicates and tracks workers comp and COBRA claims, ad hoc report writer.
User support: User groups/meetings, onsite training*, telephone assistance 10 hours per day.
Staff: Seven total, four professionals.
Clients: 15 total, including two benefit departments. Sold systems to 15 clients in 1996.
Contact: H. Guinn Nixon, president/CEO.
** Included in system price.*

P

P&W Software

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

Benefit systems since: 1984.
Software systems:

■ PowerPlus.
Price: $4,000 to $30,000. Quoted individually.
System requirements: 386 PC; DOS platform; 530MB RAM, 20MB hard disk; Mono video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager; database management systems supported include dBASE.
Internet/intranet access.
Customization optional.
First installation: 1987.
Total installations: 260 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 and key employee determination, COBRA benefit management, retiree billings. Flexible spending account features include FSA claim management, FSA check printing, direct deposit payments, employee statements and letters, complete audit trails, W2 report data, forfeiture reports. Benefit communication features include personalized enrollment forms, telephone enrollment, eligibility verification and FSA account balances. Options include links to medical claim processing systems; electronic interfaces to payroll systems, insurance carriers and claims processors.
User support: User groups/meetings, onsite training, online support, telephone assistance nine hours per day, newsletter*.
Staff: 11 total, four professionals.
Clients: 260 total, including 175 benefit departments. Sold systems to 32 clients in 1996.
Officers: Thomas E. Philipp, president; Michael C. Wilson, vp.
Contact: John Tefft.
** Included in system price.*

R

Resource Information Management Systems Inc. (RIMS)

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

Benefit systems since: 1981.
Software systems:

■ QicClaim/2 Health and Managed Care Administration Software.
System requirements: 486 PC; DOS, HPUX, DGUX or AIX platform; 32MB RAM, 500MB hard disk; multiple user.
Online system.
Customization optional.
First installation: 1981.
Total installations: 318 in employee benefit departments.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, dental, mental health, health information data.
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 include support and integration of complex PPO contracts into benefit plan design and administration; HMO network management and plan administration; utilization management; procedure-driven claims/encounter adjudication; batch data entry/electronic claims receipt and application; claims screening; billing; cost containment; dental benefits administration; application processing; common benefit plan coding method and benefits table cross referencing procedure; customer services tracking and reporting; access to key member, provider and transactional information optical character recognition, automated print/mail service.
User support: User groups/meetings*, onsite training, telephone assistance 24 hours per day, customized training, consulting services, regional training, executive forums.
Staff: 271 total, 257 professionals.
Clients: 403 total. Sold systems to 24 clients in 1996.
1996 revenues: $32.5 million total. $31.5 from employee benefit information systems sales and services, 11.5% from hardware sales, 40.3% from software sales, 48.2% from software services.
Officers: Tom Heimsoth, chairman/CEO; Terry Kirch, president; Jerry Horwitz, executive vp-client services; Paul Kronberg, executive vp-sales/marketing; Steve Clements, vp-marketing/strategic planning.
Contact: Ellen Rich, director-marketing communications.
** Included in system price.*

S

SBC Systems Co. Inc.

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

Benefit systems since: 1977.
Software systems:

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

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 Benefits Administration System).

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BUSINESS INSURANCE
Reader Service Center
650 S. Clark St., 6th Fl.
Chicago, IL 60605-1702

Business Insurance

FREE LITERATURE FOR READERS

Issue Date: MARCH 3, 1997
Card Expiration: APRIL 28, 1997

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **March 3, 1997** issue. Cards with more than 20 items circled will not be processed. This card expires **April 28, 1997**.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

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

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

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

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

5. Do you now receive a personally addressed copy of *Business Insurance*?
A ☐ Yes B ☐ No, so please send subscription info

Please print clearly

Name______
Title______
Company______
Address______
City______ State______ Zip______
Phone ( )______

Continued from previous page

System requirements: Open VMS platform; multiple user.
Customization optional.
First installation: 1975.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.
Features: Provider/PCP withholdings, encounter tracking, enrollment, premium billing, capitation payment, bish pool administration, eligibility verification, health care precertification, claims management, medical coding/unbundling, tracking reinsurance liability, disability duration monitoring/control, health plan provider contract management, discrimination testing, ad hoc data analysis, ad hoc report generation. Benefit communication features include optional add-on. Options include healthcare utilization review, medical case management, provider profiling, PPO repricing, electronic claims, IVR and fax back, MSA administration.
User support: User groups/meetings, onsite training, online support, telephone assistance nine hours per day.
Staff: 26 total, 12 professionals.
Clients: 49 total, including eight benefit departments. Sold systems to one client in 1996.
1996 revenues: $3 million total, all from employee benefit information systems sales and services, 10% from hardware sales, 35% from software sales, 55% from software services.
Officers: Arnold Heinrich, president; Tim Stunz, executive vp; Donna Smith, Pattie McKelvy, Randy Johnson, vps.
Contact: Ed Baker, sales consultant, 800-444-1189 or 801-294-8501.

The Segal Co.

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

Benefit systems since: 1992.
Software systems:
■ AnswerQuest.
Price: $35,000 to $150,000. Quoted individually.
System requirements: 486 PC; Windows 3.1 and above platform; 12MB RAM, 10MB hard disk; VGA or SVGA video; single or multiple user; network operating systems supported include Novell Netware and IBM LAN Manager; database management systems supported.
Internet/intranet access.
Customized system.
First installation: 1992.
Total installations: Six in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, workers comp, disability, leave of absence, COBRA, group health plans, profit sharing, life insurance, retirement/pensions, social security benefits.
Features: Assists administrative staff in answering benefit questions; uses a pre-programmed question database with tailored answers to benefit plans, policies and procedures; uses a series of menus, indexes and search options to pinpoint precise answers; provides scripted, easy-to-understand responses. Benefit communication features include interface with other programs, databases and voice response systems; screen printouts sent to caller.
■ PensionPartner.
Price: $75,000 to $100,000. Quoted individually.
System requirements: 486 PC; DOS, Windows 3.1 and above platform; 16MB RAM (DOS), 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.
Internet/intranet access.
Customized system.
First installation: 1993.
Total installations: Eight in employee benefit departments.
Benefits managed: Retirement/pensions, social security benefits.
Features: Eligibility verification, vesting, all benefit calculations, all optional forms calculations, IRC Section 415(b) testing, IRC Section 401(a)(17) testing, what-if calculations, benefit recalculations, participant notification forms and letters generation. Benefit communication features include annual statement of pension benefit entitlement. Options include ad hoc report generation, word processing mailmerge and database management.
User support: User groups/meetings, onsite training, telephone assistance*, system and database updates*.
Staff: 17 total, 15 professionals.
Clients: 14 total. Sold systems to four clients in 1996.
Officers: Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Richard M. Frenzel, executive vp.
Contact: Answer Quest: Werner Gliebe, 212-251-5207. PensionPartner: Joni Schreer, 212-251-5393.
** Included in system price.*

SPECTRUM Human Resource Systems Corp.

1625 Broadway, Suite 2600, Denver, Colo. 80202; 800-477-3287; fax: 303-595-9970

Benefit systems since: 1984.
Software systems:
■ HRVantage for Client Server.
System requirements: Pentium PC; Windows platform; Client: 32MB RAM, 50MB hard disk; Server: 96MB RAM, 180MB hard disk plus 150KB per employee record; VGA video; multiple user; network operating systems supported include Windows NT; database management systems supported include NT SQL.
Internet/intranet access.
Customization optional.
First installation: 1995.
Total installations: 10 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance.
Features: Enrollment, eligibility verification, Health Insurance Portability & Accountability Act compliance, COBRA tracking, benefits summary reports, Microsoft Access standard report tools, including compatibility with Microsoft office products. Benefit communication features include self-service module for Internet access to employee data.
User support: User groups/meetings*, onsite training, online support, telephone assistance, implementation/customization services.
■ HRVantage version 7.0.
Price quoted individually.
System requirements: Pentium PC; Windows 3.5 and above platform; 32MB RAM, 35MB hard disk; VGA or SVGA video; multiple user; network operating systems supported include Novell Netware.
Customization optional.
First installation: 1993.
Total installations: 350 in employee benefit departments.
Benefits managed: 401(k) plans, flexible benefits, disability, leave of absence, COBRA, group health plans, life insurance.
Features: Benefit enrollment; absence plan enrollment for vacation, sick, jury, personal, military or any leave of absence plan; COBRA enrollment and claims tracking; benefit reports, including benefit statements, employee eligibility verification, benefit premiums and employee enrollment reports.
User support: User groups/meetings*, onsite training, online support*, telephone assistance 10 hours per day*, implementation/customization services.
Staff: 75 total, 25 professionals.
Clients: 3,500 total.
Officers: James E. Spoor, president; Nancy Spoor, senior vp-sales/marketing; Sybil Romley, vp-development; Rene Mejia, vp-sales; Doris Houghton, controller.
Contact: Pam Oberly.
** Included in system price.*

T

TXEN Inc.

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

Benefit systems since: 1989.
Software systems:
■ Managed Healthcare System.
Price: $100,000.
System requirements: DOS or Windows platform; multiple user; network operating systems supported include Novell Netware and IBM LAN Manager.
Online system.
Customization optional.
Benefits managed: Flexible benefits, disability, COBRA, group health plans, life insurance.
Features: Include the following modules provided as one unit: membership/eligibility, providers, claims, billing, correspondence, references, general ledger, accounts payable, accounts receivable, PPO repricing, provider withholds, risk funds, capitation, referral and authorization processing, primary care, provider processing and utilization review reporting. Options include flexible spending module, unbundling/bundling module, electronic claims and ACCESS/MHS reporting system.
User support: User groups/meetings*, onsite training*, telephone assistance 12 hours per day*.
Staff: 130 total.
Clients: 65 total, including three benefit departments. Sold systems to 23 clients in 1996.
Officers: Tom Patterson, president; Paul Reaves, executive vp; Steven Selikoff, vp-operations; Grey Wood, vp/general manager.
Contact: Amy Knowles, 800-962-2540 ext. 115.
** Included in system price.*

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; 640KB RAM; 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: 2,536 in employee benefit departments.
Benefits managed: COBRA.
Features: Automatically prints up to 48 COBRA letters, tracks enrollment periods and premium payment periods, Family & Medical Leave Act capability, prints coverage certification required for Health Insurance Portability & Accountability Act, customization of letters and reports, downloading module. Benefit communication features include costs and availability of continuation health benefits to FMLA and COBRA participants. Options include multi-user module available in single-employer or multi-employer versions.
■ TravisCert.
Price: $395 to $1,995. Quoted individually.
System requirements: 486 PC; Windows 3.1 and 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: 1996.
Total installations: 34 in employee benefit departments.
Benefits managed: Group health plans.
Features: Stores data of welfare benefit plans participation, employer and employee cost; reports on enrollment and costs at any time. Benefit communication features include coverage certifications for former employees/dependents to whom the Health Insurance Portability & Accountability Act requires a certification. Options include multi-user module available in single-employer or multi-employer versions, upgrade to full COBRA/Health Insurance Portability & Accountability Act administration.
■ TravisCOBRA for Windows.
Price: $695 to $4,995. Quoted individually.
System requirements: 486 PC; Windows 3.1 and above platform; 8MB RAM, 6MB 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: 1,503 in employee benefit departments.
Benefits managed: COBRA.
Features: Automatically prints up to 48 COBRA letters, tracks enrollment periods and premium payment periods, Family & Medical Leave Act capabilities. Communicates costs and availability of continuation health benefits to FMLA and COBRA participants, prints coverage certifications required by Health Insurance Portability & Accountability Act. Options include multi-user module available in single-employer or multi-employer versions.
■ TravisFlex.
Price: $1,295 to $3,750. Quoted individually.
System requirements: 386 PC; DOS platform; 640KB RAM, 4MB hard disk; Mono, VGA or SVGA video; multiple user; network operating systems supported include Novell Netware, Banyan VINES and IBM LAN Manager.
Customization optional.
First installation: 1987.
Total installations: 1,579 in employee benefit departments.
Benefits managed: Flexible benefits.
Features: Administration and enrollment for flexible benefit plans, including full flex plans with benefit credits; includes check-writing capabilities and full reporting modules; administration of medical savings accounts. Benefit communication features include benefit enrollment/election and eligibility forms, reports to employees on activities in flexible spending accounts and MSAs. Options include multi-user modules, custom report writer/downloading modules.
■ TravisRetiree Billing.
Price: $1,295 to $3,750. Quoted individually.
System requirements: 386 PC; DOS platform; 640KB RAM, 3MB 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: 1,153 in employee benefit departments.
Benefits managed: Group health plans.
Features: Premium billing through periodic notice or coupons to retirees and those on leave of absence who participate in post-employment health, life, long-term disability and accidental death and dismemberment plans; full reporting functions for participation, premiums billed and collected and employer costs. Benefit communication features include printed eligibility and premium cost information. Options include multi-user module available in single-employer or multi-employer versions.
User support: Online support*, telephone assistance eight hours per day*.
Staff: 19 total, 14 professionals.
Clients: 3,682 total, including 3,191 benefit departments. Sold systems to 212 clients in 1996.
1996 revenues: $1.8 million total. $1.8 million from employee benefit information systems sales and services, 45% from software sales, 55% from software services.
Officers: Alan H. Williams, president; John Worner, vp; Fiona Wilson, assistant secretary.
Contact: Alan H. Williams.
** Included in system price.*

W

WLT Software of Florida Inc.

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

Benefit systems since: 1981.
Software systems:
■ ChekClaims.
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS or Windows 3.1 and above platform; 8MB RAM, 500MB hard disk; multiple user; network operating systems supported include Novell Netware; 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; 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; EDI capabilities and auto adjudication when interfaced with WLT's MediClaims; also interfaces with WLT's CompClaims to provide automatic payment capabilities.
■ CompClaims.
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS or Windows 3.1 and above platform; 8MB RAM, 500MB hard disk; multiple user; network operating systems supported include Novell Netware; 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 and PPO processing, billing, claims processing, attorney tracking, management, administrative, government, safety engineering and cost management reporting, bill review, 24-hour coverage, interfaces with WLT's MediClaims and ChekClaims.
■ MediClaims.
Price quoted individually.
System requirements: 386, 486 or Pentium PC; DOS or Windows 3.1 and above platform; 8MB RAM, 500MB hard disk; multiple user; network operating systems supported include Novell Netware; 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.
Features: Health claims administration and billing, including 24-hour coverage, PPO processing and agent commissioning; provides EDI and auto adjudication capabilities when interfaced with WLT's ChekClaims; also interfaces with WLT's CompClaims.
User support: User groups/meetings, onsite training, online support, telephone assistance 9.5 hours per day, hotline*, Internet support*, bulletin board access*, newsletter*.
Officers: William L. Tiner Jr., president; Anne M. Tiner, executive vp; Thomas P. Brooks, vp-sales.
Contact: Thomas P. Brooks.
** Included in system price.*

Watson Wyatt Software

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Benefit systems since: 1988.
Parent: Watson Wyatt Worldwide.
Software systems:
■ HR Edge-Choice.
Price quoted individually.
System requirements: 386 PC; Windows 3.1 platform; 16MB RAM, 8MB hard disk; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle, NT SQL and ODBC.
Online system.
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: Health and welfare enrollment, eligibility, carrier reporting/payment and payroll reporting; pension calculation of benefits. Benefit communication features include paper, personal fact sheets and correspondence. Options include voice response employee self-service.
User support: Onsite training, online support, telephone assistance eight hours per day, implementation support, outsourcing.
■ HR Edge-Pensions.
Price quoted individually.
System requirements: 486 PC; Windows NT platform; 32MB RAM, 200MB hard disk; VGA video; multiple user; network operating systems supported include Novell Netware; database management systems supported include Oracle, Sybase, NT SQL, DB2 and ODBC.
Online system.
Internet/intranet access.
Customized system.
First installation: 1991.
Benefits managed: Retirement/pensions, social security benefits, employee contributions, integrated with flexible benefit plan administration.
Features: Eligibility verification; benefit estimates; benefit calculations for termination, retirement, death and disability; employee contributions; plan transfer and benefits from multiple plans; Section 415 limits across multiple plans; elapsed time and hour-based service calculations; consecutive/non-consecutive Final Average Earnings calculations; Primary Insurance Amount calculations. Benefit communication features include document management systems, validation rules, event-based administration user interface, interactive voice response, letter and report generation, facsimile interface and e-mail interface. Options include data import/export, access security and batch processing.
User support: User groups/meetings, onsite training.
■ HR Edge-Track.
Price quoted individually.
System requirements: 486 PC; Windows 3.1 platform; single or multiple user; network operating systems supported include Novell Netware database management systems supported.
Online system.
Customization optional.
First installation: 1993.
Benefits managed: Leave of absence.
Features: Identifies attendance trends and problem areas; analyzes the causes of absenteeism; quantifies costs of absenteeism; monitors the effectiveness of attendance management program; analyzes claim history and cost by employee, department or incident type; chooses from standard reports and graphs or designs customized reports.
User support: User groups/meetings, onsite training, online support, telephone assistance eight hours per day.
Officers: Watson Wyatt Worldwide: A.W. (Pete) Smith Jr., president/CEO; Paul R. Daoust, executive vp/COO. Watson Wyatt Software: Pat Amendola, director, software/systems.
Contact: HR Edge-Choice: Yavini Naidu, 202-626-9700. HR Edge-Pensions: Harry Deitz, 202-626-9700. HR Edge-Track: C.J. Bailey, 604-688-6211. BI

Global Briefs

Lloyd's of London says that some of its investors' U.S. dollar-denominated profits for the 1994 year of account may not be released for up to 12 months because of solvency requirements in the United States. A member's funds will only be released from Lloyd's American Trust Funds when his or her solvency test this April shows a surplus for the 1994 account. . . .Dick Barfield, who until recently was chief investment manager of Standard Life Assurance Co. of Edinburgh, Scotland, has been appointed a non-executive director of **Equitas Holdings Ltd.** as of April 1. Mr. Barfield will chair the reinsurance company's investment committee. . . .**Guardian Royal Exchange P.L.C.** reports it has £1 billion ($1.64 billion) available to spend on an acquisition. Possible targets, it said, include another U.K. multiline insurance company, a U.K. life and health insurance company, a North American specialty auto insurer or a North American property/casualty insurer. . . .**Zurich Insurance Group** is consolidating its investment management activities in Europe into one business unit under the umbrella of Zurich Investment Management (Europe) with about $30 billion of assets under management. It will be headed by Dominique P. Morax, previously responsible for asset management at the insurer's home office. . . .Sedgwick Group P.L.C. has named **Ronald J. Kutella** president of the retail property/casualty operations of its primary U.S. operating company, Sedgwick Inc. Mr. Kutella, who was an executive vp, succeeds Donald K. Morford, who was named vice chairman of Sedgwick Inc. . . .Standard & Poor's Corp. has downgraded the claims-paying ability ratings for **Assurances Generales de France IART** and **Assurances Generales de France Vie** to AA- from AA. However, S&P affirmed the A-1 commercial paper rating for AGF Cash (SNC) guaranteed by AGF S.A. The downgrades are based on S&P's expectations of a tougher operating environment in AGF's domestic French market affecting its ability to further improve its operating performance in both life and non-life businesses. . . .Employee benefit consultant **Sedgwick Noble Lowndes Ltd.** has named John Humphrey practice director, health care and risk management and a member of its board. Mr. Humphrey was previously managing director of Sedgwick Risk Consulting. . . . Bermuda catastrophe reinsurance company CAT Ltd. has set up a **finite risk reinsurer and insurer**, Enterprise Reinsurance Ltd., which will have $100 million in capital. Other investors in Enterprise Re are Employers Reinsurance Corp., Chubb Corp. and Morgan Stanley Capital Partners.

Law may speed case settlement

Insurers may change policy wordings to reflect changes to Arbitration Act

By STACY SHAPIRO

LONDON—London underwriters may be using new arbitration clauses soon to reflect a new British arbitration law.

This week, the AIDA Reinsurance & Insurance Arbitration Society (U.K.) should adopt new arbitration rules and two new recommended arbitration clauses for contracts between ceding companies and reinsurers.

Though the content of the clauses and rules have not been made public, they are being adopted to reflect the new Arbitration Act 1996, which came into effect for all arbitral proceedings on or after Jan. 31, according to Hugh Thompson, secretary of ARIAS (U.K.). The law society Assn. Internationale de Droit des Assurances, law firms, Lloyd's of London and the London Insurance & Reinsurance Market Assn. underwriters support the society (*BI*, Oct. 26, 1992).

The effect of the new Arbitration Act should be to speed up the process and reduce the costs of arbitrations between ceding companies and U.K.-based reinsurers, lawyers say.

However, the new law could have the opposite effect, according to John Butler, consultant for London law firm Barlow, Lyde & Gilbert and a founder of ARIAS (U.K.). Some question as to which law will apply to international arbitrations in the U.K. "unveils uncertainty. . .and means that we could end up in more litigation."

The new Arbitration Act 1996 tries to simplify U.K. arbitration law, which previously consisted of at least three arbitration acts and common law.

The law has taken years to come to fruition since it was first decided to draft a new one to incorporate the 1985 Model Law on International Commercial Arbitrations recommended by the U.N. Commission on International Trade Law.

After a few failed attempts, Court of Appeals judge Lord Justice Saville headed a committee that drafted the law, which received Royal Assent last June. He worked closely with Lord Woolf's review of civil litigation to make sure arbitral rules and procedures would be consistent with Lord Woolf's suggestions (see related story).

The new arbitration law will allow arbitrators to use 'commercial business sense' as well as the law when deciding a case, says attorney James Innes.

The law, said Lord Justice Saville just after it was passed last year, attempts to "restate the law of arbitration in simple English, adopting a logical format which proceeds from arbitration agreements through the appointment of arbitrators, the conduct of the proceedings, to awards."

One of the biggest changes that will affect ceding companies and reinsurers is the choice of law arbitrators can use, summed up Jonathan Sacher, partner in London-based law firm Paisner & Co.

Until now, only English law could govern arbitrations in the United Kingdom, he said. However, under the new law, the "honorable engagement clause" used in reinsurance contracts is recognized, which allows the arbitration to be decided in accordance with the law the parties choose or, if the parties agree, in accordance with "such other considerations as are agreed by them or determined by the (arbitration) tribunal."

Arbitrators can agree, for example, that "general principles of justice and fairness" should apply in reaching a judgment, said John Taylor, the British government's corporate and consumer affairs minister.

This means arbitrators can use "commercial business sense" as well as the law when deciding a case, said James Innes, partner at D.J. Freeman.

English law in recent times has refused to recognize honorable engagement clauses, and therefore, they have largely disappeared from treaty wordings. However, "with the new

See **Arbitrate** *on next page*

Legal reform proposals make progress

English and Welsh court system reforms to encourage greater use of arbitration and earlier settlements

By CAROLYN ALDRED

LONDON—Proposals to radically overhaul the civil justice system of England and Wales could make civil litigation faster, cheaper and more accessible, changing the way businesses, their insurers, and virtually every other player operates in the legal system.

A committee led by Lord Justice Woolf, Britain's most senior civil judge, produced its final report on the civil justice system last July. The report, with more than 300 recommendations, aims to cut the cost of litigation and speed up trials by transferring the management of litigation from the litigants to the courts.

Enabling legislation to implement some of the major reforms that actually would alter the system for getting certain cases through the courts, called the Civil Procedure bill, is currently going through Parliament. Once the enabling legislation is passed, then details of the recommendations that are going to be adopted can be worked out and the reforms can be implemented over a few year's time.

Among the proposals in the report is one that would steer legal action by the amount of money at stake.

Under the proposal, all cases claiming damages of less than £3,000 ($4,890)—or up to £1,000 ($1,630) in personal injury cases—would be referred to arbitration; all cases seeking between £3,000 and £10,000 ($16,300) would be allocated to a fast track for trial, though there are no specific details on what sort of timetable would constitute a fast track; and cases seeking more than £10,000 would be assigned to a judge to control the procedure, with detailed litigation plans filed by each side.

In all cases, a timetable for the legal process would be set by the court, with sanctions imposed on those parties that do not keep to the timetable.

Another proposal is designed to encourage parties to settle disputes earlier. Under that plan, defendants who refuse efforts to settle a lawsuit early but later lose at trial would have to pay a penalty of up to 25% of the damages awarded.

According to a 1996 survey by the Assn. of Insurance & Risk Managers, risk managers favor reforms that would lead to a speedier and more efficient court process.

They also welcome the initiatives by Lord Woolf to settle more cases and to increase the role of mediation and alternative dispute resolution, said Donna Thomas, an AIRMIC consultant who helped conduct the survey at last year's annual conference. "The majority of respondents believe that the benefits of (Lord Woolf's)

See **Reforms** *on next page*

Some E.U. safety regs overlooked: Attorney

By SARAH GODDARD

LONDON—As many as one in four U.K. employers may be putting themselves at risk for lawsuits by failing to implement health and safety measures required under European Union directives, says a health and safety lawyer.

While U.K. businesses are generally aware of their health and safety responsibility to employees, they are ignoring their responsibilities to others such as subcontractors, visitors and members of the public, warned Gareth Watkins, a partner in the Sheffield, England, office of Nabarro Nathanson.

Mr. Watkins made these remarks in conjunction with the release late last month of the results of a survey his firm commissioned to ascertain the level of awareness among U.K. companies of health and safety regulations.

Alan Fleming, risk manager for London-based brewer Guinness P.L.C., said that "this certainly is a live issue" for Guinness and other U.K. companies, though he was unable to gauge the number of companies that are coming to terms with the problem.

At Guinness "we're putting a lot of attention into this area and it is exercising our minds more than somewhat," he said.

The highest-level corporate officials overseeing health and safety from 100 medium-sized and large companies were polled, representing a spectrum of industries but predominantly in the manufacturing sector. Most frequently, the executive interviewed was the corporate secretary, though larger companies tended to have a dedicated health and safety director or manager.

Unprompted, interviewees said they were not very aware of the so-called six-pack of European Union health and safety regulations, though awareness levels shot up when the respondents were prompted.

Unprompted, employers said they were not very aware of the health and safety regulations.

The "six-pack" is a set of directives issued by the European Commission in 1992 that govern health and safety in the workplace. They are:

- The Management and Health & Safety at Work Regulations, encompassing risk assessments, appointment of persons responsible for compliance with the directives, and coordination and cooperation between employers when more than one company is involved in a project at a given worksite.
- The Workplace (Health, Safety and Welfare) Regulations, governing workplace conditions such as space, workstations, floors, windows, traffic and rest.
- The Manual Handling Operations Regulations, outlining risk assessment and reduction requirements for any physical labor.
- The Health & Safety (Dis-

See **Safety** *on next page*

Arbitrate

Continued from previous page

Arbitration Act, it appears that they may be back in favor," Mr. Sacher said. He also said the law recognizes the honorable engagement clauses in old contracts dealing with, for example, longtail liability claims, if the arbitration occurs on or after Jan. 31.

However, Mr. Butler said the law is not retrospective on this issue and only applies to honorable engagement clauses in contracts made after Jan. 31, 1997.

Mr. Taylor also said that the new arbitration law should apply only to arbitrations made "on or after Jan. 31, so that agreements made before then remain undisturbed by the new act."

The choice-of-law issue may lead to an increase in arbitrated cases, Mr. Butler suggested. Because each arbitration tribunal would be allowed to make up its own mind which yardstick to use, each arbitration could have a different result.

Another major change in the law is that parties of international contracts can exclude the right to appeal an arbitration decision in U.K. courts, noted Philip Hertz, solicitor for the insurance group of Clifford Chance. The law omits this appeals exclusion for domestic contracts, however.

This means "arbitration is the final result," which helps clear the courts, as Lord Woolf's recommendations are trying to do, said Mr. Hertz.

Had this law been in place a few years ago, it would have meant much of the Lloyd's of London litigation would not have ended up in court, as many of the cases were appeals on arbitration decisions. BI

Reforms

Continued from previous page

reforms will outweigh any disadvantages," she said.

The proposed legal reforms

The proposals seek to cut the cost of litigation and speed up trials by transferring litigation management to the courts.

would have several implications for insurers, according to London law firm Lawrence Graham.

For example, insurers would have to make earlier decisions as to their policyholder's potential liability and the insurer's responsibility for coverage of any award against the policyholder; investigate claims more quickly and assess relevant witnesses; invest in extra training and manpower to manage the new civil litigation procedures; and review the adequacy of reinsurance programs for covering the risk of claims being finalized sooner, according to the law firm.

"There's an expectation that the Woolf reforms will mean litigation will have a more structured and procedural approach," said a spokesman for Guardian Insurance Ltd., a subsidiary of Guardian Royal Exchange P.L.C.

Under the proposed reforms, defendants would need to supply documents requested by plaintiffs more promptly, as well as expert reports and witness statements. If the proposals are adopted, companies and their insurers will have to work together more effectively to be prepared for court. BI

Safety

Continued from previous page

play Screen Equipment) Regulations, taking into account risk assessment, work breaks, eyesight provisions and training.

• The Provision and Use of Work Equipment Regulations, covering equipment suitability and maintenance, information and training.

• The Personal Protective Equipment at Work Regulations, covering protective equipment suitability, review and maintenance, as well as ensuring its use.

The survey found that the provisions of the laws that employers were most familiar with were the need to carry out risk assessments, and provisions covering eyesight tests for computer display screen users. Up to 25% of the respondents were unaware of their legal responsibility to carry out health assessments of their employees and coordinate health and safety activities with other companies present at a worksite.

Mr. Watkins said he was also concerned that only 60% of the organizations carried out risk assessments of subcontractors, and only 40% considered the health and safety impact of their operations on the general public.

"Some businesses are clearly unaware of the fact that they are legally obliged to produce written emergency procedures and then to circulate them widely," said Mr. Watkins. "On sites where there are staff from different organizations working together, the picture becomes even more complicated. On these shared sites, only half of the companies said they made their information available to employees of other companies."

Last December, the House of Lords upheld a lower court finding that chemical company Associated Octel Ltd. was guilty of failing to take reasonable care following an on-site accident to an employee of one of its contractors.

In 1990, the company shut down its Ellesmere Port plant to repair the lining of a chlorine tank, engaging a contractor for the work. An employee of the contractor was inside a tank carrying out repair work when a light bulb he was carrying broke and acetone fumes inside the tank were ignited by the electric current from the bulb. The employee was badly burned.

Employers must implement a corporate culture that does not accept any level of accidents, the report concluded.

The Health and Safety Executive, a government body responsible for health and safety issues in the United Kingdom, focused on three aspects that it said were particularly hazardous: the acetone, which the worker was using to clean the tank, wasn't kept in a closed container; the employee didn't use a safety lamp; and there was no ventilation.

Associated Octel was fined £25,000 ($40,000) and ordered to pay £60,000 ($96,000) in HSE's costs for failing to ensure that its subcontractors were following best practice.

A "core of very senior judges" in the U.K. Court of Appeal and the House of Lords have previous experience leading public inquiries into health and safety issues, Mr. Watkins said.

Based on what they learned from those inquiries, the judges are "giving legislation the very widest interpretation the wording can bear," and imposing stiffer sentences for failure to protect the safety of workers and the public, he added.

Although the employment profile in the United Kingdom is shifting to the services from the industrial sector, and most employers appear generally aware of their responsibilities under European Union regulations, accident rates do not appear to be falling as much as would be expected, said Mr. Watkins.

For a 12-month period ending in 1995, major injuries rose by 5% over the previous 12-month period, though fatal injuries showed a 22% decrease in the construction sector and a 20% decrease in the service sector. In contrast, non-fatal injuries rose in the manufacturing, construction and service industries.

The report concluded that employers must implement a corporate culture that does not accept any level of accidents. In addition, the report warns that the dangers of the modern workplace and of using new technology are yet to be identified. "We need to consider carefully the implications of the modern working environment and decide how best to protect employees from the potential dangers they may pose," it stated. What's more, "no win, no fee" contingency arrangements, new to the English legal system, most likely will increase the level of litigation brought by employees, warned the report. BI

Cleanup authority should be national: U.K. risk managers

By EDWIN UNSWORTH

LONDON—U.K. government proposals to make local authorities responsible for the cleanup of contaminated land pose the possibility that in many cases no cleanup at all will get done, risk managers warn.

The Assn. of Insurance & Risk Managers, which represents more than 750 U.K. risk managers from more than 150 companies, said last week that powers should be invested instead in the recently created Environment Agency (*BI*, Oct. 2, 1995).

Responding to Department of the Environment's draft legislation on contaminated land, which would require that policing and enforcement for much of the cleanup be done at a local government level, AIRMIC warns that the proposals risk creating delays and causing additional damage due to red tape.

"Legal wrangling, confusing legislation and the lack of funds and expertise at local authority level would combine to overload the proposed cleanup system," AIRMIC said in a statement.

Instead, powers over the control of contaminated land should be enforced at a national level through the Environment Agency. "These would be in excess of the powers currently available to local authorities," said AIRMIC Executive Director Ina Barker.

Bill Sulman, chairman of ALARM, the U.K. association of local authority risk managers, endorsed AIRMIC's views.

"At the end of the day, local authorities will have a pretty large burden to bear with no resources and no funding," he said.

Even if these problems could be overcome—and Mr. Sulman said there is nothing in the planned legislation that promises additional funding—there is the additional problem that local authorities lack the expertise to identify and deal with land contamination, he said.

Coordinating cleanup efforts through the Environment Agency would "reduce ambiguity and enforce cleanup with a minimum of dispute" while providing a consistent nationwide approach, Ms. Barker said.

Local authorities can play a part, but this should be limited to identifying contaminated land, said AIRMIC. However, Mr. Sulman said they do not have the expertise even to do this.

AIRMIC also is concerned that ambiguities in the government's draft legislation regarding such issues as interpretation, responsibilities and liabilities would lead to confusion and inefficiencies in enforcing cleanup. This, in turn, would result in litigation to clarify the matters, with the resulting legal costs reducing funds available for cleanup operations, as has resulted from the U.S. Superfund program, it said.

"We strongly believe that due to the confusion and risk of litigation, there is a real danger, in many cases, that no action will be taken to clean up contaminated land," Ms. Barker concluded. BI

New insurer will serve global mining

SOUTHAMPTON, Bermuda—A mutual insurer covering material damage and business interruption risks for the global mining industry is being formed in Bermuda.

Mining Insurance Ltd. will be backed by Centre Reinsurance Co. Ltd. and will have initial capital of $250,000, said Geoff Saunders, chairman and chief executive officer of Windsor, England-based Strategic Risk Management, which will be the managing agent for MIL.

MIL is establishing a reinsurance program for the facility that will provide about $300 million in underwriting capacity, said Mr. Saunders, who announced the insurer's formation at Bermuda Insurance Symposium III last month.

"Mining companies don't need more capacity because there is enough out there anyway. What we need to do is harness the available capacity and work with the reinsurers to create core products," he said.

Currently, mining companies buy coverage not specifically designed for the complex needs of mining facilities, he said. As a result, many policy disputes arise due to the nonspecific wordings of general insurance contracts, he said.

The facility will likely attract $25 million to $30 million in premium in its first 12 months of operation, he said.

A critical mass of 25 to 30 mining companies from around the world have already committed to the project, Mr. Saunders said.

Mr. Saunders established SRM after working for 27 years in the risk management department of mining conglomerate RTZ P.L.C. in London. Centre Re owns 51% of SRM; management owns 49%.

—By Gavin Souter

Flood

Continued from page 1

Dredge & Dock Co., the contractor that the city claims inadvertently drove a bridge piling through the tunnel wall.

Chicago Corporation Counsel Susan S. Sher cheered the 6-1 high court ruling, saying, "Tort immunity exists to protect the taxpayers, who should not have to fund enormous judgments because of the alleged negligence of a few municipal employees."

"We are gratified that the court has recognized and sustained this important principle," Ms. Sher said in a statement.

But an attorney for the class plaintiffs in the case said the ruling didn't close the door on negligence claims against the city, only in the context of some of the specifics of the complaint before it.

"Certainly the court did rule that certain portions of the plaintiffs' claim were prevented by tort immunity," said Aron Robinson, an attorney with Robert Holstein & Associates in Chicago. But, he said, the claimants are considering filing an amended complaint against the city along with other options.

"I think the Supreme Court ruled in certain respects that the tort immunity act would bar certain claims as alleged in the complaint that was at issue," Mr. Robinson said.

The ruling, however, "is really just dealing with some very specific questions that are involved in the complaint that was pending at the time," he said. "It's not the end of the case."

Limited or not, the February ruling is good news for government entities in Illinois, going as it does against a trend toward greater limits on governmental immunity, said George S. Flanigan, insurance industry professor at the Katie Insurance School of Illinois State University in Normal.

"I think that's a fairly important development," Mr. Flanigan said. "Nationally, there's been a fairly dramatic movement away from governmental immunity."

While in a state like California, for example, "governments get sued for virtually everything," the Illinois Supreme Court's holding that Chicago enjoys immunity from the flood claims "is good for the business climate of Illinois," despite the individual business' perspective in this case, the insurance professor said, insofar as it limits potential lawsuits.

In recent years, state court decisions across the country, including California, North Dakota, South Dakota and Louisiana, and federal court decisions in California and Washington, have eroded municipal immunity.

And for businesses that already have recovered from their insurers for damage resulting from the flood, the recent Illinois Supreme Court ruling will have no impact, he said. In the agreements upon which the claims were paid, "ITT Hartford agreed to pay the claim, but the insured gives up any right to recover from a third party who caused the loss," he said.

In such a subrogation arrangement, the claims payment is final and the insurer takes its chances trying to recover in court from the party considered at fault.

"Certainly there's no way there can be any recourse against the insured," Mr. Flanigan said. "Hartford paid the claim and that's it."

ITT Hartford said it is reviewing the ruling and has not decided what, if any, steps it will take next. **BI**

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LEGAL NOTICE

LEGAL NOTICE

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE LIQUIDATION OF)
FIRST OAK BROOK CORP. SYNDICATE) NO. 96 CH 10138

NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on November 12, 1996, the Circuit Court of Cook County, Illinois entered an Order of Liquidation With A Finding of Insolvency against First Oak Brook Corp. Syndicate ("First Oak Brook"). Mark Boozell, Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of First Oak Brook ("Liquidator").

TAKE FURTHER NOTICE, that on January 2, 1997, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and Claim Filing Deadlines ("Fixing Order"). Pursuant to the Fixing Order, all rights and liabilities of First Oak Brook and its policyholders, creditors and stockholders, and all other persons interested in its property or assets, are fixed as of November 12, 1996, unless otherwise provided in prior or further orders of the Court.

TAKE FURTHER NOTICE, that all persons and entities who have, or may have, claims against First Oak Brook, its property or assets, or against a First Oak Brook insured or policyholder, shall have the right to present and file with the Liquidator proper proofs of claim on or before November 12, 1997 at 4:30 p.m. (C.S.T.).

TAKE FURTHER NOTICE, that any insured under an insurance policy issued by First Oak Brook shall have the right to present and file with the Liquidator a proper proof of claim setting forth a contingent claim on or before November 12, 1997 at 4:30 p.m. (C.S.T.). No contingent claim shall be allowed for purposes of participating in any distribution of estate assets that may be made at the fourth priority level, 215 ILCS 5/205(1)(d), unless such claim has been liquidated and the insured claimant has presented and filed evidence of payment of such claim to the Liquidator on or before November 12, 1998 at 4:30 p.m. (C.S.T.). Any contingent claim for which a proper proof of claim is filed on or before November 12, 1997 at 4:30 p.m. (C.S.T.), but which is not liquidated on or before November 12, 1998 at 4:30 p.m. (C.S.T.), may be estimated pursuant to 215 ILCS 5/209(4)(b) for purposes of participating in any distribution of estate assets that may be made at the fifth priority level, 215 ILCS 5/205(1)(e), unless otherwise directed by the court.

TAKE FURTHER NOTICE, that the form and required contents of all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, along with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of First Oak Brook, at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to First Oak Brook upon all filed claims. All proofs of claim must be duly sworn to before an officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST FIRST OAK BROOK CORP. SYNDICATE, OR ITS POLICYHOLDERS, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE NOVEMBER 12, 1997 AT 4:30 P.M. (C.S.T.).

Peter G. Gallanis
Special Deputy Receiver

Slate

Continued from page 2

tute in Washington, who knew Mr. Slate for about 20 years.

Mr. Slate came to the PBGC with a sterling academic and professional background. He was a Phi Beta Kappa graduate of Harvard University and held a law degree from Yale University, where he was a classmate of Hillary Rodham. He worked for the Equal Employment Opportunity Commission for 12 years, directing enforcement activities of 20 field offices.

In 1986, he was named director of the Employee Plans Division of the Internal Revenue Service. There he headed a 180-member staff and was involved in a wide variety of pension issues, including the drafting of pension non-discrimination rules.

Through his work at the IRS, Mr. Slate became well-known in the pension industry. But it was his role as PBGC executive director, a post to which he was named in 1993 by Labor Secretary Robert Reich, another longtime friend, that he made his mark.

Mr. Slate joined the PBGC at a time when many public officials were warning that its financial condition could make it an eventual candidate for a taxpayer-subsidized bailout along the lines of the savings and loan industry bailout in the 1980s. The agency then was laboring under a $2.4 billion deficit, which was expected to grow. Mr. Slate, upon taking over as PBGC chief, immediately cooled the rhetoric. He described the agency's financial situation as serious and real, but manageable.

After Secretary Reich appointed him chairman of an administration task force charged with examining the PBGC's financial problems and drafting legislation to ease those problems, Mr. Slate quickly reached out to the business community for its input.

Even before reform legislation was drafted, "he asked us to come in so we could be part of the process from the very beginning," recalled Lynn Dudley, director of retirement policy at the Assn. of Private Pension and Welfare Plans in Washington.

Mr. Slate won the respect of the business community not only for his knowledge of pension issues, but also for his honesty and accessibility.

"He was an individual of the highest integrity. His word always was good, and he always was available," said Mark Ugoretz, president of the ERISA Industry Committee in Washington.

During Mr. Slate's first two years at the PBGC, the overwhelming amount of his time and effort was concentrated on getting legislation passed to close many of the loopholes in federal law that had allowed companies to seriously underfund their pension plans, exposing the PBGC to massive liabilities when those companies collapsed.

"He really focused on getting that done," said Carol Conner Flowe, then the PBGC's general counsel and now a partner with Arent, Fox, Kitner, Plotkin & Kahn in Washington.

"There was a consistency of focus. He had an almost missionary zeal to have the program reformed. There was a bulldog-like tenacity to get legislation passed," Mr. Salisbury said.

But observers recalled that Mr. Slate was far more than tenacious. He also was a shrewd legislative tactician. The PBGC reform legislation was drafted in such a way that it raised funds for the federal government.

That made it perfect for inclusion in a broader measure—the General Agreement on Tariffs and Trade—that needed revenue-raising provisions to offset other provisions that lost revenues.

During this time, Mr. Slate and his staff negotiated with business groups to meet their objections that the measure was too harsh.

"He had obvious skills as a legislative strategist. He understood the need of when and where to make compromises," recalled Ms. Flowe.

"He got people to the table. The legislation would not have passed without him. He was its architect, and he shepherded it through," said the Labor Department's Ms. Berg.

Passed in 1994, the Retirement Protection Act was Mr. Slate's crowning achievement. By speeding up and improving pension funding, the law has significantly reduced the PBGC's exposure to big losses when companies go out of business and terminate their pension plans.

Through the enactment of the legislation, the pension insurance system is much sounder, said James Lockhart, PBGC executive director during the Bush administration and now a managing director with Greenwich, Conn.-based NetRisk Inc., a provider of risk management services to financial institutions.

In fact, today, the PBGC has a surplus, though that is due as much to a booming economy and a robust stock market as it is to the law.

But, unquestionably, over the long haul, the 1994 law will lead to a permanent overall improvement in pension plan funding and smaller PBGC losses when pension plans terminate.

"His legacy will be a stronger defined benefit plan system," said Mr. Ugoretz of the ERISA Industry Committee.

PBGC officials say there will be no disruption in services or sudden change in policies in the aftermath of his death.

"He laid out a good strategic plan for the agency, and we intend to continue to follow it," said Mr. Seal, the acting executive director.

Mr. Slate is survived by his wife, Dr. Caroline Poplin of Bethesda, Md.

Contributions in his memory can be sent to the Jewish Foundation for Group Homes, 6101 Montrose Road, Suite 200, Rockville, Md. 20852. BI

Services Guide

Capital

Continued from page 1

kets' role in risk financing in the wake of the CEA deal during a panel discussion at the Bermuda Insurance Symposium III, held Feb. 18-21 in Southampton, Bermuda.

Investment bankers should take five lessons away from the events of 1996, said James A. Tilley, managing director of Morgan Stanley & Co. in New York, who was involved with the CEA deal. Those lessons are:

• First, "Never underestimate the strength of the relationship between a good broker and his or her client," he said.

The strong relationship between executives at E.W. Blanch Co. in San Francisco and the CEA was one of the reasons why the CEA reverted to conventional reinsurance capacity rather than pursue its original intent of buying a layer of coverage from capital markets, Mr. Tilley said.

• The second lesson is to be wary of the ability of major reinsurers to derail a competitive threat, he said.

The CEA deal was profitable for

'Never underestimate the strength of the relationship between a good broker' and a client, James Tilley says.

Berkshire Hathaway, but it also was a means of preventing investment bankers from cashing in on the reinsurance market, Mr. Tilley said.

• Third, "Work much, much harder at investor education," he said.

Capital markets investors do not understand insurance underwriting and are afraid that insurance and reinsurance professionals may take advantage of them, Mr. Tilley said.

In the future, securitization deals should include significant investments from well-known reinsurers to help legitimize the deals in the eyes of other investors, he said.

Also, the creation of credible indexes for the risks would encourage outside investors to participate in the deals, Mr. Tilley said.

• Fourth, "Don't sell short the critical strength of conventional reinsurance," he said.

Conventional reinsurance is straightforward, it can be bought easily and quickly, and the annual renewal process provides flexibility, as coverages can be regularly adjusted to reflect any changes, Mr. Tilley said.

• Lastly, capital markets practitioners should be prepared to admit the weaknesses of the few capital markets deals that have been completed, he said.

The deals so far are essentially inflexible special-purpose vehicles that carry high legal costs and offer little price advantage to insurers seeking coverage, Mr. Tilley said.

The dealmakers also focus too narrowly on the individual structure of the deals rather than the bigger picture, added Kevin Callahan, president and chief executive officer of Aon Capital Markets Inc. in Chicago.

"What we are really talking about here is discovering ways to bring outside capital to bear on the problems of reinsurance companies, insurance companies and the ultimately our insureds," he said.

And insurers and reinsurers are in a good position to develop and use capital markets products, Mr. Callahan said.

Insurers and reinsurers have the experience of Lloyd's of London, which has similarities to the capital markets products, and they have the risk assessment experience necessary to devise and invest in the products, he said.

By uniting that knowledge base with capital markets expertise, products can be designed today that would be attractive to insurers even though insurance rates are soft, Mr. Callahan said.

For example, an automobile insurer with $200 million in capital that writes $600 million in premium could raise $100 million on the capital markets to buy back $100 million of its stock. The insurer

See **Capital** *on next page*

Capital

Continued from previous page

would pass on part of the risk portion of the premiums to the investors in exchange for the debt and keep all the fees associated with claims handling and servicing, he said.

"The company will show a much higher return on equity and (price-to-earnings ratio), and the stock will go up," Mr. Callahan said.

Although the deals can be done today, there still are growing pains associated with the capital markets products, said Richard H. Bernero, vp in the insurance products group of Bankers Trust Co. in New York.

Legal issues surrounding novel products necessarily make for cumbersome contracts, he said.

Insurers and reinsurers see capital markets contracts that are hundreds of pages long and compare them to single-page slips that normally suffice to place a conventional reinsurance risk, Mr. Bernero said.

And investors go over basic issues that experts in insurance and reinsurance need not normally dwell on, he said.

"However sophisticated the investment bankers are, they are not in the business of underwriting, and they will ask questions," Mr. Bernero said.

But once the risks are broken down to their key components and all the parties involved fully understand the risks, the capital markets products should be more successful, he said.

Richard Sandor, chairman and CEO of Centre Financial Products Ltd. in New York, moderated the session. BI

$100 billion cat loss possible: Experts

By GAVIN SOUTER

SOUTHAMPTON, Bermuda—Changing demographics in the United States and elsewhere make a $50 billion to $100 billion insured catastrophe loss a possibility, according to a panel of experts.

In order to survive such a colossal loss, insurers and reinsurers must use a full range of up-to-date modeling techniques and scrutinize their reinsurers and retrocessional reinsurers, these experts say.

The main changes affecting catastrophe insurers and reinsurers are demographic, said Scott D. Moore, executive vp and chief financial officer of Partner Reinsurance Co. in Bermuda.

More properties are being built in catastrophe-prone areas, he said at the Bermuda Insurance Symposium III, held Feb. 18-21 in Southampton, Bermuda.

"There's a concentration of values, and more and more people are buying insurance," Mr. Moore said.

As a result of that change in demographics, insurers and reinsurers now must consider how they would handle a catastrophe several times bigger than they have faced before, said Mark E. Fiebrink, senior vp and chief actuary at Nationwide Insurance Cos. in Columbus, Ohio.

Insurers, in particular, could be severely damaged if they do not carefully manage their catastrophe exposures, because they will bear the brunt of the claims, he said.

For example, Nationwide estimates that if a catastrophe exceeded $5 billion, only 20% of the insured loss would be covered by reinsurance, Mr. Fiebrink said.

To adequately cope with "the Big One," insurers should first determine that they have the best available information on their exposures and their potential losses, he said.

"Data quality is absolutely paramount," Mr. Fiebrink said.

To begin with, insurers should use a variety of catastrophe models to try to determine their exposure to a range of catastrophes, Mr. Fiebrink said.

Also, insurers should determine their aggregate exposures in the event of two catastrophes hitting in one year, Mr. Fiebrink said.

"Analyze your wind and quake exposures separately, but you are not done until you have combined them," he said.

Outside of the exposure analysis, insurers should investigate related risks. For example, what effect would a surge in demand for building materials and labor have on the cost of repairing property after a windstorm, Mr. Fiebrink asked.

Also, insurers should consider what would happen to state guarantee funds and their level of contribution to the funds if a significant number of insurers became insolvent after a large catastrophe, he said.

Insurers should also ensure that they have sufficient cash or a line of credit to pay a large volume of claims after a catastrophe, Mr. Fiebrink said.

And insurers should analyze their reinsurers to make sure that they are liquid enough to pay claims quickly, he said.

"Will they have the money to pay you when you pay your claims to policyholders?" Mr. Fiebrink asked.

In fact, insurers should closely examine all aspects of their reinsurance arrangements to ensure that they are well protected in the event of a large catastrophe, he said.

"It's your responsibility to analyze and select who is on your program and for how much," Mr. Fiebrink said.

Insurers should check the ratings of their reinsurers; ask for information on their aggregate exposures; review the quality of their reinsurers' management and the make up of their investment portfolio; and see details of their reinsurers' retrocessional coverage to determine to what extent they are reliant on other reinsurers, he said.

Again, insurers should examine outside events that could affect their reinsurers. For example, how would a stock market correction or a change in interest rates affect a reinsurer's surplus and its ability to pay claims, Mr. Fiebrink asked.

To have an effective and secure reinsurance program, insurers should ensure that they utilize the full range of reinsurance coverage, including self-insurance, traditional reinsurance, finite reinsurance and capital markets products, he said.

The added emphasis on catastrophe protection has changed the role of the reinsurance broker, said Mark T. Hvidsten, chairman and CEO of Minet Re International Ltd. in New York.

"The contemplation of the big one has transformed the role of the broker from a distributor of risk to an adviser on financial exposures," he said.

Brokers are trying to help clients understand the dimensions of their exposures and to determine what risks make economic sense, Mr. Hvidsten said.

Additionally, brokers rely on their broad view of the market to assess the insurance and reinsurance industry's vulnerability to a large loss, he said.

Currently, with the close attention being paid to limiting aggregate exposures, the industry as a whole could probably survive two discrete large catastrophes in one year, Mr. Hvidsten said.

The session was moderated by Henry C.V. Keeling, executive vp and chief underwriting officer of Mid Ocean Reinsurance Co. Ltd. in Bermuda. BI

Coverage of the Bermuda Insurance Symposium will continue in the March 10 issue of *Business Insurance.*

Benefits of captives harder to see in soft market

By PAUL D. WINSTON

SOUTHAMPTON, Bermuda—Captives continue to have their uses in a time of soft insurance pricing, but companies may find it more difficult to justify launching a captive for the first time in today's market, risk managers say.

While there may be less expensive risk financing options available, the captives also can deliver a means for a company to provide protection or added value to customers and other third parties, they say.

It also can be valuable as a financial incentive for operating units to improve their loss control.

In addition, a captive eventually may be a viable means to underwrite employee benefits for companies.

But that doesn't mean risk managers would do it all over again today.

"For the captive we have, I'm not sure we would start it again in today's market," said David Burr, assistant vp-risk management for Burlington Northern Santa Fe Corp. of Schaumburg, Ill. "We use it now primarily to enhance value for third parties, and there are probably other ways we can do that. The reason we choose to use the captive at this point in time is that we have an established base of capital built in to the company and ongoing relationships," he said.

William Drum, vp and director of risk management for Ralston Purina Co. in St. Louis, said his company still would consider launching a captive today. "This has nothing to do with the market situation, or whether captives are good or bad, friction costs, etc.," he said. Rather, he noted that Ralston Purina is moving to a more global, centralized structure, in which there is less impetus to have costly multiple risk financing arrangements for local operations.

The two risk managers were part of a panel on using a captive in a soft market held during the Bermuda Insurance Symposium III, in Southampton, Bermuda, Feb. 18-21.

Not all captives survive the soft market. At least one large industry mutual insurer—Railroad Insurance Assn. Ltd.—has been disbanded because of changing needs and priorities of its original members (*BI*, Sept. 16, 1996). RAIL's shares were sold to X.L. Insurance Co. Ltd., which will seek to continue coverage for members that want it.

Paraphrasing Charles Dickens' "A Tale of Two Cities," Mr. Burr noted that "RAIL began in the worst of times and ended in the best of times."

In 1985, when a dozen passenger and freight railways formed RAIL, there was about $50 million of liability capacity available in the market, rates were 40% higher than 1984, and the attitude of underwriters was "take it or leave it."

By 1996, capacity of at least $500 million was available at rates 60% lower than 1985 and 30% lower than 1984, he said.

The primary reason for the sale was a "lack of a common purpose," Mr. Burr said. Available capacity was more than adequate, rates were low, so there was no "common enemy," he said.

Other reasons, he said, included: an inability to alter the rating method to reflect individual companies' loss potential; disagreement on the adequacy of its capital and surplus, which had grown significantly over the years; and disputes over whether new members would dilute the capital of original policyholder owners.

"However, I don't believe we would have reached that conclusion if market conditions were the same as they were in 1985," Mr. Burr said of the decision to sell RAIL.

BNSF also has a Vermont captive insurer, Sante Fe Pacific Insurance Co., which was set up in 1990 to provide it with an efficient risk financing cost allocation system for its various operations.

Since that time, the company has spun off all but its core railroad operation, yet has expanded use of the captive, Mr. Burr said. BNSF now uses its captive to: gain more direct access to reinsurance markets; reduce federal excise tax on premiums paid to foreign companies, as the tax rate is lower for reinsurance than direct coverage; replace inefficient self-insurance programs; and recover frictional costs, such as placing coverage through the captive for certain contractors that do business with the railroad.

In the future, BNSF will explore writing employee benefits through the captive, though "I don't think it's likely we'll do much on this very soon. We were very interested in it before the CSX decision came down, but I think that's going to limit our use of the captive for benefits at this time," he said.

CSX Corp. last year dropped its longstanding effort to win federal approval to reinsure group term life insurance benefits through its Vermont captive (*BI*, March 18, 1996). The U.S. Labor Department in 1994 rejected CSX's application, contending too much CSX-related business would have been funded through the captive. The department requires that no more than 50% of the captive's gross premiums be generated by the parent. CSX would have generated about 90% of the captive's premiums.

"Some think the problem with CSX was the way it submitted its application. There's a thought that if it was submitted substantially differently, then you might get that through the Department of Labor," Mr. Burr said.

Ralston Purina's Bermuda captive has evolved over the years to serve a variety of purposes and is "more than a market reaction tool," Mr. Drum said.

"Most of what we do is not driven by what is state of the art in risk management, but predominantly driven by the strategies of our operating units and what they need," he said.

Checkerboard Insurance Co. was set up in 1975 "to control non-U.S. property programs, recapture excess tariff rates, permit a reasonable retention on the corporate level, and broaden restrictive local coverage," Mr. Drum explained.

Currently, Checkerboard is used to underwrite global property reinsurance and global marine cargo coverage, he said. Past uses for the captive have included: directors and officers liability reinsurance; underwriting various coverage certificates; and to pay "unusual" claims not covered by other coverage, he said.

In the future, the captive may take on more third-party coverage, including for a former subsidiary that was spun-off from Ralston Purina, he said.

Ralcorp, a former unit that encompasses ski areas, cereals and crackers, contracts with Mr. Drum to provide risk management services and also may purchase coverage through the Checkerboard captive.

Another unit, RPI, which includes worldwide animal feed operations, also has been targeted for spinoff and may contract with Mr. Drum and the captive, he said.

The key attraction of using the captive to write coverage for the former units is that while the risks may be very familiar, the coverage would qualify as third-party business, Mr. Drum said.

Writing business for Ralcorp and RPI would put the volume of unrelated business written by Checkerboard at more than 50%, a threshold President Clinton proposed for captive tax deductions (*BI*, Feb. 10).

The Ralston Purina captive also has been useful to help standardize coverage among operations worldwide and centralize programs.

"I've exercised control, within parameters, of local premium charges and used the power of allocation as an incentive to local management to perform certain loss prevention measures," he said.

Ultimately, Mr. Drum recommended that risk managers constantly evaluate their use of the captive.

"If you have a captive, my advice is review its use constantly. If you are considering one, do it very cautiously. Always consider the captive as one of the key tools in your box to look at risk management issues," he said.

Kathryn J. McIntyre, publisher and editorial director of *Business Insurance*, moderated the discussion. BI

Takeover

Continued from page 1

obtained by *Business Insurance*.

"Why would you want to deal with me?" the letter asks. "I know the value of the company! I also own all the stock, which if purchased would allow my buyer to control being the successful bidder without continued litigation and interruption of ongoing business."

Karl L. Rubinstein, a Los Angeles lawyer acting as deputy conservator for Golden Eagle, said that Mr. Mabee is free to sell his stock but is wrong to suggest that owning the stock will improve a bidder's chances of success. Any owner of the stock will have to go though the same bid process as other interested insurers, and the successful bid will be determined by the Insurance Department and the court.

Mr. Rubinstein added that any bid that includes Mr. Mabee as a partner is not a likely winner: "He has a right to go out and try to find allies, but it's my guess that he will never be allowed to own an insurance company again, based on what we are finding."

California regulators charge that Golden Eagle management manipulated financial data to conceal problems from regulators and that the insurer's stability was threatened by $69.8 million in unsecured loans to Mr. Mabee through Mesa Reinsurance Co. Ltd., a Mabee-owned offshore company acting as Golden Eagle's principal reinsurer.

Mr. Rubinstein last month wrote to Mr. Mabee demanding repayment of the loans, and Insurance Commissioner Chuck Quackenbush said the department will sue Mr. Mabee if he fails to repay the money.

In an interview, Mr. Mabee confirmed the letters offering to sell his Golden Eagle stock, but declined to comment on his plans. He also declined to comment on most of the Insurance Department allegations, and his lawyers could not be reached.

In previous interviews, Mr. Mabee's lawyers have denied data manipulation and mismanagement at Golden Eagle and said that Mr. Mabee contributed more money to the insurer than he took out through Mesa Re.

Golden Eagle, owned by Mr. Mabee since 1983, is California's third-largest workers compensation insurer, writing about $400 million in workers comp premiums and $300 million in other property/casualty lines in 1996. While the insurer reported surplus of $232.1 million at year-end 1995, an Insurance Department examination concluded that higher-than-reported losses and expenses actually left it with surplus of only $81.6 million.

The Jan. 31 seizure of the company capped a long-running struggle between Mr. Mabee and the Insurance Department, which last year ordered Golden Eagle to boost its reserves by $138.5 million.

Within days of the takeover, Mr. Quackenbush announced a rehabilitation plan shifting Golden Eagle's business to a newly created company that would be backed by Zurich Centre, Superior National Insurance Co. and Insurance Partners L.P. (*BI*, Feb. 10). Other insurers protested that they weren't given a chance to participate, and Mr. Mabee labeled the plan a "back room deal."

The Department then decided to open the bidding and on Feb. 21 released a formal request for proposals. The request outlines the rehabilitation plan—similar to the previously announced Zurich Centre deal—and sets requirements for bidders.

Under the plan, Golden Eagle's existing business, including related assets and liabilities, will be transferred to the newly created San Diego Casualty Insurance Co., which will also write ongoing new and renewal business. Other Golden Eagle assets and non-insurance liabilities will be transferred to a liquidating trust. Mr. Mabee would be entitled to anything left in the trust when the plan is wrapped up, but Mr. Rubinstein said he expected that to be little.

Bidders would have to contribute enough capital to San Diego Casualty to allow it to write at a maximum 3-to-1 net premium-to-surplus ratio. Bids should include participation by an A-rated reinsurer with at least $200 million in surplus or a demonstration that San Diego Casualty itself will become an A-rated company with at least that much surplus.

Bidders can also cap their assumption of liabilities on Golden Eagle's existing book at a percentage—say, 120% or 130%—of transferred assets. Regulators say they will ask the California Insurance Guaranty Assn. to pick up any losses above the cap.

The Insurance Department will rate the bids on several items, including the amount of capital contributed to San Diego Casualty, the extent of the cap on existing liabilities and the continuity offered Golden Eagle's employees and policyholders.

Several companies have expressed interest in the business, regulators report. Along with the Zurich Centre group, they include American International Group Inc.; CII Financial Inc.; Cypress Insurance Co., a Berkshire Hathaway unit; Employers Reinsurance Corp. and Enterprise Advisors; Fremont Compensation Insurance Group; Great American Insurance Cos.; Industrial Indemnity Co.; Liberty Mutual; Swiss Re America; Underwriters Reinsurance Co.; and Zenith National Insurance Corp.

Officials of Employers Re, Fremont, Liberty Mutual, Underwriters Re and Zenith confirmed they are looking at the business. Officials of the other insurers either declined to comment or could not be reached.

Meanwhile, Liberty Mutual has agreed to act as an interim 100% reinsurer of all new and renewal business written by Golden Eagle from March 1 until the rehabilitation plan is in place. The coverage includes a cut-through clause making Liberty Mutual directly liable to policyholders if Golden Eagle is placed in liquidation.

Mr. Rubinstein said the agreement is intended to reassure Golden Eagle's producers and doesn't reflect fear that Golden Eagle might collapse before a rehabilitation plan is approved.

"The reason we want interim reinsurance is to demonstrate to our producers that we are capable of continuing business as usual," he said.

A major portion of Golden Eagle's reinsurance had been ceded to Mr. Mabee's Mesa Re, which was also placed in conservation.

Asked if the reinsurance improved Liberty Mutual's chances of winning the ongoing Golden Eagle business, he replied, "Everybody has got the same opportunity to bid, and the best bid will win. I think it obviously demonstrates the level of their seriousness."

Separately, Mr. Rubinstein provided new details of the department's allegations of mismanagement at Golden Eagle in court papers filed last week. The filing charges that:

- Mesa Re, based in the Turks & Caicos Islands, fraudulently wrote off as a bad debt expense $130,000 paid to Big Bear Profit Sharing Plan, another entity affiliated with Mr. Mabee.
- Sun Life Assurance Co. Ltd. of Canada and Vesta Fire Insurance Corp., two Golden Eagle reinsurers, retroceded all of their risk under three treaties to Mesa Re for $1,000 per treaty. Mesa Re thus assumed millions of dollars of liabilities for total premium of only $3,000, according to Mr. Rubinstein, who said he couldn't explain the agreements.
- Mr. Mabee and Golden Eagle's chief financial officer developed plans to manipulate workers comp reserve levels and move large construction-related liability losses from the late 1980s and early 1990s to more recent years, all to improve Golden Eagle's apparent financial picture.
- Mr. Mabee tried to cover up the alleged manipulations, and Golden Eagle representatives offered conflicting stories to explain the situation. Mr. Mabee has attributed faulty financial data to clerical errors, while a Golden Eagle lawyer blamed disgruntled current and former employees.

In an interview, Mr. Mabee said Mesa Re's Big Bear write-off occurred because Big Bear had loaned money to a Golden Eagle agent to cover a shortfall in the agent's premium trust account. The loan "went sour" and was repaid by Mesa, said Mr. Mabee, who added he never benefited personally and was only trying to protect Golden Eagle from suffering the loss.

"It's all explainable, but it makes a good-sounding charge," Mr. Mabee said. He declined to comment on the other allegations.

The Golden Eagle conservation action has been moved from San Diego to San Francisco County Superior Court.

Mr. Mabee has also demanded a hearing on the legality of the Jan. 31 seizure, and is expected to argue that it should be overturned. BI

Chubb

Continued from page 2

erated share repurchase program will achieve this."

It also wanted to complete the process as quickly as possible to minimize the period of uncertainty for the life operation's employees and agents, "and I believe that we have accomplished this as well," said Mr. O'Hare.

Michael Smith, an analyst with Salomon Brothers in New York, said he had expected Chubb would use proceeds of the sale for additional international investments in its P/C operations. But, in light of current market conditions, Chubb has concluded "the best use of the capital is to give it back to shareholders."

Weston M. Hicks, an analyst with Sanford Bernstein & Co. in New York, said, "I think that Chubb has been in the process for the last six months or so of forming a strategy to concentrate on its global P/C business, and I think once you strip away the life and real estate operations, what you see is a very fantastic company in terms of its performance."

Mr. Hicks said the combination of a substantial portion of the proceeds from the life operation as well as from the sale of all or part of its real estate operations will improve the company's overall return from the 12% to 13% range to about 16% in 1998, "and at that point it will be a higher-return company with virtually no financial leverage, which gives it enormous financial flexibility, so it's a good thing."

"I don't think it will have much operational impact" on its P/C business, he said, though "it does strengthen the company to the extent they can redeploy capital out of low-return businesses."

Chubb made a "conscious decision to redirect capital where it gets the best returns," said Michael A. Lewis, first vp with Dean Witter Reynolds in New York. The life and real estate operations were underperforming, and long-term, "this move will improve Chubb's overall return on equity."

If proceeds are used to repurchase stock, the real benefit will be its impact on the stock's price, said Matthew Coyle, an associate director for Standard & Poor's Corp., also.

On Tuesday, the day after the sale was announced, Chubb closed at $58.88, up 88 cents. On Friday, it closed at $58.63. BI

Updates

Partner Re eyes SAFR shares

ZURICH, Switzerland—As Swiss Reinsurance Co. finalizes plans to acquire additional shares in Paris-based Societe Anonyme Francaise de Reassurances, Partner Re Ltd. is considering plans to do the same.

Partner Re and Swiss Re reached an agreement last week under which the Bermuda-based property catastrophe reinsurer could buy SAFR shares after Swiss Re increases its own stake in the French reinsurer.

Swiss Re will increase its SAFR holding to 78.4% from 21.56% by buying a 46.8% stake from Paris-based Assurances Generales de France and 10.04% from Athena Assurances, an affiliate of Paris-based bank Worms et Cie.

The total purchase price will be 3.08 billion French francs ($540.8 million), SAFR reported.

In 1995, SAFR wrote gross premiums of 4.14 billion francs ($844 million), about 92% of which was in property/casualty business.

After the sale receives regulatory approval, Swiss Re said it will make a public offer for the remaining shares at the same price.

Discussions between Swiss Re and Partner Re are expected to be completed by March 31. Partner Re President and Chief Executive Officer Herbert N. Haag said in a statement that buying SAFR would enable Partner Re to diversify its book of business, which now is predominantly cat reinsurance.

Swiss Re, which owns more than 11% of Partner Re, said such a purchase likely would consist of cash and Partner Re stock. Partner Re said the transaction would not increase Swiss Re's holding to more than 27%.

N.C. pushes for CIGNA report

RALEIGH, N.C.—Two North Carolina state agencies are asking a CIGNA Corp. subsidiary to turn over the Tillinghast actuarial report on the financial strength of CIGNA's new runoff facility as part of their prosecution of the unit for allegedly violating a state law during CIGNA's reorganization.

Defenses that CIGNA unit Insurance Co. of North America has raised in the case and the state's resulting request for the actuarial report and other information led to the postponement of a Feb. 18 hearing on CIGNA's reorganization, said Peter A. Kolbe, general counsel for the North Carolina Insurance Department. Insurance Commissioner Jim Long has rescheduled the hearing for April 5. Mr. Kolbe and Assistant Attorney General Tom Zweigart are co-prosecuting the case against INA. Mr. Long, who has not taken a position in the case, is presiding over the proceeding.

CIGNA last year split its property/casualty insurance business into an operation for ongoing business and a separately capitalized runoff facility for long-tail and other liabilities. Messrs. Kolbe and Zweigart contend that INA violated the state's Assumption Reinsurance Act when, without obtaining prior policyholder consent, it split in two in order to "transfer" most of its liabilities to a non-insurance entity that then was folded into the runoff facility. The portion of the divided INA that retained in-force business became part of CIGNA's active operation. CIGNA officials have maintained that the transaction was a merger, which does not require policyholder consent.

Mr. Kolbe said CIGNA has raised the defense that North Carolina regulators should "give full faith and credit" to Pennsylvania Insurance Commissioner Linda S. Kaiser's approval of the reorganization. "We said it's hard to do that without having full documentation," which includes the Tillinghast report, Mr. Kolbe said. He and Mr. Zweigart have asked INA to turn over the report by early this week.

A CIGNA spokesman would not comment beyond saying the postponement was routine and that both sides requested it only to give themselves more time to prepare their respective cases.

Briefly noted

The Alabama Supreme Court, which late last year reversed itself and ruled that the comprehensive general liability policy's **sudden and accidental pollution exclusion** does not bar coverage for gradual unintended pollution (*BI*, Jan. 6), late last month refused to reverse itself again. A lower court now must decide whether Alabama Plating Co. intentionally polluted and provided late notice to its insurer. . . .The U.S. Supreme Court agreed to hear an Illinois case involving the right of private citizens to sue companies under the **Emergency Planning and Community Right-to-Know Act of 1986** for failing to meet federal reporting requirements for the release and storage of toxic substances. The high court is not expected to hear arguments in *The Steel Co. vs. Citizens for a Better Environment* until next fall. . . .Hawaii Gov. Ben Cayetano has selected former state senator Rey Graulty to head **Hawaii's State Insurance Commission** after former commissioner Wayne Metcalf stepped down to become a state senator. . . .A Florida judge has permitted a plaintiff to seek punitive damages in an upcoming **tobacco trial**. The judge, Bernard Nachman, ruled that plaintiff Dana Raulerson can seek unspecified punitive damages along with compensatory damages from defendant R.J. Reynolds. The trial is scheduled to start on April 8. Separately, a federal judge in Oakland has dismissed the **smoking-related illness suits** of 12 California counties and the City of San Francisco against the tobacco industry. The judge rejected the plaintiffs' attempt to use statistics to show the dollar amount of injury suffered by smokers. The plaintiffs, however, are allowed to amend and refile their suit. . . .Four companies found guilty of breaching the U.K. Health and Safety Act were **fined a total of £1.7 million** ($2.8 million)—the highest fine ever imposed under the act. Fined were Port Ramsgate Ltd., Fartygsentreprenader A.B., Fartygskonstruktioner A.B. and Lloyd's Register of Shipping, which were involved respectively in the purchase, design, construction and safety certification of a walkway that collapsed at the port, killing six people, in September 1994. . . .The French government will pay 20 billion francs ($3.5 billion) to bolster the troubled state-controlled insurer **Groupe des Assurances Nationales**. The rescue package primarily covers current and future losses from a mortgage banking unit. . . . New York Gov. George E. Pataki nominated Neil D. Levin to become the state **superintendent of insurance**. Mr. Levin, the superintendent of banks, would replace Edward Muhl, who resigned in December.

Mexico

Continued from page 2

trative burdens on employers are not expected to be great, said Jesus Molina, director of personnel in Mexico City for Hewlett Packard de Mexico S.A.

Employers will have to gather information about workers' choices of AFOREs and there will be changes in contribution calculations. But employers will only have to send the contributions to one central collection agency that will disperse the funds among AFOREs, he said.

Giving the private pension fund administrators access to employees is the only step many employers have taken to educate workers about the changes, several benefit consultants said.

Some employers, however, have asked the consultants to provide an objective view. Mr. Dominguez hired Watson Wyatt Worldwide to explain what is at stake.

Several clients, including Hewlett Packard, have asked him to make presentations on the changes, said Segundo Tascon Newton, general director for Watson Wyatt in Mexico City. The focus is to explain what is behind the changes, what workers can expect and the AFORE's purpose.

"It's very important for the employees to realize that the social security changes really represent a significant benefit reduction," he said. "So this is the right time for them to take appropriate measures for their retirement."

Correct information is crucial, because the government led workers and employers to believe that benefits under the AFORE system would not be less than those under the current system, he said.

But that is not necessarily so, consultants say.

The AFOREs have flooded Mexico's airwaves and print media with advertisements, each claiming to be the best option. But they are likely to vary greatly on matters such as how they invest funds or calculate their commissions, said Enrique Rivera Guerrero, an actuary for Buck Consultants Inc. in Mexico City.

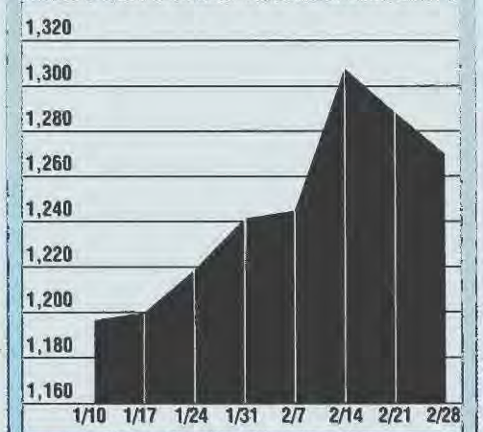
Some AFOREs could base commissions not on contribution amounts or how much a worker has in the fund, but on the worker's salary, he said. Buck is preparing materials and seminars to help employers understand and communicate the changes, he said.

Yet so far there is a lack of information to communicate, said Guillermo Sander of Hewitt Associates L.L.C. in Mexico City. Even with the implementation date bearing down, government officials have yet to release final regulations for AFOREs. Elements such as commissions or the amount the funds will be able to charge employees who switch from one AFORE to another have yet to be determined.

"The regulations should already have been out so that (the program) can start in July," Mr. Sander said.

Under the privatization plan, workers will continue to benefit—just as they do under social security—from contributions by employers, the government and employees themselves. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

Managed

Continued from page 1

cies and the public, including mortality rates, satisfaction surveys and plan drop-out rates.

The bill calls for a grievance procedure for patients denied care through a plan's utilization review process. A two-stage appeal process would be required, some of it involving a review panel of "non-involved" providers and consultants.

The bill also would require offices to be created in each state to help consumers choose coverage, file complaints and investigate subpar treatment. The offices would be federally funded.

The bill also would codify a goal President Clinton has applauded (*BI*, Feb. 24): a nationwide prohibition on physician "gag clauses."

The bill would ban health plans from denying coverage for medically necessary and appropriate care as determined by generally accepted principles of good medical practice—a provision its sponsors say would stop health plans from requiring mastectomies on an outpatient basis.

The bill moved to the House Commerce Committee and the Senate Labor and Human Resources Committee soon after being introduced.

"Whether everyone can agree on the parts of this bill remains to be seen," said a spokesman for Sen. Kennedy. Less comprehensive bills on managed care have attracted bipartisan support in the past. And some managed care companies have supported modest regulation, he said.

The bill's backers also are counting on grassroots support from consumer groups and others.

"More and more Americans are having concern over this managed care issue," the spokesman said, noting the Senate Labor and Human Resources Committee, on which Sen. Kennedy sits, will take up the subject Thursday.

A spokesman for Rep. Dingell said the bill shouldn't be viewed in partisan terms, because health quality concerns transcend party lines.

Two large managed care systems reacted differently, one with guarded optimism and the other with skepticism.

Oakland, Calif.-based Kaiser Permanente supports greater consumer protections and would support national standards rather than state-by-state regulation, a spokesman said.

A spokesman for the Blue Cross & Blue Shield Assn., however, questioned if increased regulation will "tie the hands of the marketplace" and usher in federal micromanagement of health policy. Last month, the BC/BS system issued a list of fundamental goals that overlap several of the provisions the Kennedy-Dingell bill sets out.

The Washington-based American Assn. of Health Plans took a middle path on the new bill. Mindful that sentiment among its 1,000 member HMOs and other plans would be mixed, the AAHP was reviewing the proposal but was concerned it not "cause unintended consequences that could undermine plans' ability to continue to develop innovative, leading-edge practices that improve quality and affordability," AAHP President Karen Ignagni said in a statement.

Voluntary efforts to improve patient relations and research treatment outcomes are becoming effective, she said, adding that while the AAHP is willing to cooperate with Congress, it wants to avoid "inhibiting needed programs."

Analysts disagreed on whether the bill, or parts of it, would pass.

"Some of these provisions have a very good chance of passing," said Michael Millenson, a consultant specializing in quality of care issues for William M. Mercer Inc. in Chicago.

The bill does raise many questions, he said. Emergency care would be authorized based on what a "prudent layperson" would decide, but that standard may be too vague, he said. Access to obstetrician/gynecologists as primary physicians is guaranteed, but many physicians don't see Ob/gyns as suitable for general care, he said.

There may be other side effects if the bill passes. To the extent the provisions take away plan sponsors' ability to control costs, employers would be unhappy, he said. But if employees became more content with their managed care plans, employers would share in their happiness.

Several consultants said many health plans already have made progress in achieving the improvements the bill supposedly would induce.

"I think a lot of this has already been done by HMOs across the country—you know, the barn door has been closed after the horses have gotten out," said Barry Barnett, principal with The Kwasha Lipton Group of Coopers & Lybrand in Fort Lee, N.J.

If passed, the provisions would raise the cost of health care, and buyers inevitably would shoulder this, said Todd Richter, an analyst with Dean Witter Reynolds Inc. in New York.

Although the bill seems to have meritorious protections, the full effects are unknown, said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York. "They're stepping into almost 15% of the U.S. economy," he said. "I guess the question is, is there a dark lining in this silver cloud?" BI

PCS catastrophe options

As of Feb. 28

Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1997		**California Annual 1997**	
40/60	3.2/3.9	40/60	—/3.9
60/80	2.4/3.5	80/100	—/1.8
80/100	—/2.5		
National Annual 1997		**Western Annual 1997**	
80/100	4/7	40/60	2.1/3.5
120/140	—/4.2	80/100	1.1/2
June Midwestern 1997			
10/20	1.4/1.7		

Total volume: 1,244 Total open interest: 10,894

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.
Source: Chicago Board of Trade

British Issues

Feb. 28	Price	P/E	Div.	Yield	52 week
Companies	**pence**		**pence**	**%**	**high—low**
Comml Union	681	12.0	29.0	5.1	759—550
Genl Accident	836	9.3	31.7	4.6	876—612
Gdn Royal Exch	277	4.8	9.3	3.9	301—218
Independent	685	12.4	12.0	2.2	697—373
Royal & Sun	495	9.0	19.0	4.8	515—349
Brokers					
Bradstock	70	12.0	5.7	9.7	81—54
Fenchurch	63	NA	5.5	10.9	142—46
CE Heath	105	12.6	4.5	5.4	115—74
JIB Group	158	NA	9.8	6.3	159—98
Lloyd Thmpson	202	NA	10.0	6.3	206—167
Lowndes Lmbrt	104	12.1	8.4	10.0	150—102
Nelson Hurst	144	9.5	8.1	7.1	206—143
Sedgwick Grp	126	10.9	9.8	7.9	152—115
Steel Brl Jones	28	7.5	3.8	14.6	48—28
Willis Corroon	152	10.9	6.6	6.3	169—117

Source: Nordby International Inc.

BI Industry Stock Report FEB. 24, 1997, THROUGH FEB. 28, 1997

		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
BROKERS							
Acordia Inc.	NYS	32.00	5.35	10.34	33.75	27.25	106
E.W. Blanch Holdings Inc.	NYS	22.75	-1.62	13.04	25.50	17.75	20
Gallagher Arthur J. & Co.	NYS	30.75	0.00	-0.81	39.50	29.13	139
Hilb, Rogal & Hamilton	NYS	13.38	5.94	0.94	14.00	11.38	113
Kaye Group Inc.	NDQ	5.00	-6.98	-4.76	7.63	4.63	11
Marsh & McLennan	NYS	117.00	-0.53	12.50	123.00	88.00	755
Poe & Brown	NDQ	27.25	1.40	2.83	27.50	22.75	176
BROKERS	AVERAGE		0.51	4.87			
INSURERS/REINSURERS							
ACE Ltd.	NYS	65.00	0.58	8.11	65.75	40.50	712
Acceptance Insurance Cos.	NYS	21.13	1.20	6.96	22.50	14.13	181
AEGON N.V.	NYS	66.88	1.71	5.73	68.25	41.75	84
Aetna Life & Casualty	NYS	83.13	-2.21	3.91	89.00	55.38	2617
AFLAC Inc.	NYS	40.38	-1.82	-5.56	44.00	28.25	751
Allied Group Inc.	NYS	33.50	2.68	2.68	34.25	22.38	39
Allmerica Prop. & Casualty	NYS	31.38	-1.57	3.29	32.25	25.00	404
Allstate Corp.	NYS	63.38	-4.16	9.50	68.00	37.38	4157
AMBAC Indemnity Corp.	NYS	66.75	-3.61	0.56	70.38	46.38	589
American Bankers Ins.	NDQ	55.13	-5.67	7.82	59.50	32.50	329
American Financial Group	NYS	37.50	1.35	-0.66	38.88	28.50	263
American General	NYS	43.38	-0.29	6.12	44.63	32.88	2618
American Heritage Life Ins.	NYS	26.00	0.48	-0.95	27.75	19.00	57
American Indemnity/Fin'l	NDQ	13.25	0.00	29.27	14.00	9.38	15
American International	NYS	121.00	-3.20	11.78	129.63	88.13	3285
Aon Corp.	NYS	63.38	-0.98	2.01	66.00	47.50	762
Argonaut Group	NDQ	28.75	-1.71	-6.50	34.25	27.25	151
AVEMCO Corp.	NYS	23.75	-3.55	52.00	27.38	11.75	185
Baldwin & Lyons Inc.	NDQ	17.38	-2.11	-5.44	20.75	14.25	5
Berkley W.R. Corp.	NDQ	51.38	0.24	1.23	53.50	40.25	310
Berkshire Hathaway Inc.	NYS	35500.00	-1.39	4.11	38000.00	30000.00	0
Capital RE Corporation	NYS	43.25	4.85	-7.24	46.88	32.50	49
CapMac Holdings Ltd.	NYS	32.75	-1.87	-1.13	36.88	23.25	104
Capsure Holdings Corp.	NYS	11.00	-1.12	-4.35	18.88	8.00	349
Chartwell Re	NYS	27.50	-0.90	2.80	28.38	19.88	13
Chubb Corp.	NYS	58.63	1.08	9.07	59.50	40.88	3154
CIGNA Corp.	NYS	152.88	-3.93	11.89	161.63	100.75	921
CNA Financial Corp.	NYS	111.25	0.91	3.97	117.50	95.75	211
EMC Insurance Group Inc.	NDQ	11.88	3.26	-1.04	14.50	10.13	40
Enhance Financial Services	NYS	34.50	0.73	-5.48	37.13	24.13	63
Everest Reinsurance	NYS	31.50	4.56	9.57	32.75	21.38	1184
Executive Risk Inc.	NYS	48.13	5.77	30.07	48.13	29.25	191
EXEL Ltd.	NYS	44.13	-0.84	16.50	45.13	31.75	251
Fremont General Corp.	NYS	28.88	-2.53	-6.85	31.63	21.50	275
Frontier Insurance Group	NYS	43.25	2.06	13.07	43.38	30.13	209
Gainsco Inc.	NYS	9.13	-3.95	-5.19	11.75	8.75	238
GCR Holding Ltd.	NDQ	23.88	3.24	7.30	27.25	21.50	723
General RE Corp.	NYS	169.63	-1.31	7.53	177.75	138.75	568
Gryphon Holdings	NDQ	14.13	-1.74	0.00	19.75	12.00	208
Guaranty National Corp.	NYS	17.88	1.42	6.72	18.13	13.38	14
Harleysville Group	NDQ	30.00	-1.23	-1.64	31.50	24.50	128
Hartford Steam Boiler	NYS	45.75	0.00	-1.35	51.13	42.75	209
HCC Insurance Holdings	NYS	24.63	-6.64	2.60	32.75	19.13	286
IPC Holdings Ltd.	NDQ	24.50	8.29	9.50	25.13	19.00	689
ITT Hartford Group	NYS	75.00	-0.33	11.11	81.00	44.50	1609
LaSalle Re Ltd.	NDQ	28.75	2.68	-1.71	29.50	19.75	52
Lincoln National	NYS	58.13	1.31	10.71	59.88	40.75	1272
MAIC Holdings Inc.	NYS	34.63	0.00	2.21	36.00	28.25	31
Markel Corp.	NDQ	109.00	0.93	21.11	111.75	78.00	11
MBIA Insurance Group	NYS	97.63	-0.13	-3.58	104.63	70.13	621
Meadowbrook Insur. Group	NYS	21.50	-0.58	2.38	34.13	15.25	90
Mid Ocean Ltd.	NYS	49.50	-0.25	-5.71	55.38	35.50	336
MMI Cos. Inc.	NYS	22.75	-20.52	-29.46	33.38	22.75	1345
Mutual Risk Mgmt. Ltd.	NYS	35.38	-1.74	-4.39	37.25	26.88	164
NAC Re Corp.	NYS	36.75	-4.55	8.49	40.63	28.50	707
Navigators Group	NDQ	18.50	-3.58	1.37	20.25	15.75	13
Nobel Insurance Ltd.	NDQ	12.00	-1.03	-4.48	12.88	10.88	24
NYMagic Inc.	NYS	20.25	2.53	12.50	21.00	17.00	18
Ohio Casualty Corp.	NDQ	39.63	-2.76	11.62	41.75	30.00	791
Old Republic Int'l	NYS	27.13	0.00	1.40	27.75	20.13	502
Orion Capital Corp.	NYS	64.00	1.59	4.70	67.75	42.63	142
Partner Re Ltd.	NYS	33.00	-1.49	-2.94	36.25	25.63	572
Penn-America Group Inc.	NDQ	18.88	6.34	17.05	19.50	12.00	30
Philadelphia Cons. Holding	NDQ	29.63	2.16	27.42	30.25	16.75	23
PXRE Corp.	NYS	25.88	-0.96	4.55	27.00	22.25	34
Reliance Group Holdings	NYS	10.75	3.61	17.81	11.00	6.50	1631
Reliastar Financial Corp.	NYS	62.13	4.85	7.58	62.13	40.00	1177
RenaissanceRe Holdings Ltd.	NYS	37.75	2.03	14.39	40.25	26.75	130
Risk Capital Holdings	NDQ	16.44	-3.31	-15.16	20.75	15.88	212
RLI Corp.	NYS	34.50	-2.47	3.37	36.63	22.38	39
St. Paul Companies	NYS	67.50	-4.26	15.14	71.75	50.13	784
SAFECO Corp.	NDQ	41.75	-1.18	5.86	44.00	30.88	2436
Seibels Bruce Group	NDQ	2.00	-4.48	-3.03	3.13	1.88	206
Selective Ins. Group	NDQ	42.00	0.00	10.53	43.50	31.00	64
Sphere Drake Holdings	NYS	9.50	-1.30	7.04	11.75	8.13	648
TIG Holdings	NYS	35.75	-3.38	5.54	38.00	27.00	2054
Titan Holdings, Inc.	NYS	16.13	-3.73	-2.27	17.88	12.50	247
Tokio Marine & Fire	NDQ	48.63	-4.19	4.29	69.00	42.00	200
Torchmark Corp.	NYS	58.88	3.74	16.58	59.38	40.25	1666
Transatlantic Holdings	NYS	84.38	1.35	4.81	85.13	62.38	167
Travelers Aetna Property	NYS	36.75	-4.23	3.89	39.63	23.13	596
Travelers Corp.	NYS	53.63	-2.05	18.18	58.38	28.38	8485
Trenwick Group Inc.	NDQ	49.25	-2.48	6.49	54.25	46.00	194
Unico American Corp.	NDQ	10.63	1.19	-2.30	11.00	6.50	26
Unionamerica Holdings	NYS	16.25	3.17	-8.45	20.75	14.75	69
United Fire & Casualty	NDQ	33.13	0.38	-6.03	40.00	28.50	14
Unitrin	NDQ	54.00	0.47	-3.14	56.38	44.25	237
UNUM Corp.	NYS	76.88	-1.28	6.40	79.63	55.33	896
US Facilities Corp.	NYS	19.13	-0.65	-2.55	20.38	14.88	81
USF&G Corp.	NYS	22.50	-1.10	7.78	23.13	14.25	1259
USLIFE Corp.	NYS	47.63	-0.52	43.23	48.63	26.88	1655
Vesta Insurance Co.	NYS	39.13	-2.80	24.70	41.50	24.50	162
Washington National	NYS	28.50	-0.87	3.64	30.75	25.13	119
Zenith National Ins.	NYS	26.50	-0.47	-3.20	28.88	23.38	62
Zurich Reinsurance Centr.	NYS	38.38	0.33	22.80	38.75	28.38	43
INSURERS/REINSURERS	AVERAGE		-0.64	5.29			
HEALTH MAINTENANCE ORGANIZATIONS							
Healthsource Inc.	NYS	20.88	26.52	59.05	40.88	9.75	14393
Humana Inc.	NYS	19.63	-1.88	3.29	27.00	15.00	3317
Oxford Health Plans	NDQ	55.75	-5.71	-4.80	52.38	27.69	7705
Pacificare Health Sys.	NDQ	80.00	1.27	-1.54	38.75	59.63	1117
Safeguard Health Enter.	NDQ	14.75	-7.81	-15.71	22.50	11.50	63
Sierra Health Services	NYS	26.38	-1.86	7.11	36.00	22.38	871
United Healthcare Corp.	NYS	50.00	-2.44	11.11	69.00	30.00	4509
Wellpoint Health Networks	NYS	42.88	10.29	24.73	43.00	23.38	985
HMOs	AVERAGE		2.30	10.40			
ALL COMPANIES	AVERAGE		0.72	6.85			

Top advancing issues: Healthsource Inc., Wellpoint Health Networks, IPC Holdings Ltd. Leading decliners: MMI Cos. Inc., Safeguard Health Enter., Kaye Group Inc. Most active issue: Healthsource Inc. The BI Index fell 1.4%; the Dow Jones 30 Industrials decreased 0.8%; the S&P 500 decreased 1.4% and the NYSE Composite decreased 1.3%. Average P/E: Brokers, 16.6; Insurers/reinsurers, 33.0; HMOs, 27.0.

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