MAY 11, 1987

business insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $1.75 a copy; $68 a year

© Entire contents copyright 1987 by Crain Communications Inc. All rights reserved

update

Bill links employer tax break to catastrophic health cover

WASHINGTON—Employers that provide medical insurance would be forced to cover catastrophic health care to continue taking tax deductions for their plan contributions under a bill introduced in the House last week.

The legislation would require companies with 20 or more employees that offer medical coverage to limit employees' annual out-of-

Continued on next page

The impact of tort reform

ISO study says 1986 changes won't lower most claims costs

By KATHRYN J. McINTYRE

NEW YORK—The generally narrow tort reforms that many states enacted last year will hardly reduce most liability claim indemnity costs, but enacting a trio of stronger tort reforms could, according to a study released Friday by the Insurance Services Office.

In the first study of its kind to quantify the probable effect of changes in tort law on the cost of indemnity payments, the ISO-commissioned "Claim Evaluation Project" involved 1,262 claims professionals analyzing the impact of tort law changes enacted or under consideration in 24 states (see map), and predicting the impact if three specific tort law changes were made.

Evaluating six specific but hypothetical claim files in the context of past law, tort law changes and proposed tort law changes, the claim professionals concluded:

- Changes enacted in tort law in 15 states in 1986 "are likely to have a significant impact on indemnity payments in only a relatively narrow range of claim situations—e.g., those involving deep-pocket defendants whose conduct played a minor role in causing the injury, and those cases where substantial collateral benefits are available from private sources other than workers compensation insurance."

For example, the indemnity payment owed by one defendant in a large, multiple-defendant "deep-pocket" claim arising from a construction site accident is expected to be reduced anywhere from 6% in one state to 82% in another state among the 15 states that enacted tort law changes in 1986.

But, the same tort law changes in those states are expected to have much less impact on other types of liability claims.

- If states were to enact three "relatively simply stated and comprehensive changes," considerable indemnity cost savings would be realized in many claim situations.

The three tort law changes are: complete abolition of the rule of joint and several liability; substantial relaxation of the collat-

Continued on page 94

24 states included in study



Graphic: Amy Palmer

N.Y. court won't force excess insurer to pay if primary goes under

By STEPHEN TARNOFF

NEW YORK—When a policyholder can't recover claims against an insolvent primary insurer, an umbrella insurer is not required to drop down and pay claims within the primary layer of coverage, a New York state appellate court says.

In two recent decisions, the appellate division of the Supreme Court of the State of New York ruled that Pergament Distributors Inc.'s umbrella liability insurers—Old Republic Insurance Co. and Twin City Fire Insurance Co.—are not required to step into the shoes of Pergament's insolvent primary insurer, Ambassador Insurance Co.

The decision, which overturned a lower court decision in favor of Pergament, could cost the retailer $1 million in uncovered liability losses.

And, for other policyholders and insurers, The Old Republic decision is the first appellate ruling on this issue in New York, according to research by Old Republic and Twin City's attorney Michael A. Ellenberg with the New York law firm of LeBoeuf, Lamb, Leiby & MacRae.

"This is now the leading case in New York," on this issue, he said.

"It is a fairly significant decision," he observed, noting, "it is a hot issue to a certain extent because of the increase in publicized insolvencies in recent years."

Since 1982, 97 insurance and reinsurance companies have been liquidated, put into conservatorship or have been issued cease and desist orders (*BI*, April 13).

Continued on page 92

Lloyd's censures Sir Peter for 'discreditable conduct'

BY STACY SHAPIRO

LONDON—Sir Peter Green, one of Lloyd's of London's most prominent former chairmen, was censured last week by Lloyd's disciplinary committee and fined 32,500 pounds ($54,600) for "discreditable conduct" while he was an underwriter for syndicates managed by Janson Green Ltd.



Sir Peter

However, the charges against him involve "no allegation whatever of dishonesty, lack of good faith or deliberate or knowing misconduct," Lloyd's says.

Sir Peter is the first chairman of Lloyd's to be disciplined in proceedings specified under the Lloyd's Act of 1982, which Sir Peter himself was instrumental in developing. The Lloyd's committee disciplined Sir Peter for charges specified under the Lloyd's Act of 1871.

"I am extremely sad about it all after sweating my guts out for Lloyd's for 40 years," Sir Peter, 63, told *Business Insurance*. Sir Peter currently is chairman of Janson Green Holdings Ltd. and its members' agency subsidiary Janson Green Ltd.

A total of 26 charges initially were made against Sir Peter, but Lloyd's disciplinary committee concluded after its four-year investigation to levy only five of the charges.

Lloyd's found Sir Peter grossly negligent for failing to improve the terms of one of his syndicate's reinsurance policies between 1978 and 1982. The polices were placed with an offshore company in which he and his brother John Green owned a total of 10.1% of the shares.

For this, he was fined 20,000 pounds ($33,600) by Lloyd's for "acts or defaults discreditable to him as an underwriter" and censured.

Sir Peter appealed, but the finding was upheld by Lord Wilberforce, who acts as the Lloyd's Appeal Tribunal.

In addition, Sir Peter admitted he failed to tell his syndicate's members until 1983 that he and his brother owned shares in the offshore company, Imperial Insurance Co. Ltd., originally domiciled in the Bahamas and currently based in the Cayman Islands.

Sir Peter also pleaded guilty to sending two letters on the subject of his ownership in Imperial that contained inaccuracies to Lloyd's names and to the Secretary General of Lloyd's.

Lloyd's acquitted Sir Peter of discreditable conduct on those counts, but nonetheless fined him for detrimental conduct a total of 12,500 pounds ($21,000).

Sir Peter also must pay Lloyd's 37,500 pounds ($63,000) in legal costs, which are in addition to his own legal costs of 9,500 pounds ($15,960).

Continued on page 94

Employee benefits information systems . . . Page 3

Directory of system vendors . . . Page 36

update

Bill mandates catastrophic care

Continued from previous page

pocket expenses for physician and hospital services to $2,000 for an individual and $3,500 for families. If passed, the requirement would become effective Jan. 1, 1989.

The bill, H.R. 2300, was introduced by Rep. Willis D. Gradison, R-Ohio, ranking minority member of the House Health Subcommittee, and Health Subcommittee Chairman Rep. Fortney "Pete" Stark, D-Calif.

"The largest Federal health program after Medicare and Medicaid is the tax subsidy for employer-provided health insurance," Rep. Gradison said. He added that "this tax incentive currently is given, however, with few strings."

"Employee health insurance groups of more than 20 persons should be sufficiently large for catastrophic coverage to be an inexpensive addition," Rep. Gradison said.

"Critics will argue that the proposal opens the door to federal mandating of health insurance benefits," he noted. However, the bill "does not call for a specific benefit package nor does it define the array of providers or services that plans must cover."

"We would be very concerned about any legislation that mandates an employer to provide certain kinds or levels of benefits," said Stuart J. Brahs, executive director of the Assn. of Private Pension & Welfare Plans in Washington, D.C., who said he had not thoroughly reviewed the legislation.

Seagram loans RRG $12 million

NEW YORK—Joseph E. Seagram & Sons Inc. will lend $12 million to help create a risk retention group to provide beverage alcohol liability insurance coverage to licensed beverage retailers, according to Edgar Bronfman Jr., president of the firm's U.S. subsidiary, House of Seagram.

Seagram is funding a consortium of four retail liquor associations—the Consortium of Licensed Beverage Retailers Associations—which represents more than 52,000 licensed beverage retailers. The consortium will operate the risk retention group, Beverage Retailers Insurance Co., which is expected to be licensed in Vermont and to begin issuing policies by the end of the year.

The risk retention group is expected to generate $28 million in premiums its first year, according to Michael Maglaras, executive vp of American Insurance Services Inc. of Wallingford, Conn., which will manage the captive.

Policy limits are expected to be between $100,000 and $1 million, said Mr. Maglaras. No minimum premium has been established, although the group is expected to charge 20-40% less than commercial market rates. It also has not yet been determined which form the group will use, Mr. Maglaras added.

Mr. Maglaras said American Insurance Services has recommended the group write only liquor liability coverage, but added it may eventually write other coverages as well. The proposed RRG has received a "very positive response" from reinsurers and expects to find reinsurance "at affordable prices," he said.

Mr. Bronfman noted this is the first time a third party has helped organize an industry risk retention group. Seagram's will hold two seats on COLBRA's board until its loan is repaid.

Outhwaite hits up members

LONDON—Lloyd's of London underwriting agency R.H.M. Outhwaite (Underwriting Agencies) Ltd. will ask members of two syndicates it managed in 1982 to pay a total of 10.3 million pounds ($17.3 million) in cash by the end of July to respond to asbestos and pollution-related claims on mostly runoff reinsurance policies.

According to a letter from Outhwaite Chairman Maurice Hussey sent to members last week, members in 1982 of Outhwaite marine syndicate 317 and its incidental non-marine syndicate 661 will be asked to pay approximately 25% of the syndicates' 1982 allocated capacity of 41.3 million pounds ($69.3 million).

Mr. Hussey told *Business Insurance* that the Outhwaite syndicates "must have cash available" to pay the accelerated claims hitting the syndicates' 1982 account. The asbestos and pollution-related claims are mostly on runoff reinsurance policies placed with Outhwaite syndicates in 1981 and 1982.

Updated figures for the 1982 Outhwaite syndicates' account, to be published soon, are expected to show that total losses before reinsurance have surged to around 243 million pounds ($407.4 million) from 201 million pounds ($337 million). Losses from the runoff reinsurance policies have increased to 150.6 million pounds ($252.5 million) from 127.1 million pounds ($213.1 million), and incurred-but-not-reported losses have jumped to 67 million pounds ($112.3 million) from 50.4 million pounds ($84.5 million).

So far, at least six underwriting agencies have told Lloyd's members they are having trouble collecting claims on runoff reinsurance policies placed with non-marine syndicate 661. Altogether, at least 10 syndicates and two insurance companies may suffer from "Outhwaititis," a term used to describe Mr. Outhwaite's refusal to pay asbestos and pollution-related claims (*BI*, May 4).

DuPont guilty in asbestos case

CAMDEN, N.J.—A New Jersey Superior Court jury ruled last week that E.I. du Pont de Nemours & Co. of Wilmington, Del., deliberately exposed six of its workers to asbestos and then concealed medical evidence that the workers had developed asbestos-related disease.

Continued on page 93

errors & omissions

Comprehensive boiler and machinery policies provide automatic coverage of machinery at newly acquired locations as long as they are *not* materially different in character than those already insured under the policy. This was incorrectly stated in International Issues (*BI*, May 4).

Agreement lays foundation for Mission American rehab

By STEVE TARAVELLA

LOS ANGELES—A tentative agreement approved last Tuesday by Los Angeles Superior Court brings Mission American Insurance Co. one step closer to breaking free of state conservatorship, which has held its operations in limbo since late February.

The agreement, which lays the groundwork for Mission American's complete rehabilitation, calls for certain Mission American policies to be transferred to and renewed by National American Insurance Co. of California, based in Rancho Dominguez. The insurer is an affiliate of Kramer Capital Partners, the investment team on whose behalf Donald Kramer has been negotiating with the California Insurance Department for about two months.

National American would receive assets related to those liabilities, and would continue the business previously conducted by Mission American and its little-known subsidiary, Compac Insurance Co. Compac, a subsidiary of Mission American, wrote only $342,000 in net premiums in 1985, but is not in conservation.

In exchange, Mission American would receive an undisclosed amount of common stock in National American's parent, KCP Holding Co. Mr. Kramer is National American's chairman.

The complete rehabilitation of Mission American is expected to be approved sometime after Sept. 30. Agreement to that end is expected in about 30 days.

"It'll keep it out of liquidation. If some arrangement had not been made with someone, eventually there'd be nothing left here," said William S. Price, special deputy commissioner in charge of Mission American's conservation and liquidation of its subsidiary, after the department released its brief announcement of the agreement last week.

Bowing to a sense of immediacy, the interim agreement permits the parties involved to begin working on the rehabilitation plan without waiting for legal technicalities to be finalized.

Specifically, it permits National American to begin soliciting Mission American and Compac policyholders for renewals. Doing so now gives National American the chance to approach policyholders that faced May renewals before they decided to seek insurance elsewhere.

Those policyholders represent a "substantial" number, according to the agreement.

The coverage to be renewed will be written at rates set by National American on that insurer's policy forms. The company can select which policies it wants to renew. National American will pay Mission American a commission of 3% of the aggregate insurance premiums received for policies renewed for Mission American policyholders; and 1% of aggregate premiums received for policies arranged by agents or brokers of Mission American who had no previous re-

Continued on page 88

Rivals rock liquor liability market in N.J.

By DOUGLAS McLEOD

TRENTON, N.J.—A competitive squabble is erupting in the New Jersey liquor liability insurance market between two rival facilities that recently started writing business.

Security Indemnity Insurance Co., a stock insurer, filed a letter of complaint with the New Jersey Insurance Department in February against the Licensed Beverage Insurance Exchange, a reciprocal recently organized by two former New Jersey insurance commissioners.

Among other things, Security Indemnity objected to what it described as the New Jersey department's waiver of "mandatory conditions" regarding capitalization of LBIE. While LBIE was formed with $300,000 in initial capital, Se-

Continued on page 93

London market tries historic legal move to alter court ruling

By CAROLYN ALDRED

LONDON—The London insurance market, opposed to a court decision voiding unauthorized insurance contracts in the United Kingdom, is making an unprecedented effort to intervene in the appeal of the landmark decision in the House of Lords.

Lloyd's of London Underwriters' Assn., the Assn. of British Insurers and the Institute of London Underwriters have asked the House of Lords, Britain's highest court, for permission to file an amicus curiae brief in the case involving ADAS, the Romanian state insurance company, and Phoenix General Insurance Co. of Greece.

A letter sent to the House of Lords last month by the law firm Ince & Co., which is representing the London market, says the Court of Appeal decision has "far-reaching ramifications and has caused widespread consternation in the London insurance market."

"The problems and uncertainty will continue for some considerable time into the future unless the Court of Appeal judgment is reversed," said the letter to the House of Lords.

The House of Lords decision will affect policyholders worldwide by setting a precedent for cases involving alleged unauthorized insurance contracts that are pending in London's High Court.

Among those cases is a suit filed by 11 retrocessionaires of Dutch reinsurer N.V. Rotterdamse Assurantiekas over their retrocession agreements involving marine treaty reinsurance Rotterdamse ac-

Continued on page 91

inside

- In Speaking Out, Paul B. Ingrey, president of F&G Re Inc., analyzes the insurance cycle. **PAGE 51**
- A Hewitt Associates survey finds that most HMO users are satisfied with costs and quality. **PAGE 62**
- While a majority of insurance executives maintain insurer profits have been subpar, a survey shows less than half of risk managers believe it. **PAGE 63**
- At a conference sponsored by First Boston Corp., experts disagree about the length of the current insurance cycle. Conference coverage begins on **PAGE 71**
- 7,500 Florida doctors will not have their professional liability insurance renewed. **PAGE 79**
- International Medical Center Inc. of Miami has less than three weeks to find a buyer or show why Florida's Insurance Department should not seize it. **PAGE 82**
- Pinnacle Reinsurance Co. Ltd. fell foul of procedural difficulties in its action against Mentor Insurance Ltd.'s liquidators, says the Bermuda Supreme Court Judge who ruled against Pinnacle. **PAGE 82**
- At its annual meeting, the National Council of Self-Insurers urged employers to become more involved in legislative efforts to create or modify state guaranty funds. Conference coverage begins on **PAGE 83**
- Except under certain circumstances, a corporation that purchases the assets of a manufacturer won't be held liable in Ohio for injuries caused by a defective machine produced by that manufacturer. **PAGE 86**

departments

Benefit beat	69
Classifieds	90
Comings & goings: buyers	81
Comings & goings: industry	74
Datebook	66
Financial briefs	76
Insurance services guide	94
Legal briefs	52
Letters	8
London	70
Markets	78
Opinions	8
Perspectives	51
Products & services	80
Speaking out	51
Spotlight report	3
Ticker	95
Washington	69

Vol.21, No.19—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 313-446-1611. Copyright 1987 by Crain Communications Inc.

Benefits automation

Employers make data-based decisions

By DONNA DiBLASE

As employee benefits information systems and the benefits managers using them become more sophisticated, the capabilities of both are expanding.

For example, benefits managers are taking their health data collection and analysis activities a step further: Besides collecting and analyzing health claims data, some benefits managers also are using their information systems to target cost control or health promotion programs to the benefit areas where they are needed most.

And, while some benefits managers are making effective use of the data they obtain through computerized information systems, others are turning to local coalitions to help them collect and analyze health care data (see story, page 34).

To meet the growing needs of benefits managers, EBIS vendors are enhancing their products and services.

For example, many vendors are enhancing systems to enable benefits managers to perform "benefit modeling"—or projecting the effects of benefit plan changes they are considering.

Many vendors also are offering systems that enable employers to evaluate and negotiate preferred provider organizations or to target health promotion programs (see stories, page 31 and below).

"These systems are never going to appear to be as useful as they really are unless you do something with what you find out, like implementing a PPO or utilization review program where it's needed," said Allen DeGraw, national director of health care management in the Hartford, Conn., office of Touche Ross & Co.'s Actuarial, Benefits and Compensation consulting practice.

"Data doesn't do any good unless you extract it, look at it and do something with it," said John Maher, cost containment analyst for Ciba-Geigy Corp., a pharmaceutical and chemical company in Ardsley, N.Y. "Many times people identify a problem, but don't do anything about it."

Ciba-Geigy and other employers are discovering just how useful an EBIS can be.

Ciba-Geigy self-insures its health plan and uses the "ASA/CAPS" claims administration software system offered by Bloomingdale, Ill.-based Advanced System Applications Inc.

Ciba-Geigy also uses the vendor's "ASA/CAP-Sule Health Claims and Cost Containment Reporting System" software.

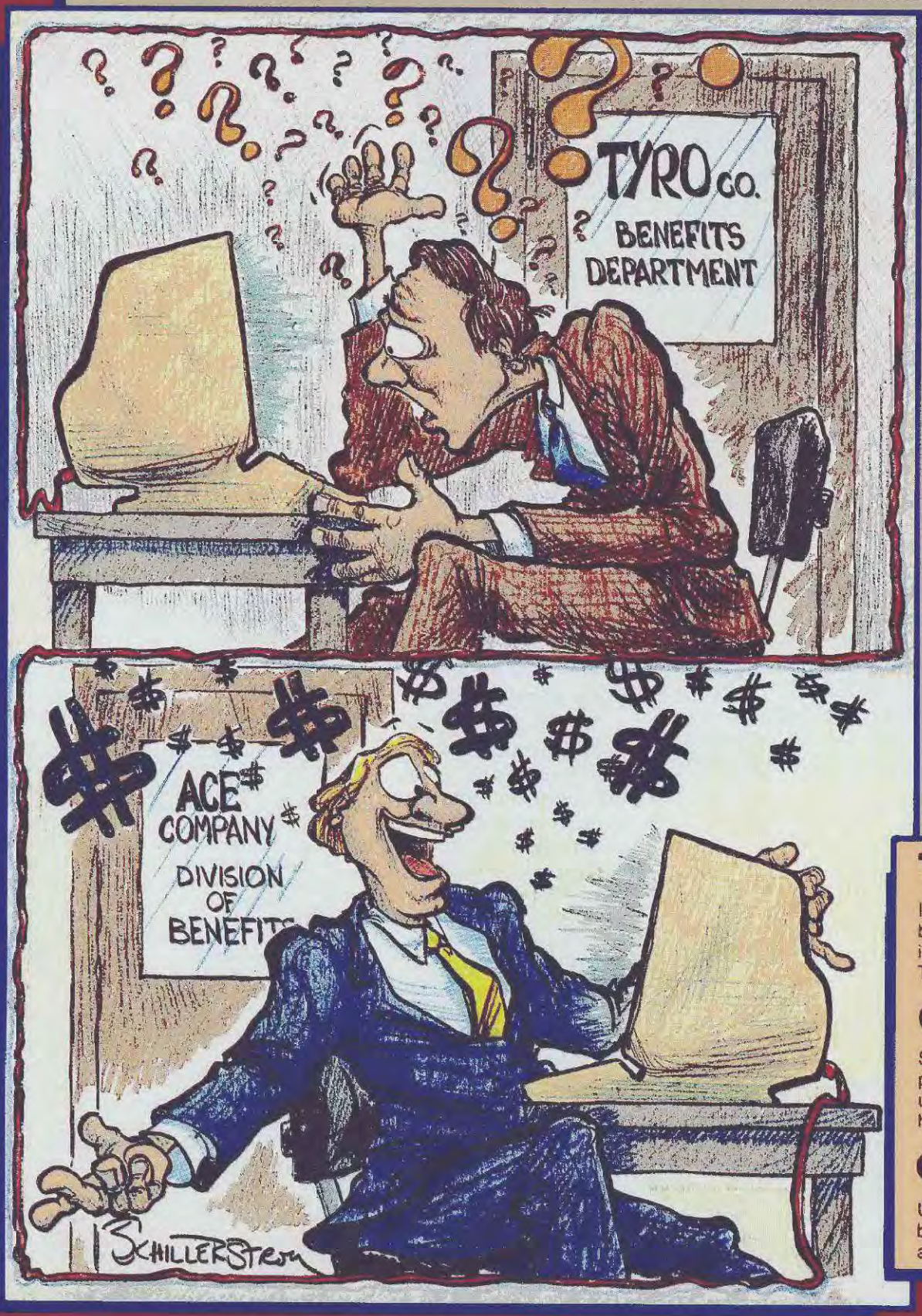
The company has used the systems since 1984 and administers claims for 13,000 employees and retirees.

While health care data has many uses, "it isn't always used to implement programs, but also to determine that maybe a particular program shouldn't be implemented," Mr. Maher explained.

"For example, we saw that costs were out of line in one area, so we implemented a program to address those needs. But, by the same token, when implementing pre-admission review was fashionable, we saw from the data that there was no compelling reason to spend $250,000 to $300,000 a year for a pre-admission review program that wasn't needed," he explained.

"But, we're probably one of the only companies to have a pre-admission review program for psychiatric hospital admissions," and not for other

Continued on page 6



Projecting risks helps cut waste

By DONNA DiBLASE

An ounce of prevention can sometimes cost more than a pound of cure—especially when you're paying for programs to prevent health or safety problems that are either minimal or non-existent.

Minneapolis-based Honeywell Inc. won't have that problem with its new health promotion program, developed using two reports generated by new employee benefits information system software.

The reports were generated by St. Paul, Minn.-based HealthDecisions Inc., which has created three new employee benefits information system software products to help employers direct their health promotion dollars where they are needed most.

"Management recognizes that if Honeywell has to provide very competitive, cost-effective, quality health benefits, then it also makes sense to ensure that employees are healthy and working in a safe environment," said Ben Aune, Honeywell's corporate director of health systems.

HealthDecisions' "Insight" helps employers project future health care costs based on what health risks their employees are likely to experience.

"Risk Plan" estimates the costs to the employer of leaving unhealthy behavior, such as smoking and drinking, uncorrected.

And, "Demographic Estimator" helps employers estimate the number of dependents eligible for coverage under their benefit plan.

"The problem right now, with companies acting on benefit information to implement health promotion programs, is that

Continued on next page

The touch that talks

It looks like a scene from a science fiction movie, but actually, it's a scene being played out all over the country in manufacturing plants and financial institutions—employees communicating by touch with computers, using Touchscreens. See story, page 23.

Coalitions hurdle info barricade

Some employer coalitions still encounter nagging technical and analytical problems when collecting and analyzing employees' health care cost and utilization data, including deciding what data to request and getting uniform health care reports from providers. See story, page 34.

Computer obsolescence

Unexpected developments that eventually tax a computer beyond its capability sometimes befall benefit managers as they grope with the process of automation. For a case history, see page 17.

Projecting risks

Continued from page 3

they have to rely on other companies' experience and data. This system will help companies to tailor the programs to meet their needs," explained Dr. Richard Huset, the company's president.

Insight and Risk Plan analyze an employer's demographic information and compares it to norms based on regional health care data.

Honeywell used data reports produced by Insight and Risk Plan to document the need to invest in health promotion and to develop an integrated data collection and analysis system.

Honeywell's data system, which is being piloted at one location, links health, safety and demographic data from several programs—like medical benefits, health promotion, accident prevention and health risk appraisals.

The system will help give the company a total picture of employees' health, which will make Honeywell better able to manage its health care costs, explained David Aquilina, an independent Minneapolis-based consultant working on the project.

HealthDecisions' staff includes health care analysts, physicians and epidemiologists who concentrate on assessing personal health risks and how they affect a corporation's costs. "The topics we deal with will help employers to reduce their benefit expenses through prevention and cost control," noted Dr. Huset, who holds a master's degree in public health.

The company's Insight software system produces reports that project an employer's medical costs over the next year. The system uses detailed demographic information about the employees and compares it with norms to determine how many employees are likely to experience certain preventable diseases, such as respiratory disease related to smoking, or non-preventable illnesses, such as hereditary hypertension.

"Insight breaks down the demographics of a workforce in subsets, such as by union or by plant location" and "compares this information to norms loaded into the software and reports on the top 10 cost conditions for the company by area of disease," Dr. Huset said.

The 10 categories are then further broken down into categories of employees likely to experience these illnesses, he said. The system predicts hospital and physician costs, as well as costs due to absenteeism.

"Insight tells what the risks are and what the employer can expect to spend. It then uses the workforce characteristics to suggest anywhere from three to six action plans that are drawn from tested literature. These plans include utilization review or prevention programs," he explained. "We don't consult on these measures. It's up to the company to make these programs work."

"Overall, we consider Insight to be something like giving the company a physical examination."

The company's Risk Plan software projects which health costs an employer could control through wellness programs over the next three to 10 years.

"Risk Plan starts by measuring the number of smokers, chronic heavy drinkers or the number of employees who are sedentary. It then predicts the cost to the company if these behaviors are left uncorrected," Dr. Huset said.

The system predicts these costs and the effects of prevention programs over a three-, five-, seven- or 10-year period, because these behaviors have effects over a period of years, he said.

Risk Plan then suggests action plans drawn from the health promotion experience of HealthDecisions analysts and other literature, Dr. Huset said.

The Demographic Estimator uses basic age and sex information about employees to estimate the entire population eligible for coverage. "This happens to be catching fire with benefits people. We have found that many companies do not have a good eligibility list," because the number of dependents changes often, he said.

"Overall, we feel that Insight and Risk Plan systems can be used as a needs assessment before changes are made in a benefit program," Dr. Huset said.

For those employers that don't want to purchase the software, HealthDecisions will perform the data analysis and provide reports.

"We have clients that say 'we'll give you the data and you keep the software and just give us a report,' " Dr. Huset explained.

The cost of the Insight software is $2,500, while the report costs $750. The Risk Plan software costs $5,000 and the report costs $1,000.

Honeywell purchased only the data reports from HealthDecisions, said Mr. Aune. "I asked HealthDecisions to put together a report on Honeywell's data. The Insight and Risk Plan report was a one-time shot to document the need to invest funds in health promotion."

As a result, Honeywell created a special health promotion fund to which it contributes 2% of what it spends on health care. So far, "there's a little over $2 million in the fund now," which goes toward prevention, education, safety and other health-related programs, Mr. Aune said.

Although the Insight and Risk Plan software products are not currently built into Honeywell's new data system, they could be added in the future, Mr. Aune said.

Honeywell also is using the data reports it purchased from HealthDecisions to develop an integrated data system. The system is being piloted at one location with about 4,000 employees, Mr. Aune said. The company has a total of about 70,000 employees and about 40 manufacturing sites.

The new system includes modules such as medical claims; accident and safety data; employees' participation in health promotion programs; chemical exposures; data from the employee assistance program; and demographic data from the payroll department, explained Mr. Aquilina.

"Right now, Honeywell can tell a manager in a division how many people had accidents on the job last year, the most frequently injured body parts and the top five causes of accidents. But, what

Continued on page 6

Dyer, Wells & Associates



We're not the only ones who think FLEXTRAK™ is the best way to get into flexible benefits.

You'd expect us to have a high regard for our own flexible benefits administration system. After all, we spent over 60 programmer years developing it. But we're not alone. A recent independent survey has shown that more insurance companies have chosen FLEXTRAK™ to administer flexible benefits than any other system available.

THE RIGHT SYSTEM

No matter how many plans you have or how complex they are, FLEXTRAK can likely handle all your company's benefit needs or your entire book of business. From employee enrollment to flexible spending account claim payment.

FLEXTRAK is a total system. It administers a wide range of plans and benefit types such as medical insurance, life and health insurance, savings and investment products, and vacation trades. FLEXTRAK's management reports will even help you customize plans to meet your unique company or client needs. And FLEXTRAK is available *right now.* At a fraction of the cost of developing your own system in-house.

THE RIGHT SOURCE

If you think FLEXTRAK is right for you, we hope you like lots of attention. Because our clients get complete installation assistance and after-sale support. From professionals who know flexible benefits and software inside and out. Call or write today for more information. We've got some of the most impressive references in the industry. So you'll be in good company.

☐ **Yes,** please send more information on FLEXTRAK. Our operating system is:

☐ IBM Mainframe ☐ Other

☐ Send Survey

Name_____

Title_____

Company_____

Address_____

City_____ State_____

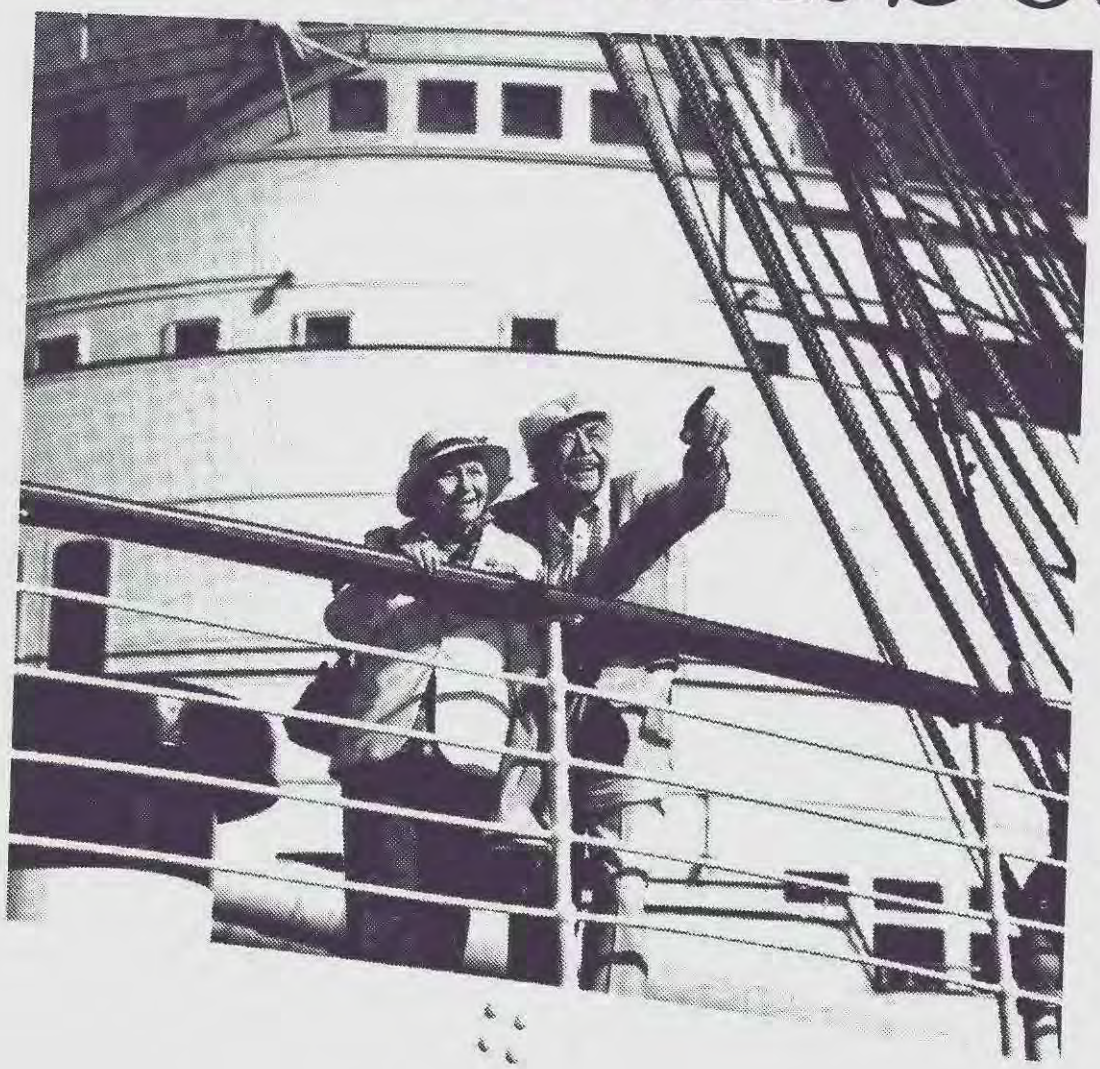
Zip_____ Phone ( )_____

Dyer, Wells & Associates

The Right Solutions. For 10 Years Running.

BI 51187 2251 Lake Park Drive, Smyrna, GA 30080 (404) 432-5888

They're lucky. Six million other retired Americans are in a different boat.



For many Americans, retirement is exactly what they hoped for.

But for others, retirement can be complicated by poor health. One out of four Americans will require long-term care in a nursing home with an average annual cost of $20,000 to $30,000. How that care is paid for has become a complex issue.

History has shown that personal savings and programs like Medicare and Medicaid can't cover all the costs of retirement health care. Companies with retirement health benefits also face the problem of unfunded future liabilities.

Additional solutions must be found to address this retirement health care cost issue that will eventually affect every person, company and institution in our country.

At NWNL Group, we're developing an employee benefit program called LifeScope* that would provide for a person's retirement years and working years. What makes the LifeScope Program unique is its comprehensive approach to providing benefits. It is more than life insurance and a nursing home policy.

By managing the delivery of health care and planning for future needs, the LifeScope Program can find alternatives that make health care more affordable, while allowing individuals to live independently. The program's benefits would be voluntary, flexible and portable.

Many elements of the LifeScope Program have already been put into place through current NWNL Group benefit programs. Using our resources as the nation's 10th largest group insurance company, we will soon be adding more elements.

To find out more about NWNL Group and the LifeScope Program, contact Ginny Patrick, NWNL Group, Box 20, Minneapolis, MN 55440 or call (612) 372-5784. Because now is the time to begin solving the problems of providing health care in the future.

NWNL GROUP

The right benefits for today. The right ideas for the future.℠

Sources for statistics: Employee Benefit Research Institute, 1985; Benefits Research, Inc. 1986; National Underwriter, 1986.

*A division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the State of New York). The North Atlantic Life Insurance Company of America, Jericho, NY (a member of the NWNL Companies).

Projecting risks

Continued from page 4
can't be done is to detail the inpatient costs or length of hospital stay related to the accidents because there is no link between medical claims data and accident data," he said.

The new data system will make it possible not only to link this information, but also to determine the success of health promotion programs in reducing accidents, illnesses and costs, he said.

And, using one computer data system could increase the productivity of program managers, Mr. Aune noted.

"We're working with the EAP counselor, safety counselor and others to look at the types of things they do and how to make them more efficient," he explained.

"The idea of linking data is to get a comprehensive picture of what's going on in terms of employees' health in order to improve the company's ability to manage health care costs," Mr. Aquilina said.

And, if Insight and Risk Plan are eventually integrated into Honeywell's data system, "this will become a very effective management tool. We would then be able to prospectively determine costs and experience," Mr. Aune said. ■

Data decisions

Continued from page 3
medical admissions, he said.

The CAPSule cost-containment reporting system is "user-friendly. It allows the user to be creative in arranging the data so that you can look at it by company location, diagnosis or other categories," Mr. Maher explained.

The system works in conjunction with the ASA/CAPS claims administration system, said Walt Mathos, vp of marketing for Advanced System Applications.

"It's designed to give you a comprehensive way to report utilization data. The first series of reports are plan performance, savings, etc. The next series is a cost-containment report. You can look at ancillary services costs, hospital costs, length of stay, etc.," he explained.

The CAPSule and CAPS software is compatible with International Business Machines mainframe computers, he said.

Smithfield, Va.-based Gwaltney of Smithfield Ltd. also used information from its claims administration system to implement needed cost-control programs.

The meat-packing company administers claims for 3,800 employees in several locations on the "FACTS" system offered by Miami-based CG Data Corp., said Ray Hughes, Smithfield's vp of industrial relations and health care.

"It's a marvelous system that allows us to manage our own money. We can analyze claims to see exactly where we are spending our money," he said.

As a result of information obtained from the FACTS system, Smithfield implemented a psychiatric PPO and a pharmacy PPO to control cost and quality, he said.

Smithfield also is using FACTS to evaluate the cost-effectiveness of its utilization review program, which is administered by Wayne, Pa.-based Intracorp, Mr. Hughes said.

The FACTS software can be operated on a mainframe computer, minicomputers or personal computers, said Robert Javoronok, CG Data's vp of sales and marketing.

CG Data recommends mainframe software only to very large employers, "because it's very expensive to run software on mainframes," he said.

The vendor also recommends that only small employers with about 1,000 employees use the software on personal computers because of the hardware's limited capabilities.

The average price of installing the system ranges from about $43,000 to $97,500, depending on the number of users administering claims on the system, he said.

The system can administer medical, dental and vision claims, and also has a module that enables employers to monitor PPOs and utilization review programs.

DEKALB Corp. of De Kalb, Ill., uses information from its claims administration system to track costs at each of its several locations and to tailor its benefit plan to employees.

"We have a lot of very small locations around the country, so we can't really go into many fancy things like PPOs," noted Rita Ament, manager of group benefits for the energy and agricultural company.

"But, if one of our locations has cost problems, we go out and talk to the employees about the problems. We use this system in the line of employee communication more than ever. With this information, we gain access to our employees and we can put our money where it's needed," she explained.

The company bought a separate mainframe computer to administer claims with the "ClaimsWork" software system offered by SW Medical Data Systems Inc. of Santa Barbara, Calif. DEKALB currently administers claims for about 2,000 employees and dependents with the system.

"We decided not to administer claims with our main computer system because we wanted to keep the confidential employee benefits information separate" from the information stored in the company's other computer, she explained.

ClaimsWork performs typical claims administration functions, like issuing checks and standard data reports and, "it tells me exactly what is happening at a location. In-house systems tell you if you happen to have a location with a sudden rise in costs. You can pinpoint this," she said.

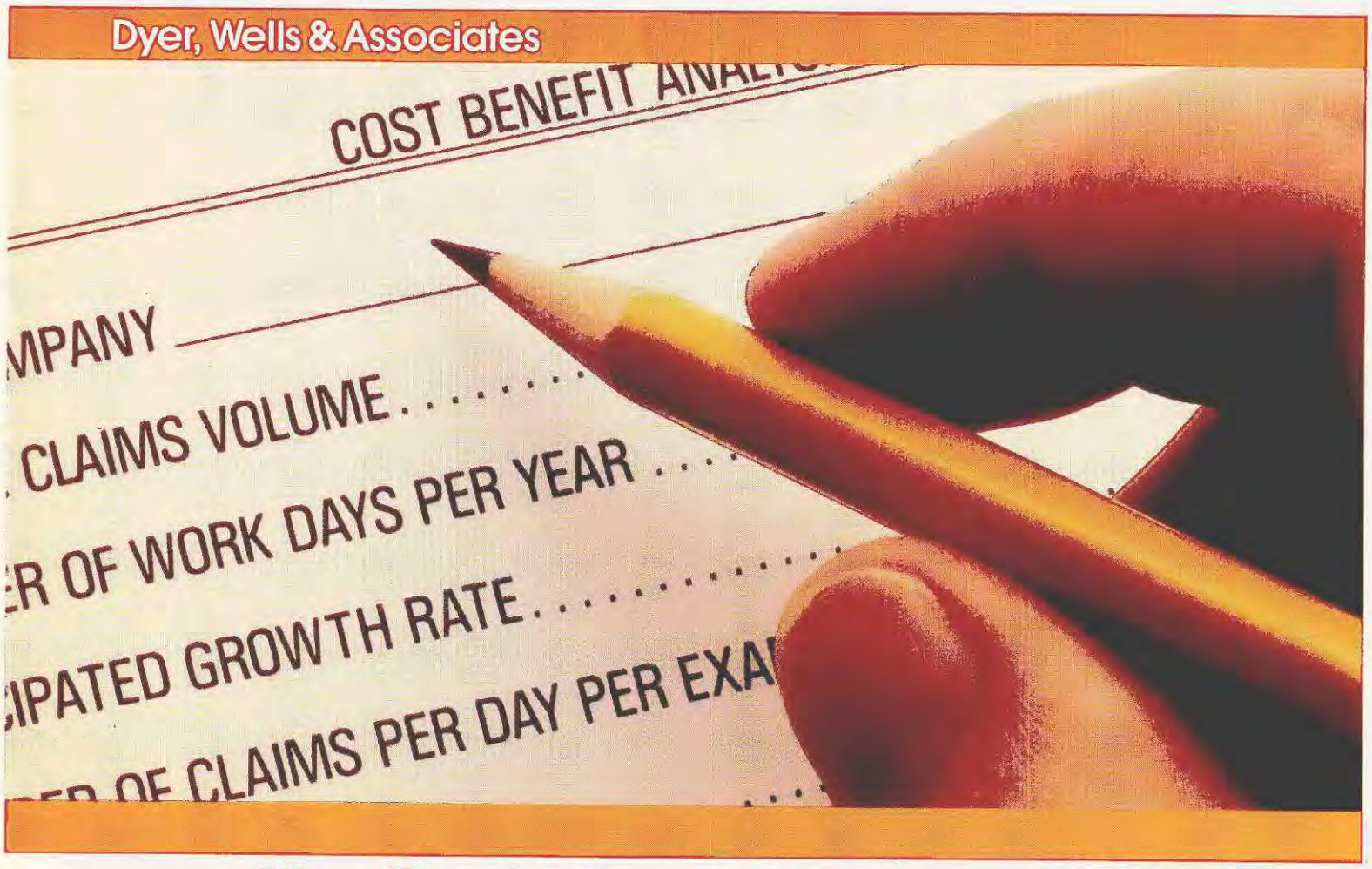
The average cost of installing the ClaimsWork software system—which operates on a mainframe computer system or minicomputers—is $90,000, said Gregory Giloth, senior vp of SW Medical Data Systems.

Some employers also are using information systems that collect and analyze health claims data, but don't administer claims, to pinpoint areas for cost-control programs.

For example, Los Angeles-based Atlantic Richfield Co. determined

Continued on page 10

Dyer, Wells & Associates



You Could Save Thousands Of Dollars By Taking This Simple Test.

We're so sure FASTRAK™ can save you money on health claims administration, we're offering to prove it.

Just send for our free cost benefit analysis which will show you how much money you can save with a FASTRAK online claims administration system from Dyer, Wells & Associates.

Save Money Two Ways.

FASTRAK completely automates the adjudication and processing of health claims. So you'll be handling claims faster and with greater accuracy. In fact, your administrative savings alone could pay for FASTRAK within the first year of use.

And you'll save money another way too: by accurately interpreting data, identifying problem areas and improving cost-control strategies. With FASTRAK, all the information you need to implement the latest cost-containment provisions is right at your fingertips.

Just Your Size.

Whatever your company's size, one of our three FASTRAK systems (mainframe, minicomputer, personal computer) is the perfect fit. Plus, we offer processing services. Whichever you choose, you'll find FASTRAK has the capability to grow with your company to meet your changing needs.

Send For Your Free Cost Benefit Analysis.

Enough talk. Call or write today for your free cost benefit analysis. No risk. No obligation. Just the chance to prove that we're not all talk. And the chance for you to save a lot of money.

☐ **Yes,** I'd like to know how much money FASTRAK can save me in claims administration. I have checked the system(s) I'm interested in.

☐ IBM Mainframe ☐ Wang VS Minicomputer ☐ IBM PC and compatibles ☐ Processing Services

Name_____

Title_____

Company_____

Address_____

City_____ State_____

Zip_____ Phone ( )_____

Dyer, Wells & Associates

The Right Solutions. For 10 Years Running.

BI-51187 2251 Lake Park Drive, Smyrna, GA 30080 (404) 432-5888

AROUND THE WORLD, WE MANAGE LOCALLY FUNDED PENSION PLANS.

WE WATCH YOUR PENNIES, PESETAS, POUNDS, ESCUDOS, SHILLINGS, FRANCS OR DRACHMAS.

If your company is like most multinational corporations, your domestic programs traditionally have received more attention than your overseas pension plans.

But with costs escalating worldwide, many companies are realizing that no matter how far-away their pension plans are, they're increasingly affecting the corporate bottom line.

YOU NEED A TRUE INTERNATIONAL PENSION NETWORK

That's where GMD, The Group Management Division, part of the American International Group of insurance companies, can help. Whether it's local plan management and funding, local asset management, or the coordination of multilocation pension plans, GMD stands ready to marshal the full force of the AIG network to serve your needs.

OUR SECRET IS KNOWING THE TERRITORY

Wherever in the world you need our help, we're there. On site. With wholly owned and wholly managed facilities staffed by experts with an in-depth understanding of local economic, political, cultural, social and regulatory structures that's second to none in the industry.

Write Group Management Division, American International Group, Department A, 70 Pine Street, New York, NY 10270. Or call (212) 770-6286.

We'll show you how our strengths can translate into saving you money.

AIG AMERICAN INTERNATIONAL GROUP OF INSURANCE COMPANIES

Our Policies Are Your Best Insurance.

GMD is a division of American International Life Assurance Company of New York, a member company of American International Group.

opinions

Looking out for HMO quality

INSTEAD OF permitting health maintenance organizations protection from competition under the HMO Act of 1973, it's about time employers demanded protection from unscrupulous HMOs.

Before every HMO in the country rises up in arms, we are not saying that HMOs are not good alternatives to traditional indemnity insurance. Some HMOs have demonstrated that they can contain costs and improve the quality of health care delivered through utilization control techniques.

However, a federally qualified HMO is not necessarily purer than the new driven snow.

The federal qualification entitles the HMO to force employers to offer its plan to employees, but it doesn't guarantee quality or continuity.

Federally qualified International Medical Centers Inc. in Florida, for example, the largest Medicare HMO, has failed to meet state statutory surplus requirements and is accused of fraudulent enrollment practices (see story, page 79; and *BI*, Sept. 8, 1986).

Some other federally qualified HMOs, while not accused of such serious failings, nonetheless are wreaking havoc with some employers' health benefit programs. These HMOs, after invoking the HMO Act to force employers to offer the HMO to their employees, turn around and terminate the employer's contract if the employer's group is deemed "not a good risk" following severe illnesses of just a few enrollees from the employers group.

Employers, meanwhile, also complain that HMOs won't supply health care utilization data or negotiate group-specific rates.

It's time employers demand that the protections and mandates in the HMO Act, which have served their purpose of supporting the development of HMOs, be repealed and HMOs be forced to compete in the health care delivery marketplace. And, employers should push harder for their own protection—and the protection of all consumers—from all disingenuous HMOs, whether they are federally qualified or not.

letters

More reasons why PCW members should settle

To the editor: Your editorial, "Take the Money and Run" (*BI*, April 20), fits the bill well. And, I would point out some further aspects that suggest Lloyd's of London members on PCW syndicates should accept the offer by Lloyd's:

- Investors in a stock company (of any sort) generally would have little or no redress after a bankruptcy or insolvency, including one contributed to by fraud. So members (or investors) at Lloyd's should take their lumps in a similar way.
- Members on PCW received handsome payouts, no doubt, on many earlier years before the uncovering of the problems in 1982. Such prior "profits," which now can be seen as obviously provided after inadequate loss reserves (or reinsurance to close), should not be forgotten. Did members complain about the "profits" paid out in such earlier years?
- To sue Lloyd's itself is partly inappropriate, since the losses due to fraud are rather beyond the control of Lloyd's (unless Lloyd's itself somehow encouraged these activities, which is doubtful, even if tighter controls might have detected fraud). Besides, most of the "stolen" money has been recovered, net of interest, and credited to the members.
- PCW was not at all the only participant on the business now the source of big losses relative to premiums. The losses of other players have been or will be faced by other members or solvent London companies (or their reinsurers) on the normal basis—payment in full for negative results. PCW members are fortunate to be offered a final let-out at a cost of only about one-quarter of estimated losses (which have been substantially discounted by future investment income).
- These figures are net of substantial reinsurance still to be "recovered," but increasingly some of this will surely be unrecoverable, as time rolls on. So PCW members are being relieved also of that uncertain nightmare (at the additional future cost of Lloyd's). The open years cannot—as in an ongoing syndicate—be subjected to reinsurance to close, since there are no ongoing PCW years to transfer the portfolio to.
- The contribution of 45 million pounds by Lloyd's is coming from funds set aside over very many years to indemnify policyholders if members' own resources are exhausted, not funds set aside to assist members to meet losses.

As a member myself, I hope I never find myself in the position the PCW members are in, but if I did, I would "take the money and run," and be thankful.

Patrick J.L. Agnew
Agnew International Inc.
New York

Personal computer storage capacity not that limited

To the editor: Regarding David A. Tweedy's column (*BI*, April 20), one would assume a RMIS consultant is—or should be—very familiar with most claim processing systems as well as the microcomputers which have been around for several years. However, based upon his comments, this would certainly not appear to be a valid assumption.

For several years we have installed various microcomputers, some of which have 140-megabyte storage capacity to handle 50,000 workers compensation or liability claims, and 140,000 group health claims. One wonders why he has no such knowledge of this information concerning the capacity of microcomputers.

Integrated Business Computers, IBC, has a microcomputer that can accommodate 100 users and 0.8 gigabytes of disk storage capacity. This would process about 275,000 workers comp or liability claims and 800,000 group health claims.

We and one or two of our clients have the IBC 386-100 with an initial disk storage of 280 megabytes. Ours also is used for development and has more than 50,000 claims on it for testing purposes. Had Mr. Tweedy stopped by our booth at the Risk & Insurance Management Society convention, he could have witnessed our system operating on the IBC 386-100.

How did he arrive at the grossly erroneous conclusion that a microcomputer is essentially limited to 1,000 claims per year or 5,000 historical claims. Recently, we installed a couple of Sperry-IT microcomputers with a 140-megabyte disk for one of our public entity clients and a third-party administrator. I believe the public entity has about 25,000 workers compensation claims on line, while the TPA has about 15,000. The microcomputer can process data for particular reports within minutes or process a listing of all claims in about an hour. For the most part, the amount of time it takes to print a report is limited by the speed of the printer—not the microcomputer.

Frank E. Amatelli
National Risk Management Inc.
San Ramon, Calif.

■ *Mr. Tweedy responds: I thank Mr. Amatelli for raising an important issue regarding the capabilities of a PC-based RMIS, which is one of the subjects I will address in future RMIS Commentary articles. Furthermore, I am asking him to comment upon, in more detail, the historical limitations of PC systems with large data bases.*

Also, I did not say that the PC was limited to 1,000 claims per year but, rather, that was a general benchmark for effective performance. In my April column I described a PC system with a capacity of 100,000 claims.

Although time constraints did not permit me to stop by NRM's booth, I welcome the opportunity to review the system.

I agree with Mr. Amatelli's point on the microcomputer-based RMIS' capacity, and would add the key issues of vendor/system performance and appropriateness for individual claims.

Has anyone re-read 'Animal Farm' lately?

To the editor: It was with great relief that I read that Congress will not mandate any additional benefits than those Sen. Edward Kennedy, D-Mass., will be proposing (*BI*, April 27). You noted that Senate Committee Aide Paul Donovan dismissed such predictions as "sheer speculation" while the AFL-CIO's Karen Ignani says Congress is very aware of heath care costs and would be unlikely to enrich the minimum plan in succeeding years.

With those assurances, I am sure that America's businesses need not be further concerned regarding this infringement.

In another article you report that Sen. John H. Chafee, R-R.I., has introduced legislation that would disallow deductions for group health plan expenses for employers unless they include first-dollar coverage for pediatric services, vision tests, hearing tests, development and behavioral assessments, lab procedures and immunizations for dependents under 18.

Anyone re-read George Orwell's "Animal Farm" lately?

J. Allan Hall
Vp
SLI Insurance Marketing
Indianapolis

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

business insurance®
Reporting weekly for corporate risk, employee benefit and financial executives
Publisher: Alfred Malecki *(New York)*

Editor: Kathryn J. McIntyre, *A. R. M.* *(Chicago)*
Managing Editor: James M. Burcke *(Chicago)*
Assistant Managing Editor: Dave Lenckus *(Chicago)*
Graphics Editor: Holly E. Seguine *(Chicago)*
CHICAGO: Stacy Adler *(Assistant Copy Editor)*, Karen Brown *(Assistant to the Editor)*, Linda J. Collins *(Agent/Broker Editor)*, Donna DiBlase *(Associate Editor)*, Meg Fletcher, *A.R.M.* *(Associate Editor)*, Karen Huelsman *(Copy Editor)*, Marilou Jones *(Directory Editor)*, Amy Palmer *(Graphic Artist)*, Roger Schillerstrom *(Editorial Cartoonist)*, Stephen Tarnoff *(Associate Editor)*, Paul Winston *(Assistant Copy Editor)*, Joanne Wojcik *(Copy Editor)*
DALLAS: Michael Bradford *(Associate Editor)*
LONDON: Stacy Shapiro *(International Editor)*, Carolyn Aldred *(Associate Editor)*
LOS ANGELES: Robert A. Finlayson *(Bureau Chief)*, Steve Taravella *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*, Judy Greenwald *(Associate Editor)*, Avra Wing *(Insurer Topics Associate Editor)*
WASHINGTON: Jerry Geisel *(Washington Editor)*, Deborah Shalowitz (Associate Editor)
Corporate: H.L. Stevenson *(Corporate Editor)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*, Margaret Hikido *(District Manager/ Classified Sales)*, Elmer Kerstowske *(Production Manager)*
LOS ANGELES: Michael J. Sharpe *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*, Jack Forrest *(District Manager)*, Martin J. Ross *(District Manager)*, Courtney Bauer *(District Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*
Corporate Marketing Manager: Alice Sieloff *(Detroit)*

EDITORIAL: Chicago: 312-649-5398; Dallas: 214-363-1066; London: 01-404-4228; Los Angeles: 213-651-3710; New York: 212-210-0100; Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133; Chicago: 312-649-5276; Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago
G.D. CRAIN JR.
Founder (1885-1973)
MRS. G.D. CRAIN
Chairman
KEITH E. CRAIN
Vice chairman
S.R. BERNSTEIN
Chairman-executive committee
RANCE CRAIN
President
MARY KAY CRAIN
Treasurer
MERRILEE P. CRAIN
Secretary
WILLIAM A. MORROW
Senior Vp-operations

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.75 a copy. $68 a year in U.S. Canada and all other foreign add $16 for surface mail. Europe and Middle East only add $47 for air delivery. First-class mail to U. S. and Canada only, add $48. Bermuda only, $105 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, *Business Insurance*, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 313-446-1611. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

BPA Member of Business Publications Audit of Circulation ABP



What price, quality health care?

Less than you might think. The CNA Insurance Companies understand the need to demand quality health care while containing employee benefit costs. That's why CNA developed CURE PLUS.

CURE PLUS assures the efficient delivery of quality health care through advanced utilization review and case management programs. In addition, CURE PLUS offers our clients access to one of the first national PPO networks–available soon in 40 major cities. Our PPO providers must meet rigid standards in order to ensure quality care throughout the network.

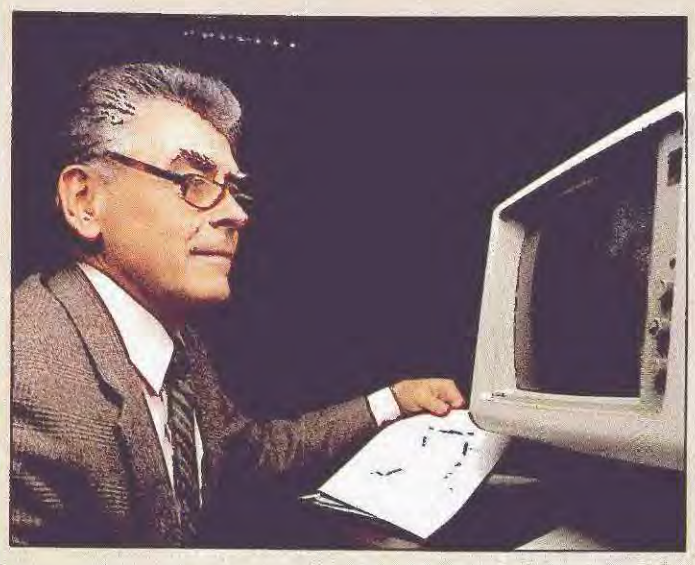
CNA also negotiates maximum savings with our PPO providers since we've joined forces with eight major insurers to form Private Healthcare Systems. By combining our resources, we represent over $5 billion in group health premiums, rivaling the largest carriers.

CNA's CURE PLUS program emphasizes quality health care but still holds the line on costs. Contact your CNA group representative or insurance broker for more information.

CNA

For All the Commitments You Make®

Coverage provided by Continental Assurance Company, one of the CNA Insurance Companies.



'Star-View' of benefits



John Hancock Mutual Life Insurance Co. group health insurance clients keep up-to-date on their claims information and developments in the benefits galaxy with "Star-View." The system, which runs on IBM AT personal computers—and AT-compatible PCs—equipped with color monitors (pictured at left), enables benefit managers to analyze their aggregate claims data over a 24-month period. It uses colorful "windows" that present information in chart and graph form, explains Alex Malcolm (far left), director of strategic systems for the Boston-based insurer. The graphs show if paid claims are much higher than normal, by type of coverage, like medical or dental. Star-View also includes a benefits news network, and an electronic mail system that links benefit managers to Hancock account managers. It also allows benefit managers to computerize their telephone lists and calendars. So far, two employers are using the system, the price of which has yet to be determined. Star-View was introduced May 1. (Photos: John Hancock)

Data decisions

Continued from page 6

that it needed to implement a psychiatric case management program based on data from Ann Arbor, Mich.-based MEDSTAT Systems Inc., said Susan Armstrong, group benefit consultant for ARCO.

And, "in March of 1986, we implemented a second surgical opinion program and a pre-certification program. We used MEDSTAT to target procedures for second opinions and to convince management of the need for a pre-certification program," she explained.

The self-insured company's claims data for 20,000 employees and early retirees is reported to MEDSTAT by its claims administrator, she said. ARCO has used the MEDSTAT system since 1984.

MEDSTAT is an on-line mainframe data base that employers can access with their own personal computers, explained J. Dennis Bush, vp of product development.

"We are purely an information service company focusing on data and information related to health care. We take paid claims data from insurers, third-party administrators and self-insured, self-administered employers and build a data base," he said.

Along with the on-line data base, MEDSTAT also offers analytical software that enables an employer to compare its experience against normative data.

MEDSTAT is used mainly by employers with more than 15,000 employees and insurers, he said.

All of the vendor's clients are experience-rated—or pay health care premiums that directly reflect their claims experience in the previous year. "Because of this, they can use this data to go in and directly impact their bottom line" through cost-containment programs, he said.

Other vendors also offer systems that enable benefit managers to analyze their health plan data.

The "CasePlex Business System" offered by The Commons Management Group in Columbia, Md., is similar to MEDSTAT.

The Caseplex Business System data base consists of health claims data collected from employers, their insurers or their TPAs. This includes both inpatient and outpatient cost and utilization data.

The system helps employers analyze and understand their health care costs and utilization by providing detailed data reports of the employer's own experience plus some comparative data, explained Robert Coburn, president of Commons Management.

Employers access the vendor's mainframe on an on-line basis. Commons Management also offers software that can be used to download segments of data to the employer's computer.

Continued on next page

CertiFacts—The comprehensive Preadmission Review System

The only system to integrate preadmission review with health claims administration...

CertiFacts from Erisco can maximize the cost-containment potential of preadmission certification and utilization review. This fully automated, online system draws upon Erisco's 15 years of experience developing advanced computer systems software for employee benefits. CertiFacts integrates with ClaimFacts, the health claims management system from Erisco, to provide the vital link for claims adjudication utilization reporting and cost analyses.

Here's a typical situation—an employee's wife is expecting a baby. You'll see the benefits of CertiFacts before, during and after hospitalization.

before

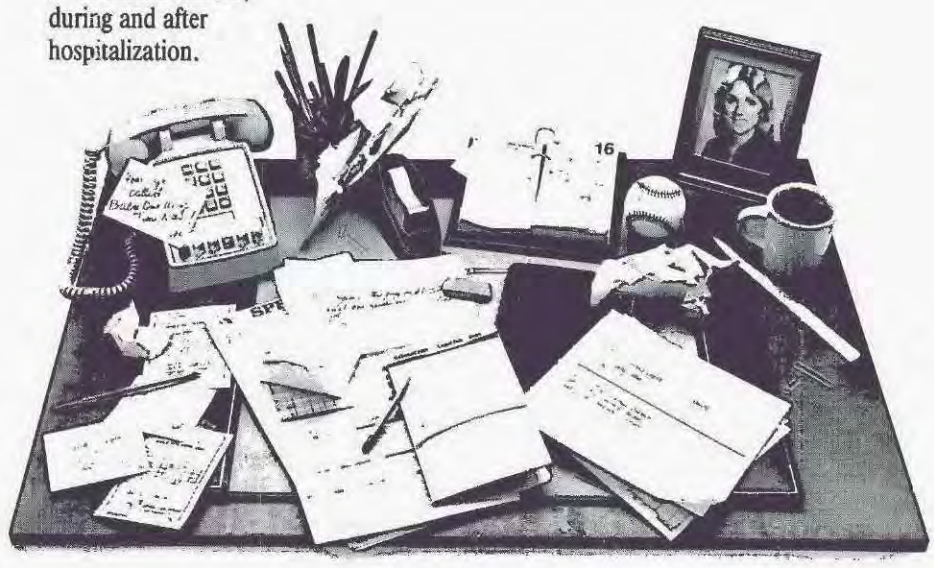
Thanks to CertiFacts' online, single-screen processing, everything moves smoothly, starting with the employee's first call to his preadmission review service. The system verifies employee eligibility by checking plan provisions in the ClaimFacts database. CertiFacts records the physician's plan for the anticipated normal delivery. Should the physician indicate an alternate treatment plan, it would be reviewed online using objective criteria developed for CertiFacts by board-certified specialists.

At every point CertiFacts promotes personal communication among the reviewer, the employee and the physician's office. This includes agreement on the level of care, the treatment plan, when admission should occur and length of stay.

during

When a minor problem results in a Caesarean section, instead of the planned delivery, CertiFacts takes the changes in stride. The physician contacts the review service to extend the wife's length of stay, and to revise the treatment plan.

CertiFacts automatically keeps an online diary that tracks the case from its onset. It flags and confirms significant dates for the reviewer, including admis-





Health claims systems popular with benefit managers

System Vendor	Number sold to employer directly	Year first installed at employer	Types of claims administered
Tesseract Benefit Plan Administration System Tesseract Corp., San Francisco	44	1982	Health, dental vision, drug
ClaimFacts Erisco, New York	35	1980	Health, dental, vision drug, LTD, STD
DiMed California Interactive Computing Inc. North Hollywood, Calif.	30	1980	Health, dental, vision, drug
ASA/CAS II Advanced System Applications Inc. Bloomingdale, Ill.	19	1974	Health, dental, vision, drug
QicClaim Resource Information Management Systems Inc. Naperville, Ill.	15	1982	Health, dental, vision drug, LTD, STD
FACTS CG Data Corp., Miami	14	1982	Health, dental, vision, drug, LTD, STD
dw&a/FASTRAK Dyer, Wells & Associates Inc. Smyrna, Ga.	13	1981	Health dental, vision, drug, LTD, STD, life
ClaimsWork SW Medical Data Systems Inc. Santa Barbara, Calif.	11	1980	Health, dental, vision, drug

Source: *BI* survey of vendors

Chart: Holly Seguine, Amy Palmer

Continued from previous page

One of the most popular uses of the system is data analysis and comparison for PPO negotiations, Mr. Coburn noted.

The system also has been used to look at quality issues, he said. "We've taken a number of clinical indicators like, for example, if one hospital has a higher percentage of newborns with jaundice. Or we can look at the incidence of unplanned returns to the operating room," to analyze quality.

Other vendors also offer systems that enable benefit managers to predict the results of benefit plan changes.

For example, Corporate Health Strategies Inc. offers "Benefit Simulation Model" software.

"Based on actuarial assumptions of a company's benefit plan experience in a prior year, the system enables the employer to estimate the effects of many different plan changes, like copayments or cost-containment programs," said Carol T. Schreiber, a senior consultant with the New Haven, Conn.-based firm.

The Benefit Simulation Model costs about $15,000 and when used along with PC CHAP, "this is a very useful analytic and modeling tool," she noted.

The "PC CHAP" health care data collection and analysis software system helps employers analyze health care costs and utilization.

To use the system, employers use PC CHAP software to download data from the vendor's mainframe into a personal computer. The average cost of the system is $40,000.

The "BeneCALC" software system offered by Minneapolis-based Health Risk Management Inc. also includes a benefit modeling tool.

"Benefit managers can pay claims under different benefit levels through various 'what if?' scenarios," said Bruce Kelley, vp-analytical services for the vendor.

"For example, if a company has first-dollar coverage and wants to add cost-sharing but isn't sure what levels to use, they can plug in different deductibles and copayments," he explained.

Health Risk Management builds a one-year software data base of the employer-client's health claims data, which is updated quarterly. The average cost of the BeneCALC software is $2 per employee per year, and it can be operated on the employer's personal computer or on a mainframe computer, he said.

Health Risk Management organizes the data into case-by-case segments so that employers can break it down to analyze specific providers, diagnoses, procedures and other categories.

To respond to employers' utilization review program data needs, Health Risk Management also merges claims data with utilization review data, he said.

"Employers can then see if the programs are containing costs or if their claims adjudicator is integrating utilization review results when they pay the claims. We've had cases where the claims adjudicator has ignored whether or not employees have followed review program procedures and just paid the claim in full," he said.

Another utilization review system recently introduced is "CertiFacts," from New York-based Erisco. The system is designed for self-insured, self-administered employers or insurers.

"CertiFacts" is linked directly with the vendor's "ClaimFacts" claims administration system, explained Thomas Garvey, president.

"Because it is tied directly with the claims system, CertiFacts can determine an employee's benefits eligibility and can also validate whether the employee is following utilization review program rules," he added.

The system enables the employer or insurer to administer a review program, including certifying the necessity of an admission, assigning a length of stay and reviewing potential discharge dates. The cost varies depending on the services needed by the client.

Among other vendors that enhanced their systems in the last year is Dyer, Wells & Associates in Smyrna, Ga., which improved its "FASTRAK" claims administration system.

"We have done some things that specifically address self-insured employers' needs, like including some capability for making bulk payments. This allows the employer to make group payments to a particular provider," explained Theresa Tanton, a senior vp with the vendor.

Dyer, Wells & Associates also has introduced a flexible benefits administration system called "FLEXTRAK" that can be integrated with FASTRAK.

Continued on next page

& after

sion, continued stay review and discharge. It monitors the treatment plan and the appropriateness of any revisions. And, by alerting the physician and reviewer to agreed-upon dates and treatments, it contributes to cost management.

Because of CertiFacts, the review service was able to offer efficient, personalized attention and fast response to the employee and everyone concerned. The physician obtained quick approvals and rapid agreement to changes when needed. All charges were paid promptly and accurately by ClaimFacts based on its own data as well as information provided by CertiFacts. And at all times, confidentiality and security were completely protected.

This linking of preadmission certification to claims data makes true healthcare management possible by providing meaningful reports for measurement, analysis and review.

If you're an insurance carrier or TPA, we'd like to show you how CertiFacts can help you compete more effectively by offering a unique service to your customers.

If you're a large self-administered organization considering a preadmission review program of your own, we'd like to demonstrate how CertiFacts can provide you with savings in the administration of your program.

To learn more about CertiFacts or other Erisco mainframe benefits software, call or write the Sales Department, Erisco, 1700 Broadway, NY, NY 10019. (212) 765-8500.

CERTIFACTS
CLAIMFACTS
Erisco—The benefits of information

Erisco
D&B a company of The Dun & Bradstreet Corporation





ONE THOUSAND PER CENT.

That's right. **One thousand per cent.** If you could invest your money at 1000%, would you do it? The real question would be – could you afford not to?

Cost Care's multi-line Catastrophic Case Management Program can generate savings of over ten times its cost while enhancing medical care and quality of life . . . 1000%.

Cost Care's Catastrophic Case Management . . .
. . . because you can't afford not to.

COST CARE™

Call:
Burt Feldman, Director
1-800-762-3029 Nationwide

CATASTROPHIC
CASE MANAGEMENT

Data decisions

Continued from previous page

In addition, the vendor is working on a PC-based enrollment system to help employers streamline their flexible benefits enrollment processes, noted Virginia Bart, director of marketing.

Resource Information Management Systems Inc., the Naperville, Ill.-based vendor of the "QiClaim" health claims administration system, also has introduced a flexible benefit plan administration system.

The system includes a flexible spending account module that keeps track of employees' contributions to the accounts and the expenses paid from the account, said Steve Carlin, a product manager for the vendor.

And, to address the payroll accounting and auditing needs, the system also can track payroll deductions for specific benefits.

The price for a small QiClaim system to handle claims for 5,000 employees ranges between $75,000 and $80,000, he said. A larger system for more than 5,000 employees costs about $230,000. The software operates on a mainframe computer.

Most vendors also have enhanced their claims administration systems to help employers administer their benefit plans to comply with the continuation of coverage requirements under the Consolidated Omnibus Budget Reconciliation Act of 1985.

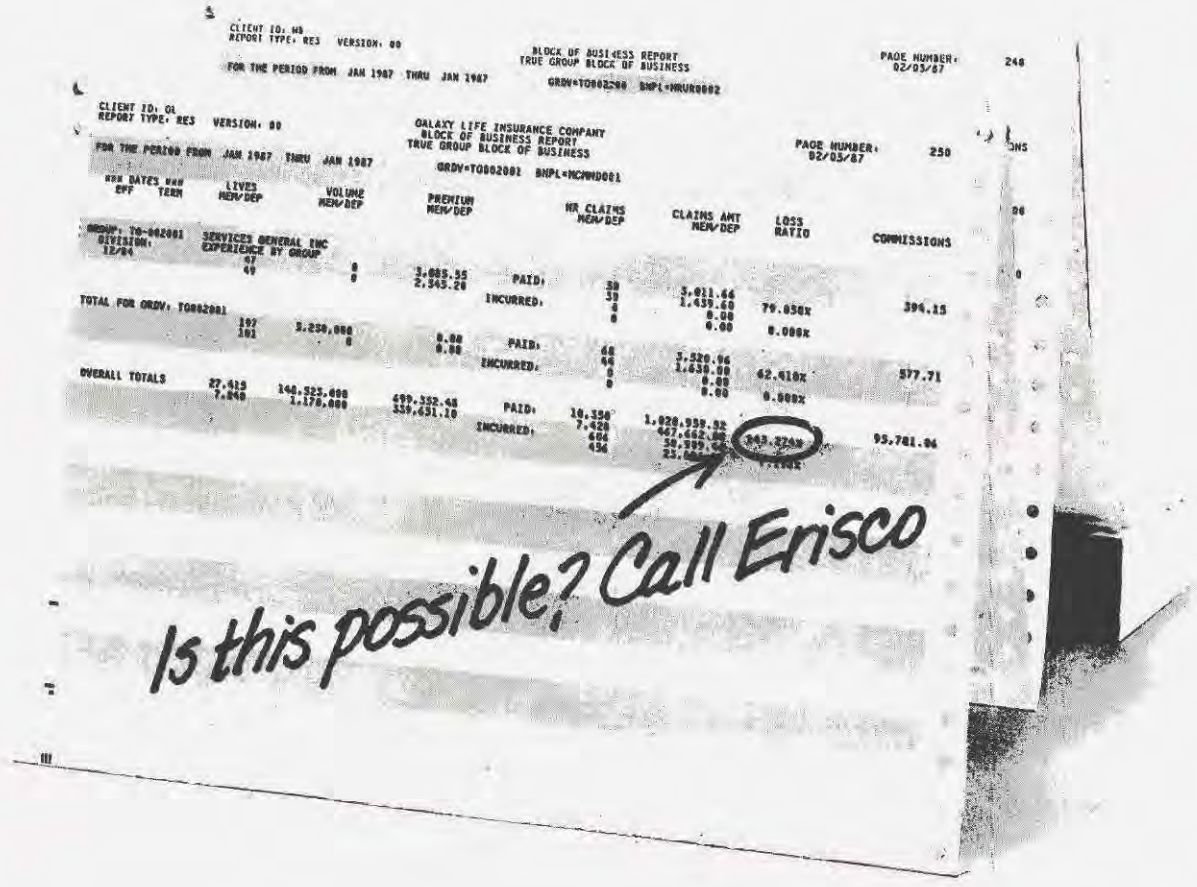
"Our system is under continuing enhancement, and one of the things we provide under our maintenance agreement is to stay in compliance with federal legislation," noted Michael E. Green, vp of client services for Tesseract Corp. in San Francisco.

The "Tesseract Benefit Plan Administration System" now includes a COBRA record-keeping and administration capability, he said. The average price of the claims administration system is $100,000 to $200,000.

Of the 67 vendors listed in the employee benefits information systems directory, more than half offer a COBRA feature. ■

GroupFacts—The Group Life and Health Administration System

When our customer saw the figures, they figured there was a big mistake.



When a GroupFacts customer got a report that showed a new product was losing money, their first reaction was to question the figures. Closer scrutiny soon revealed that GroupFacts was right. The big difference between experience costs and premium income was unexpected. But thanks to GroupFacts, the news came in time to remedy the situation.

It takes complex analyses to monitor the profitability of a new product. But they can mean the difference between success and failure in the business of group life and health insurance. And time is of the essence. Only an online system as comprehensive as GroupFacts, from Erisco, can weigh timely, accurate and meaningful information from many areas. And then provide vital reports, just days after the month's figures come in. So you can examine your block of business and take action to retain your competitive position.

Only GroupFacts addresses all the basic functions. It calculates premiums and commissions. Handles billing and remittances. Takes care of reinsurance and provides carrier reporting. And it fully supports Administration, Marketing, Actuarial, Underwriting and Accounting.

GroupFacts was designed to grow along with your business. Easily. So that even its extensive system tables can be modified online, without reprogramming. And this new, advanced system is backed by Erisco's years of mainframe experience in group administration.

If you are an insurance carrier or TPA, we'd like to show you how GroupFacts can help you to anticipate and respond to opportunities in your fast-changing, complex and highly competitive business. Just like we do regularly for this once skeptical customer.

To learn more about GroupFacts or other Erisco mainframe benefits software, call or write the Sales Department at Erisco, 1700 Broadway, NY, NY 10019, (212) 765-8500.

GROUPFACTS
Erisco—The benefits of information

Erisco
a company of The Dun & Bradstreet Corporation

Old software should work on new PCs

The new personal computer and small mainframe hardware systems recently introduced by International Business Machines will not create problems for users of IBM-compatible employee benefit information system software, vendors say.

IBM introduced new personal computer hardware last month, called the IBM PC II.

"There's no reason to believe that software that's been compatible now won't be compatible with the new PCs," said Theresa Tanton, senior vp, IBM Insurance Products at Dyer, Wells & Associates in Smyrna, Ga.

"We're watching the new PC hardware situation very closely," said Robert Sanguinetti, assistant division vp in the Los Angeles office of Advanced System Applications.

"We think IBM is trying to make it so everything will run on both the new and old PCs to give their personal computers more power," he added.

And, "I don't think there will be a problem with using existing software on the new hardware," said Gregory Giloth, senior vp of SW Medical Data Systems Inc. in Santa Barbara, Calif. "The existing PC hardware will run the new system software, but maybe not as effectively," he predicted.

IBM also introduced in late 1986 a new minicomputer and a small mainframe as part of its IBM 9370 Information System.

It is "an extremely compact system that will extend IBM's widely used system 370 mainframe processing system downward into the smallest office or department," explained an IBM spokeswoman in Armonk, N.Y.

The new system will allow users to operate much of the same mainframe software on the minicomputer or small mainframe, she said.

Thomas Garvey, president of New York-based Erisco, noted that the new 9370 mainframe and minicomputer system should create "zero problems."

"My perception is that large corporations will set up the 9370 as a satellite system. We have plans in place to move some systems to the new IBM 9370," Mr. Garvey added.

—By Donna DiBlase

Most HMO's treat the United States as if they aren't united.

Tailor EBIS to meet needs: Experts

By DONNA DiBLASE

Benefit managers should analyze their information needs before choosing an employee benefits information system, experts say.

They also should consider the amount of time and resources they are willing to commit to get the most out of the system, experts advise.

And, when shopping for a system, benefit managers should select a system that meets their operational and cost requirements.

"Consider operational needs such as the size of the employee population, the number and location of other offices and the number of unions" for which health cost data is to be collected, advised Allen DeGraw, national director of health care management in the Hartford, Conn., office of Touche Ross & Co.'s Actuarial, Benefits and Compensation Consulting division.

"The employer has to look at how they manage their benefit plan themselves, and how much they really use cost and utilization information," noted Suresh Malhotra, a management consultant in the Seattle office of William M. Mercer-Meidinger-Hansen Inc.

"Employers must ask themselves 'what information can I get that would help me make the right decisions?' " he added.

"First, think about what the plan looks like now and what you think you will be doing in the future," said Gail Kellogg, a practice leader for defined contribution consulting for Lincolnshire, Ill.-based Hewitt Associates.

Mr. DeGraw of Touche Ross noted that benefit managers should "also consider what kind of commitment you will make to implementing and maintaining the system."

Sometimes, benefit managers may be able to obtain the data they need from their insurer or third-party claims administrator, some consultants say.

"We recommend that the first step is to go back to the claims payer and see if the information is available directly from them. This is the easiest and most cost-effective way of obtaining information," suggested Sandy Sweet, a Hewitt consultant.

"Benefit managers should look at the form in which they currently are receiving data" before buying a system, noted Mr. Malhotra.

And, "if the employer is small, I'd suggest they try getting the information from their carrier," said Joseph Rosmann, a partner in the Chicago office of the Actuarial, Benefits and Compensation Group of Coopers & Lybrand.

"If they are a midsized employer, they should engage a consulting organization to see if buying a system is worth it, because there's a lot of cost and time involved in implementing a system," he noted.

After analyzing their information needs, benefit managers should shop for the most suitable system, experts say.

"You want one system that can help you with all of your decisions. All systems are not equal. Because data analysis is expensive, you can't use two or three systems at once," noted Mr. Malhotra.

He continued: "Ask for only what you really need. There's a tendency by employers to ask for more than they need," which can make analysis difficult.

And, "there are a couple of different alternatives when choosing a benefits information system," noted Lance Tane, chairman of the flexible benefits practice in the Washington, D.C., office of The Wyatt Co.

These include purchasing a complete software system to be used at the employer's offices; tapping into a vendor's mainframe system by personal computer; or hiring a consultant to collect the information and report it, he explained.

While benefit managers do not always need a consultant to shop for a system for them, "they may need help looking at all of the major differences between the types of systems available," said Mr. DeGraw of Touche Ross.

Consultants suggest that benefit managers prepare a list of the functions they require a system to perform and then rank each one.

DEKALB Corp. of De Kalb, Ill., took this approach in selecting a claims administration and analysis system, according to Rita Ament, the agricultural firm's group benefits manager.

"We drew up a list of things that the system absolutely had to do and we rated the systems as soon as we completed our on-site visits. So, we had a clear idea of what the system did," she explained.

DEKALB has used "Claims-Work," a system offered by SW Medical Data Systems Inc. of Santa Barbara, Calif., since May of 1985.

Benefit managers also can "put a request for proposal together for the vendors outlining what you need in a system," advised Louis Valentino, a consultant in the defined contribution practice in the New York office of The Wyatt Co.

"The RFP can be basic or complex, but an employer must be able to verify the responses from vendors effectively," he added.

Mr. DeGraw explained that "it really comes down to knowing the difference between the systems, such as how the data is compiled. Ask what the norms used for comparison in many systems are based on, and how they relate to your population."

For example, an employer with only salaried employees would have little use for a system using data norms based on unionized employees' health costs, he said.

"Look at the fine print. Does it include data on procedures and treatment settings used by your employees?" he added.

And, "call other benefit managers using the system you're considering to see what their experience has been. You don't need a consultant for that," he said.

Mr. Valentino of Wyatt suggested that "you should check the references of the vendor to determine the support levels provided by them for software and hardware. And, check their response time to users' problems."

Robert Coburn, president of The Commons Management Group, a vendor in Columbia, Md., noted that when reviewing a system, "an employer should be asking questions that will take him all the way through to seeing how the system will help contain costs."

"Employers also should monitor the quality of the data in the system. The employer has an obligation to monitor the data himself," he added. ■

Think about an accidental spill– or worse

*For example, a process in which sulfuric acid (EPA health hazard rating of 3) is used in a cracking plant to produce gasoline (EPA flammability rating of 3).



Ansul has the answer: Spill-X™ agents to control chemical spills. Ansul extinguishers to suppress fires.

For years industry has relied on Ansul equipment to protect its people and property against fire. Now we've developed the Spill-X family of spill control products to help solve another problem facing industry... controlling and cleaning up spills involving hazardous chemicals.

We have you covered.

First... there are three Spill-X agents to help you meet the tough new EPA standards on spill control. Our **Spill-X-A** agent neutralizes and solidifies most acids. The **Spill-X-S** agent is a solvent adsorbent for organic materials like gasoline. And the **Spill-X-C** agent is a neutralizer for caustics such as ammonium hydroxide. Then we came up with a better, safer way to apply Spill-X agents. It's called a **Spill-Gun™** and it allows a person to cover a chemical spill from a safe distance away. The Spill-Gun is also great for "diking" spills that are flowing...or for getting at spills in hard-to-reach locations. And it's available in hand portable, wheeled and stationary units that can be recharged on-site.





Ansul to the rescue.

If it burns, chances are we have exactly the right equipment to put out the fire. Choose from more than 20 different Ansul extinguishing agents... ranging from foams and dry chemicals to halons and carbon dioxide. They're available in a full line of rugged, reliable Ansul hand portable, wheeled, stationary and transportable units. And we can even arrange for training for your people... on-site or at the world-famous Ansul Fire School.

Automation evolution creates white elephant

By STEVE TARAVELLA

LOS ANGELES—Just inches from the minicomputer that the Los Angeles Firemen's Relief Assn. uses to process medical claims sits a second computer whose days of useful whirring have long passed.

For lack of a better solution, the older piece of technology, which was purchased three years ago for about $55,000, is stored in the small computer room here while the association searches for someone to buy this high-tech white elephant. It has sought as little as $15,000 for it, but hasn't found a buyer.

Unexpected developments like this one—in which a computer eventually becomes unable to perform needed tasks—sometimes befall benefit managers as they grope through automation.

'The system came to almost a complete stop. It was at capacity, just overloaded,' recalls Linda Ciauri, office manager for the Los Angeles Firemen's Relief Assn. 'We had to do something or quit processing claims.'

LAFRA decided to automate its health plan administration in 1983, selected a system in 1984, adjusted to computerization, struggled with administrative growing pains and, outgrowing the hardware it bought, finally replaced it 1986. And, once again, its 14 employees are adjusting to automation.

LAFRA is an 81-year-old, nonprofit association that provides a variety of benefits—insurance and otherwise—to Los Angeles city firefighters. Membership is voluntary, but virtually all city firefighters—some 5,100 men and women—belong.

Of those, about 4,250 have opted for enrollment in the association's self-insured medical plan. About half of these are active firefighters, and the remainder are retirees.

The city pays up to $267 per month for health coverage for a firefighter and dependents. If a firefighter elects more expensive coverage, such as to cover more than two dependents, the firefighter pays the additional premium of $28 per month through payroll deduction.

The generous health plan imposes no deductible or copayments on active employees, but pays benefits according to a schedule. Spouses, dependents and retirees pay a $100 deductible.

LAFRA has self-administered the medical plan since its introduction 30 years ago, but processed claims manually until April 1984, when it turned to automation.

The association also offers: short- and long-term disability payments, which vary according to salary; a $3,500 death benefit, which would pay for the member's funeral and offer a cemetery plot at cost; emergency financial assistance, which LAFRA sometimes requests be reimbursed later; and free access to medical supplies like crutches and wheelchairs.

It also manages a fund that provides assistance to disabled firefighters and to firefighters' surviving spouses and children.

For these benefits, not including health coverage, active firefighters pay membership dues of 0.75% of their annual salary and retirees pay a flat fee of $12 monthly.

When the association decided to automate its health plan administration in the fall of 1983, it turned to The Warner Group, an independent management consulting firm in Woodland Hills, Calif., which specializes in computerization.

Warner prepared a request for proposal, solicited bids from vendors and narrowed down the number of companies it would recommend to LAFRA. These included QicClaim, manufactured by Resource Information Management Systems Inc. in Oak Brook, Ill., and DiMed, produced by California Interactive Computing in North Hollywood, Calif.

Warner eventually selected DiMed and negotiated with CIC on terms and price. LAFRA signed the contract in late January 1984.

DiMed is one of several software products CIC manufactures for risk and benefit managers. DiMed is a stand-alone system that, unlike some others on the market, does not require reliance on the vendor —via telephone tie-ins or otherwise—to access the system. It can run on any of about 20 different types of hardware.

After studying LAFRA's needs and budgetary requirements, CIC recommended the association use DiMed on Zebra 5500, a minicomputer made by General Automation Inc. in Anaheim, Calif.

LAFRA paid about $55,000 for the Zebra 5500 and about $5,200 total for eight "dumb" terminals it uses to tie into the system. Eventually, LAFRA acquired 10 additional terminals. These were Viewpoint model terminals made by Applied Digital Data Systems, an NCR Corp. subsidiary in Hauppauge, N.Y.

The association paid about $60,000 for DiMed and an additional software package with three accounting functions—one for accounts payable, one for accounts receivable and one to balance the general ledger.

For the software, the minicomputer, other hardware, training, installation and customization, LAFRA paid about $145,000. The entire system required a 90-day installation, after which LAFRA employees and adjusters received a week of training by CIC staff.

Until the autumn of 1985, all seemed to go well. LAFRA's claims-paying operation had grown in both employees and terminals—it now used 18 of the machines—and it had purchased an additional computer capability from CIC, a module to better administer claims under a preferred provider organization.

When using the PPO module, which CIC says has become "very popular" among its users, the module automatically calculates payments to member providers on a different table than it uses to figure payments to other providers. The steps taken by the examiner in processing the claims, however, remain unchanged.

Continued on next page

yet, a fire- in a processing plant.*





Count on us.

You can trust Ansul to provide products that work better and last longer. Agents that are formulated to precise standards. And services that are both responsive and professional. Those are the cornerstones of the Ansul reputation. But don't take our word for it, ask some of our best customers what they think of Ansul.

ANSUL QUALITY COUNT ON IT

Do you have a protection problem that needs solving?

Perhaps you'd like us to send you information on our Spill-X spill control products along with a free copy of our handy pocket-sized booklet entitled, "A Guide To Fire Protection". Or maybe you have an entirely different protection problem that needs solving. Either way, we can help. Ansul has a history of coming up with innovative solutions for people in all kinds of industries and businesses. Put us to the test. Call the Ansul Answerline... 1-800-346-3626.

ANSUL

The first name in fire protection.

ONE STANTON STREET, MARINETTE, WISCONSIN 54143

IS IT REALLY A DRUG PROBLEM?

Mental Health and Substance Abuse problems are delicate and require a special kind of case management.

But the first step is knowing *exactly* what to treat. Only Cost Care utilizes:

- ✔ Over 270 clinical indicators to **unmask** hidden personal problems.
- ✔ Staff physicians and psychiatrists reviewing **every** case.
- ✔ Review of both physical and mental health related admissions.

We treat your employees the way their doctors do--case by case.

COST CARE™

Call:
Phillip W. Havener, VP
1-800-762-3029 Nationwide

MENTAL HEALTH/SUBSTANCE ABUSE
CASE MANAGEMENT



Photo: Steve Taravella

LAFRA's health benefits claims processing system now runs on 16 of these Viewpoint terminals.

Claims system

Continued from previous page

But the growth in operations, including adding the PPO module, created problems. By late 1985, the extra workload had stalled the system's processing time so much that the whole operation bogged down. The computer's memory could be expanded no more.

"The system came to almost a complete stop. It was at capacity, just overloaded," recalls Linda Ciauri, office manager, who joined LAFRA in September 1985. "We had to do something or quit processing claims."

The association took action to combat the situation. In December 1985, it purged the mainframe of all 1984 claims data, storing the information on magnetic tape for future reference.

Deleting the data from the machine's memory gave the association more disk space, but did not speed up its sluggish response time. By January 1986, LAFRA's frustrated claims adjusters had fallen four months behind in paying benefits.

The following month, the association ordered a new computer—the one it uses today. On CIC's recommendation, it selected McDonnell Douglas Corp.'s 9230 minicomputer, previously known as Sequel.

At the same time, to avoid straining the system until the new computer arrived, the association closed 13 of its 18 terminals and pulled its accounting software programs off the system—returning to a manual accounting process.

For about 10 months, the association neglected some of its most important accounting work, like preparing financial statements. Often LAFRA had no idea what certain bank account balances were, Ms. Ciauri says. Checking such information became frustrating and time-consuming.

To help its four full-time adjusters reduce the claims backlog, LAFRA hired two temporary adjusters. Operating the terminals about 10 hours a day on rotating shifts, the backlog was reduced "substantially" by the time the new computer was installed last September, Ms. Ciauri says.

Accounting functions were put back on line in November, and the association began inputting accounting information in December.

The period up to that point was "very, very difficult," she says today. "But even worse was catching up. We're working in '87, but putting '86 information in."

She hopes the association will be current with its accounting by June. The system is now running on 16 of the Viewpoint terminals.

The computer problem "was definitely something we had to contend with," says Craig Russell, CIC

Continued on page 22

Yes

It's a little word that supports a lot of the Insurance Industry.

It's not just a word. It's a spirit. A way of doing business.
A flag we've been flying for over 33 years.

At Borg-Warner Financial Services, it's not our capital that solves your clients' problems, it's the attitude of our people. Close, quick to respond, and understanding, we're there to finance insurance premiums. We've made the investment in hardware and programming that lets us tackle things fast; that gives you the support necessary to write business fast. And hopefully more furiously. An opportunity we thrive on and we bring our best to. Our vast resources. Our people. People not merely *able* to help you, but *fiercely determined* to do so.

All this is the reason for our success. It can be the reason for yours. Call Borg-Warner Insurance Finance Corporation at 1-800-BWAC USA.

In California, Borg-Warner Insurance Finance Corporation of California.

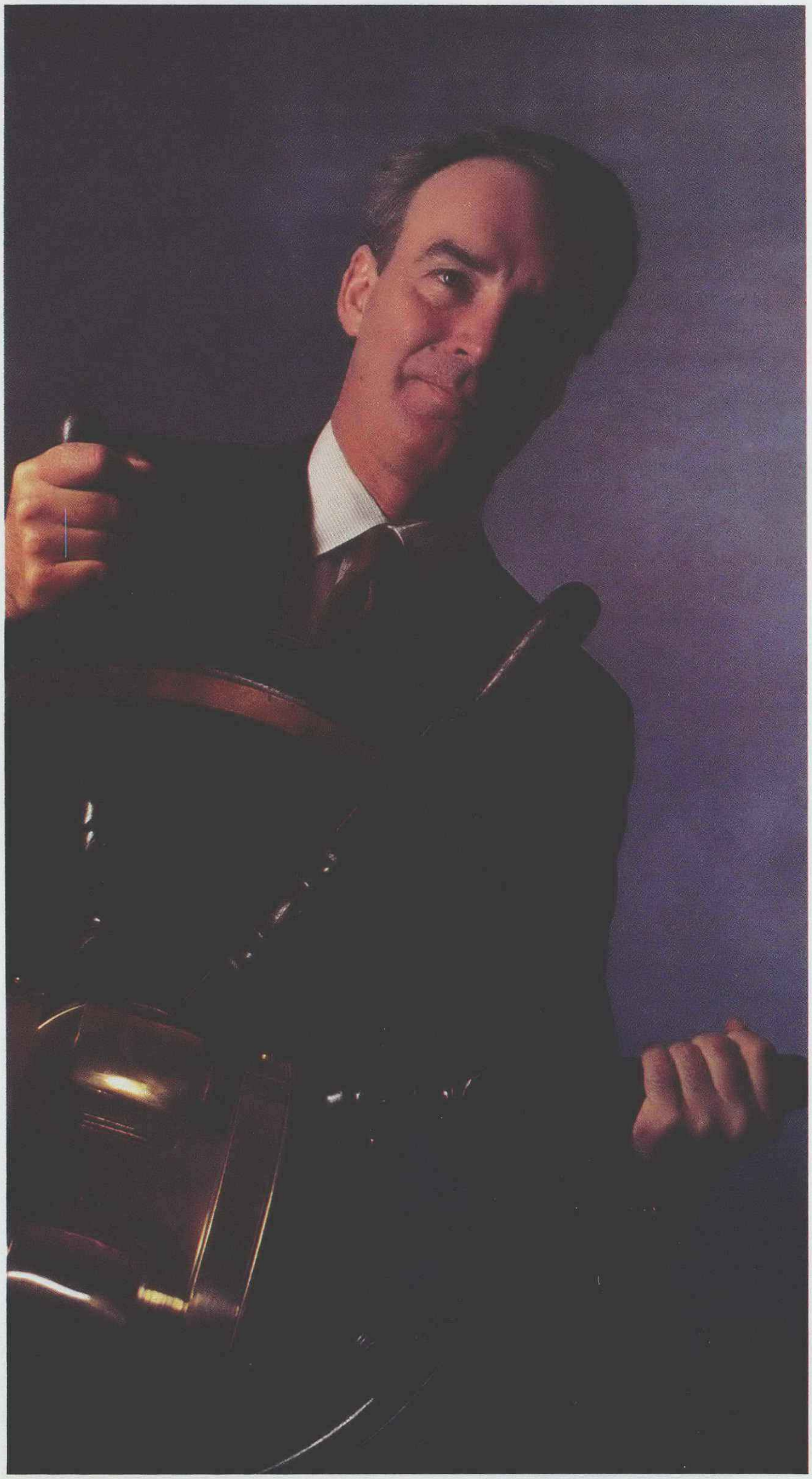
Inventory Financing
Electronics/Appliances
Office Products
Lawn & Garden
Marine
Auto
RV/Manufactured Housing

Leasing
Commercial Leasing
Vehicle Fleet Leasing
Municipal/Federal Leasing
Major Commercial Funding

Services
Consulting Services
Capital Services
Extended Service Programs
Insurance Premium Financing

BorgWarner™ Financial Services

Take Charge.



Affordable DentaCare™ helps you steer clear of rising benefit costs.

Cost-effective DentaCare puts *you* in charge – while offering employees and their dependents a first-class dental care plan from the Mutual of Omaha Group Operation, an insurance industry pioneer in dental benefits.

A choice of plans at manageable cost.

With a choice of plans, DentaCare lets employers match dental benefits to specific needs. Options include a low-cost entry level plan for companies just starting a dental benefits program.

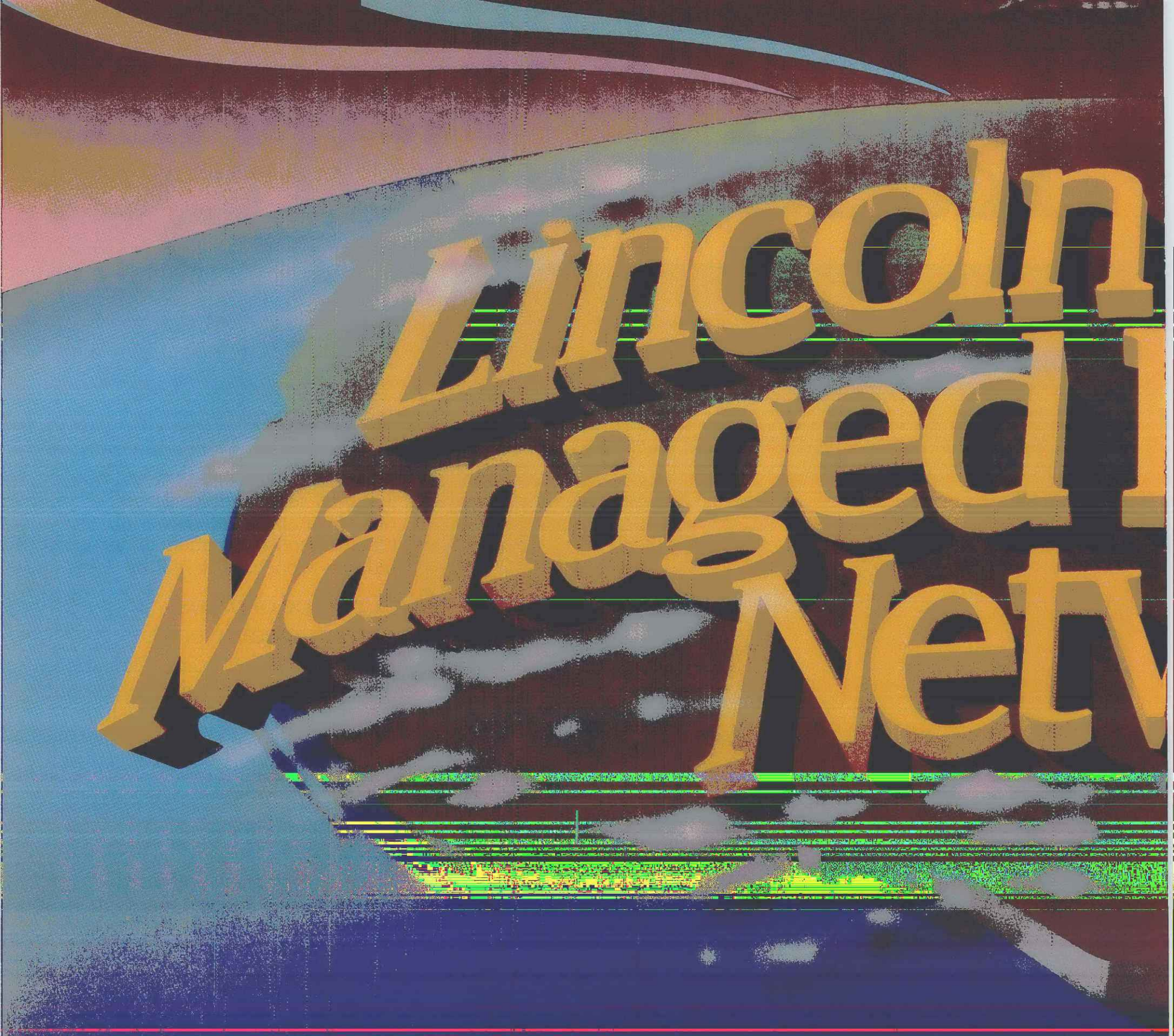
Additional cost control with our dental PPO.

For many employers, our preferred provider program has the right combination of dental benefits and cost containment. Mutually Preferred® Dental is now available in selected areas and offers attractive incentives to employees when cost-effective preferred providers are used.

Both DentaCare and Mutually Preferred Dental are available as stand-alone plans.

For additional information, send your business card to Terry Van Noy, Vice President, Mutual of Omaha Companies, Mutual of Omaha Plaza, Omaha, NE 68175.

Mutual of Omaha®
Companies
Group Operation
The Managed-Cost Professionals.SM



Only one national network provides the

Lincoln National's Managed Healthcare Network is offering America a healthcare plan that has never been offered, until now.

And our plan is providing the right solutions for more and more employers. Employers who are looking for a cost management program that also gives their employees the healthcare choices they want.

healthwin™

OXFORD HEALTH PLANS

COMPREHENSIVE MEDICAL MANAGEMENT INC.

FOCUS HEALTHCARE MANAGEMENT ASSOCIATES

WellCare

Now we're a partner with the best healthcare plans across America.

Our managed healthcare network combines Lincoln's reputation and strength with respected local healthcare organizations in each market. So throughout the country, our network is home to the best healthcare programs. Yet every program is unique because of the individual needs of each market.

Our network features FlexLinc.® A product that offers Health Maintenance Organizations, Preferred Provider Organizations and flexible benefit options.

National Healthcare Work



Invest in local healthcare.

So join our network and you'll have a solid cost management program. And your employees will always receive

Now your local healthcare program is

Freedom Health Care

HealthPlus HMO.

LINCOLN NATIONAL

EMPLOYEE BENEFITS

Claims system

Continued from page 18

staff manager. "The 5500, based on what they were doing, was exactly what they needed. But they outgrew it. If a client sticks to what they've told us up-front, we're usually right-on."

CIC, which had about 20 employees at the time LAFRA purchased DiMed, has become a leading vendor of software products with benefit applications and has about 60 employees today.

The new McDonnell Douglas hardware is improving LAFRA's operations in matters big—like processing time—and small—for instance, where the old computer did not permit the user to record a firefighter's hire date prior to 1968, this system does.

"Right now, they're in a very good situation," says Mr. Russell. Power-wise, the computer is "on the low end" of McDonnell Douglas' scale, so LAFRA has plenty of room to grow. Upgrade kits are available to hardware purchasers that anticipate greater computer needs in the future.

But Ms. Ciauri does not fault the software for problems LAFRA had with the hardware, and says the association has made good use of DiMed, for which it pays CIC a monthly maintenance fee of $1,260.

The association now receives about 150 medical claims daily and can process them in about three days' time, favorable by any standard, despite the fact that adjusters spend considerable time on the phone verifying benefits, pursuing liens against workers compensation payments and initiating third-party subrogation claims, among other tasks.

"It's the easiest I've ever had to work with," Cecilia McGill, lead claims adjuster, says of DiMed. Ms. McGill knows of what she speaks: Prior to joining LAFRA last August, she processed medical claims for 2½ years at U.S. Administrators Inc., one of the nation's largest claims administrators, and at Blue Shield of California for 16 years before that.

"I'm very pleased with it," she says. "It's hard to make an error."

For example, DiMed has a mechanism that red-flags duplicate benefit payments before the second checks are issued, she points out. This prevents claims processors from issuing checks to plan participants who already have been reimbursed for the same expenses.

With some trouble, LAFRA could access the 1984 data it stored on tape but, for now, having access to 1985 and 1986 data on the system is sufficient, Ms. Ciauri says.

Ms. Ciauri receives different reports from DiMed on a daily, weekly and monthly basis.

One of the most useful is a monthly tally of claims processed, in which each claim is analyzed by, among other things, the time in which it was processed, the dollar amount sought by the claimant, the amount allowed by the adjuster and the amount paid.

Where there are many payment disallowances, Ms. Ciauri is alerted to potential insufficient benefit limits. She may use this information to seek benefit plan changes from LAFRA's medical committee, a decision-making body composed of some of the 22 firefighters who serve on LAFRA's board of directors. In rotating elections, 11 volunteers are chosen each year to serve two-year terms.

The report also breaks down payments by class code, an internal code noting each member's eligibility status. Ms. Ciauri says the association, for the first time, plans to use this information to assess premium adequacy later this year. Premium levels are reviewed annually in July or August.

For instance, if a comparison between what widows contribute in premium and receive in benefits and what retirees contribute and receive shows that the former group claimed much less in benefits than what it paid in, while the latter group received far more than what it paid in, Ms. Ciauri may seek premium adjustments.

LAFRA's claims software system is 'the easiest I've ever had to work with,' says Cecilia McGill, LAFRA's lead claims adjuster, who has been adjusting claims for almost 20 years. 'I'm very pleased with it. It's hard to make an error.'

Before now, these changes have largely been the product of guesswork, she says.

The medical committee also has authority on a case-by-case basis to change an enrollee's benefit level.

If a firefighter is displeased with his benefit, he can take his complaint before the committee, which meets three times a month and sometimes functions like an appeals board.

The committee may decide to pay for a private room instead of the customary semiprivate room, if it is determined that the private room is a medical necessity for the firefighter.

Likewise, the committee might decide to pay more than the $1,300 limit for a natural-delivery pregnancy if the woman incurred complications or if it was a high-risk pregnancy, Ms. Ciauri explains.

While medical coverage is the only insurance benefit LAFRA uses DiMed for, it is not the only one the association offers.

It provides life insurance to the firefighters, but does not process these on DiMed. DiMed can handle life insurance claims but association employees were comfortable processing these manually, and the volume wasn't great enough to warrant automation.

LAFRA claims adjusters also administer disability claims manually. DiMed is able to manage disability claims to some degree, but cannot automatically issue the checks on a regular basis.

The association offers vision benefits, but does not administer those claims itself. Instead, it pays the provider—Vision Service Plan, a California eye care PPO—monthly for that task. Neither does LAFRA involve itself in the firefighters' dental plan, which is provided by their union, United Firefighters of Los Angeles City. ■

Between your current benefits program and the



The new tax legislation has overturned a great many business assumptions about benefits.

Benefits can help you reevaluate and revise your benefits plans to protect their qualified status and bring your after-tax costs in line. James has the know-how and benefits expertise to fit all the pieces together into a comprehensive program that meets your business goals.

The consultants from James

From 45 offices nationwide.

Communications systems get new 'touch'

By DEBORAH SHALOWITZ

A touchscreen is a 'warm, comforting way to communicate' employee benefits and a perfect way of combining 'high-tech with high-touch,' says Karen Greenbaum, a consultant with William M. Mercer-Meidinger-Hansen Inc.

WASHINGTON—It's simple. It's sophisticated. It's almost like a scene from "E.T."

A person touches his finger to a computer screen and the colorful graphics change. Again and again they communicate, the person with his finger and the machine with its screen.

This is not a scene from a science fiction movie, though. It's a scene being played out all over the country, from manufacturing plants to financial institutions, as employees use the newest rage in interactive employee benefits communications systems: Touchscreens.

Basically, an interactive employee benefit communication system is operated on a personal computer with specially designed software that allows employees to get information about their benefits and project their needs.

Because a PC-based interactive communications system generally does not contain any personal data, to receive personalized information an employee must enter into the computer some data, such as his or her age, marital status and pay.

Although computers are becoming an increasingly familiar sight in the workplace, some people still are wary of them. Advocates of touchscreens—video monitors with a television-like screen that a user touches with his finger to enter data or answer questions—maintain that without a keyboard, a computer is not as intimidating to employees who aren't comfortable with computers.

A touchscreen is "faster and easier to use" than a regular keyboard, says Lance Tane, a consultant in the Washington office of The Wyatt Co.

Karen Greenbaum, a consultant in the Chicago office of William M. Mercer-Meidinger-Hansen Inc., said a touchscreen is a "warm, comforting way to communicate" and a perfect way of combining "high-tech with high-touch."

Experts agree that the benefits of a computerized employee benefits communications system are well worth the efforts in getting exactly the right system, whether it be with or without a touchscreen.

Interactive communications systems "personalize the decision-making process and can be fun to use," says Tim Stentiford, a consultant in Hewitt Associates' Rowayton, Conn., office.

And, computerized benefits communications systems heighten an employee's interest in his benefits, points out Sally Roller, a manager in Aetna Life & Casualty Co.'s employee benefits division.

Ford Motor Co., which is just starting an interactive employee benefits communication program, chose a touchscreen monitor because it is "about as user-friendly as possible," says Barry Wallman, benefit analyst and the project's coordinator.

Ford's system, developed with Mercer, will be implemented in four phases. The first phase, beginning July 1, is "an encyclopedia of benefit information," said Ms. Greenbaum.

Initially, the system will be an informational tool that explains what an employee's benefits are, what eligibility requirements exist, which one of 200 forms relating to benefits an employee should use and how to complete that form.

Foremost among Ford's objectives for the system was a desire to improve employee benefits communication, said Mr. Wallman, who works in the automaker's headquarters in Dearborn, Mich.

Although the system initially will only contain the same information that is in an employee handbook, by putting that information in the workplace, employees can access it quickly and easily, he explained.

And, the computerized system should take some of the burden off employee benefit representatives, who spend a great deal of their time answering routine questions such as which form to use and how to fill it out.

The personal computers dedicated for the system will be housed in kiosks—specially built containers for computers. A kiosk generally hides all of a computer's mechanical parts, so the only thing visible is a video screen, much like a directory in a shopping mall. The kiosks at Ford will be located in high-traffic areas, such as lobbies and cafeterias.

Each work site that wants a kiosk will have to purchase it out of its own budget, noted Mr. Wallman. However, the software—called "infoACT"—will be freely distributed as needed.

The software, which runs on an IBM Personal Computer or an IBM-compatible PC, also can be used on a personal computer with a keyboard, so a small group of employees can access the system with a PC at their workplace, or an employee can borrow the diskette and use it at home.

Some additions to the software that will be added in the second

Continued on next page

new tax law lies uncertain terrain.



and through the worldwide network of the Sedgwick Group, James Benefits resolves the questions and smoothes your way to the future.

James builds the bridge.
America's premier insurance broker

Underwriting Manager
V.P. of Underwriting

Risk Retention Group providing Attorneys' Professional Liability is seeking an experienced Underwriter Manager. We need a solid professional to oversee all underwriting for our multi-state operations.

Attractive salary and benefit package negotiable. Position is immediately open. Send resume, job history and salary required to:

Attorneys Liability Protection Society
P.O. Box 4747, Missoula, MT 59806

Communications

Continued from previous page

phase, projected to begin this fall, include savings projections and financial planning modules.

Further down the line, Ford plans to program its "wild array of forms" into the computer, said Mr. Wallman. An employee then would be able to fill out the form on the computer, and a laser printer would print it. Afterward, the employee would sign the print-out and deposit it in a drop box.

All of Ford's 45,000 salaried employees will be eligible to use the interactive communications system.

'Eventually, our goal is to get to a paperless system,' says Mr. Wallman of Ford.

"Eventually, our goal is to get to a paperless system," said Mr. Wallman. "That may be a little bit idealistic, but I think we'll be able to get there."

Another PC-based interactive system utilizing a touchscreen with a slightly different twist is "Benefit Connection," developed by The Wyatt Co.

The system connects a personal computer through phone lines to an employer's centralized data base, Mr. Tane of Wyatt explained.

Benefit Connection runs on IBM PCs with either a touchscreen or a keyboard. The employer maintains his data on an IBM AT, which is a more powerful version of a base-model personal computer.

Benefit Connection also is designed to mix video disks and data. A video disk is similar to a video tape, but the images are recorded so that a computer can read them. When a video disk is hooked up to a computer, the appropriate video can be viewed at any point in the software program without fast-forwarding or rewinding the tape.

For example, an employee might be asking the computer questions about pension plans. With a video disk hooked up to the computer, an employee can get information either by reading text or by viewing a video, both of which are shown on the video monitor.

The video might show a benefits representative answering questions from employees, Mr. Tane said.

Logistically, a video disk could only be housed in a kiosk format, said Mr. Tane.

He added that "the expensive part of a video disk system is making the videotape."

To use Benefit Connection, an employee enters his Social Security number and an individually assigned access code number. The employee can then play "what if" with a variety of employee benefit plans, such as savings plans and pension options.

For example, after an employee enters assumptions about his anticipated salary increases as a percentage, his pretax savings contribution as a percent of pay and a rate of investment earnings, the computer calculates what the employee's savings will amount to in five years, 15 years and at year-end nearest the employee's 65th birthday.

Similarly, after an employee enters assumptions about his anticipated salary increases as a percentage and his retirement age, the computer calculates the employee's retirement income in different forms of payment.

A printer attached to the computer can record on paper these scenarios, including which assumptions were used to make the projections.

"One of the things that's essential is getting the employee back in a position of (financial) responsibility," asserted Mr. Tane. "When employees can get information about their balances and what's going on, they feel a lot more comfortable making" investments and contributions, because they aren't "going into a black hole."

Two of Wyatt's clients are in the process of installing Benefit Connection, said Mr. Tane. Each client, a bank holding company and a manufacturing concern, has more than 5,000 employees.

Although much of the interest in interactive communications systems is still from large employers, as costs drop and more businesses buy computers, interactive employee benefit information systems are no longer out of the reach of smaller companies.

Benefit Connection is appropriate for companies with at least 500 to 1,000 employees, Mr. Tane said.

And, a new interactive communication system being developed by Aetna Life & Casualty Co. will be targeted to companies with at least 500 employees in a few locations, according to Aetna's Ms. Roller.

Aetna decided to develop an interactive communications system because of a belief that "in the long term, there is going to be more

Continued on page 28

Since 1983 we've added over 2000 new group benefits clients, for just one reason...

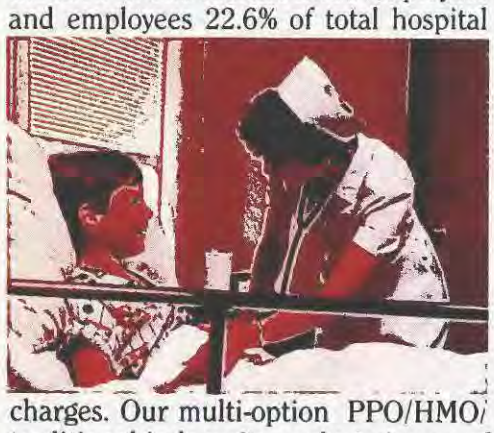


We get results!

At General American we are getting remarkable, eye-opening results with effective-and compassionate-cost-saving ideas that work for employers, employees, and benefit plan executives. Two examples:

PPO REDUCES HOSPITAL CHARGES 22.6%

During 1986 our Preferred Provider Organization in one market saved employers and employees 22.6% of total hospital charges. Our multi-option PPO/HMO/traditional indemnity package is one of the best, most effective cost containment concepts available. Easy to administer, it's supported by an equally strong employee communications program.



CATASTROPHIC CASE MANAGEMENT (CCM) SAVES $14,200 IN FIRST MONTH ON SINGLE CASE

Innovative CCM is changing the way we handle medical treatment following serious injury or illness. The number 1 goal is still meeting patient and family needs with expert medical care. But sometimes merely changing the setting is cost-effective and desired by the patient and family. In one recent case projected monthly expenses of $29,250 were cut to $15,050...a savings of $14,200 the first month, and that's after paying for all the special equipment required for home care. The savings will be much more in future months, and the patient is living with his family.

40 PPO MARKETS BY YEAR END

Many of our PPOs in various markets are Private Healthcare Systems affiliates, a partnership which would be the equivalent of the fourth largest commercial health carrier in the nation. We have an ongoing commitment to managing healthcare costs, as evidenced by our PPO market expansion during 1986-87.

OUR CURRENT PPO MARKETS

Atlanta, Boston, Chicago, Cincinnati, Cleveland, Columbus, Dallas, Denver, Houston, Jacksonville, Los Angeles/Orange County, Memphis, Miami, Minneapolis, Oklahoma City, Orlando, Phoenix, Sacramento, San Antonio, San Francisco, St. Louis, Tampa, Tulsa, Washington, D.C.

PLANNED MARKETS BY END OF '87

Akron, Austin, Birmingham, Dayton, Detroit, Indianapolis, Kansas City, Louisville, Milwaukee, Nashville, New Orleans, Philadelphia, Pittsburgh, Richmond, San Diego, Seattle

If your healthcare program is not delivering results like ours, contact your consultant, broker, or agent; call your local General American group sales office, or mail the coupon.

General American
products to value, people to trust



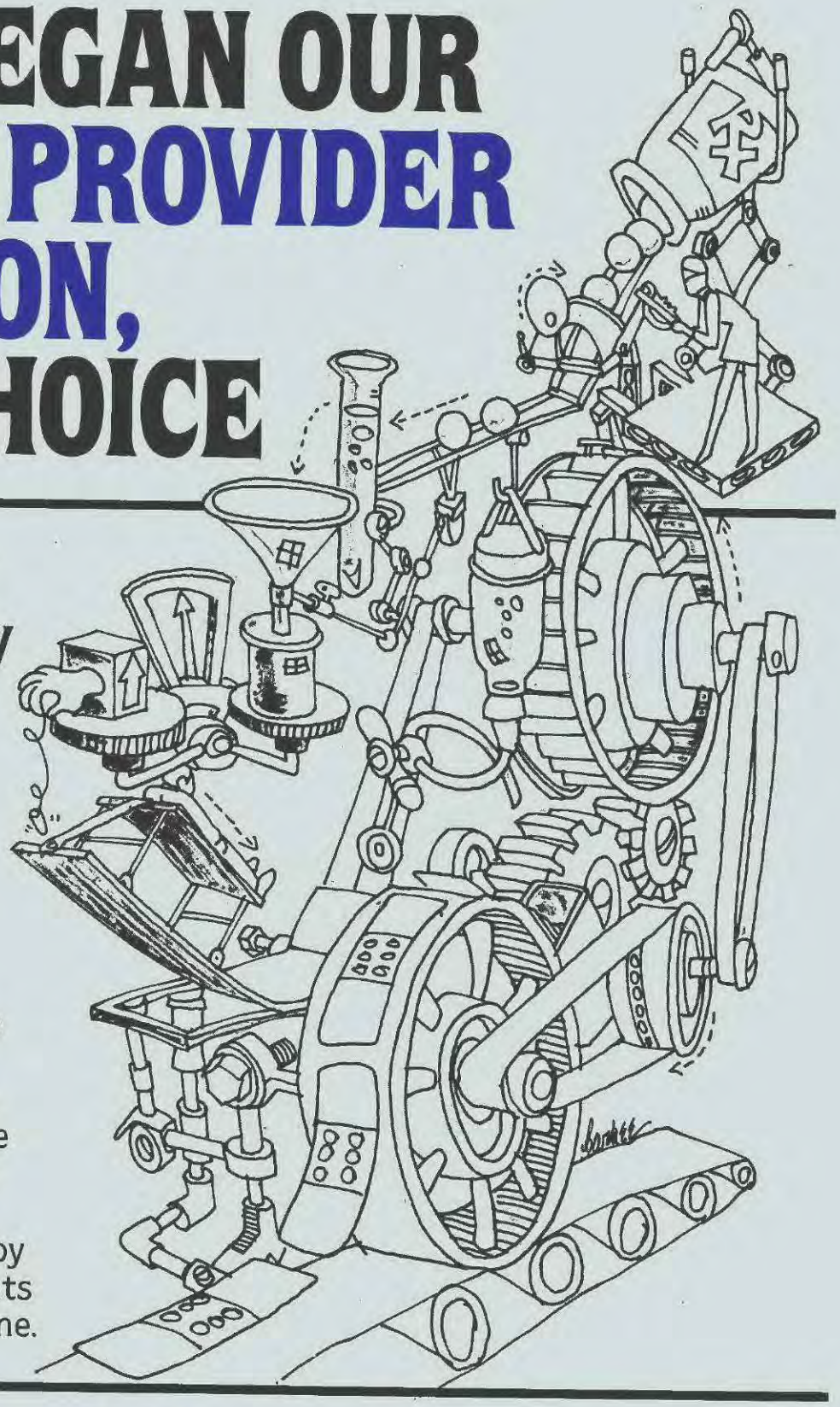
BI-2

Bill Kuehl
Marketing Director—Large Group
13045 Tesson Ferry Rd.
St. Louis, MO 63128

Please send me without obligation your booklet, Cost Containment Solutions.

Name_____
Company_____
Street_____
City_____ State_____ Zip_____
Phone_____

WHEN WE BEGAN OUR PREFERRED PROVIDER ORGANIZATION, WE HAD A CHOICE



We could have used any number of unnecessarily complicated and medically insensitive methods to manage health care costs.
BUT WE DIDN'T.

There are organizations which use a whole host of "creative" methods to cut health care costs. Some use complex formulae to ratchet down payments to providers. Some completely switch the assumption of risk from one part of the system to another. Others may even produce illusory savings by creating mechanisms which delay payments to providers or promote "discount" medicine.

CAPP CARE has a simpler solution.

Our 32,000-plus providers tend to the medicine. Our 300-plus hospitals tend to the in-patient care. The payors see to the administration of benefits and the compensation of providers. And CAPP CARE closes the circle through medical management, bringing everything together to see that the optimum level and amount of care is available to the patient . . . straightforward cost containment!

No complicated fee structures or creative ways to restrict payments. No wholesale transfer of the risk. No illusory savings by delaying payments. Not just discounts . . .

Just Good Providers Delivering Good Medicine.

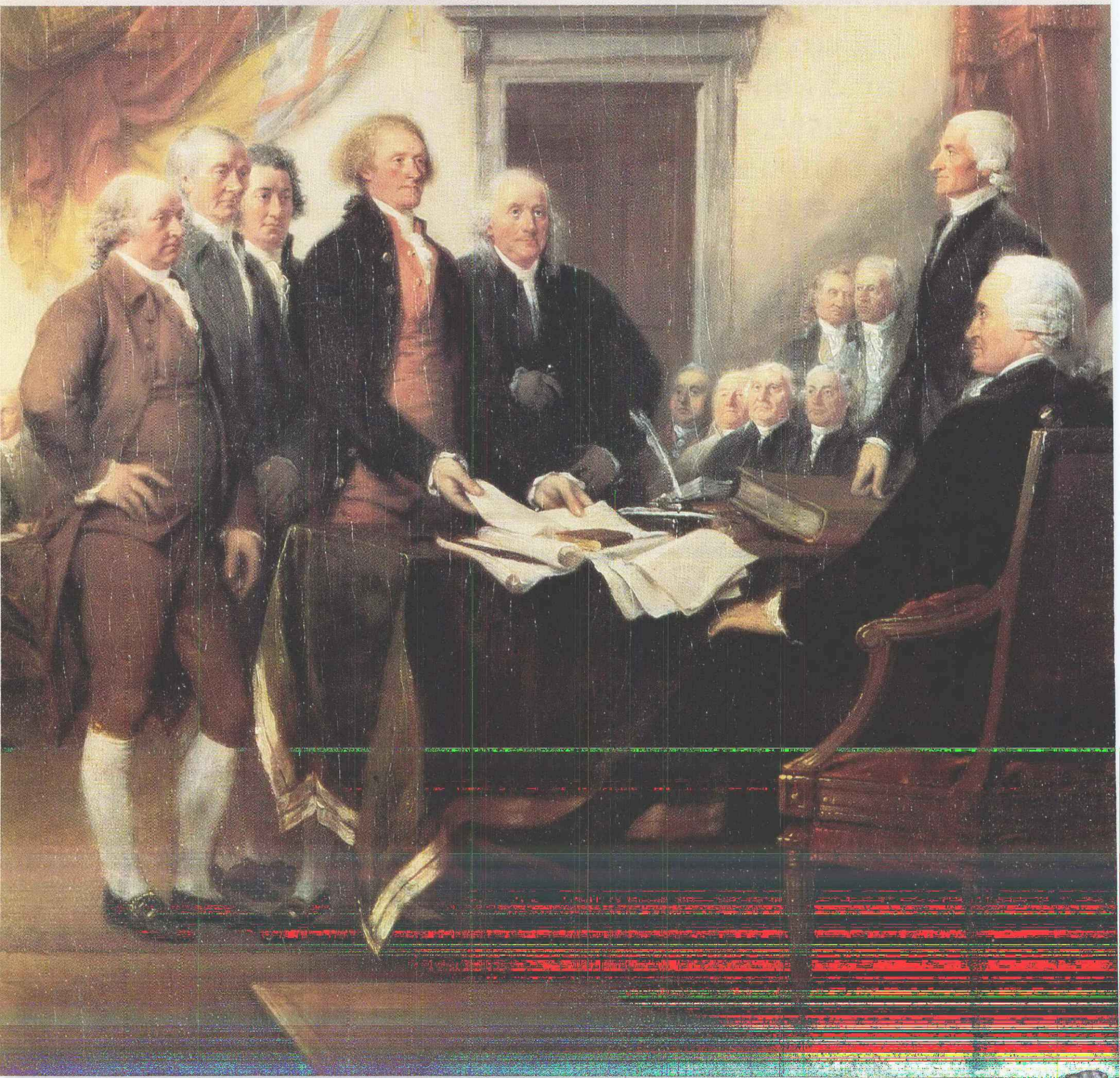
Now in 72 markets in 17 states.

CAPP CARE *Good Medicine IS Good Business*

Participating Carriers: Allstate,* American Community Mutual, American United Life,* Farmland, Home Life,* John Alden, Nationwide® * Northbrook, Pacific Mutual,* Paul Revere, Provident Mutual,* UNUM, Wausau Life **Shareholder*

For more information write CAPP CARE • Division B • P.O. Box 8110 • Fountain Valley, CA 92728-8110

IT'S AMAZING WHAT YOU CAN DO WITH THE RIGHT GROUP OF PEOPLE.



Appointing a small group of experts to perform a huge task that will affect many lives. What a revolutionary idea.

We're talking, of course, about starting a flexible benefits program. You probably know how such a program could benefit your company. But you're unsure how to go about implementing one.

That's precisely why we developed the account-dedicated team. A highly-specialized group of people who will relieve you of the administrative burdens by following an all encompassing plan for implementation. What's more, they'll work with you to develop a communications program for your employees.

Your main contact is the team coordinator. One person who's there to address any concerns you may have about your Flexible Benefits program. In short, this person is dedicated to the pursuit of happiness. Yours.

Why not get in touch with us and we'll help you determine if Flexible Benefits is right for your company. If it is, we can recommend a customized program, drawing from a full spectrum of products and services. We can even integrate *other* carriers' products into your program. And naturally, we'll provide ongoing maintenance and management reports.

Starting a Flexible Benefits program could be one of the greatest decisions you'll ever make. Before you make it, write to Peter Goff, CIGNA Companies, Hartford, CT 06152.

A Flexible Benefits plan that grants independence to the benefits manager. It's one more example of CIGNA's commitment to personalized service to business.

CIGNA

John Trumbull: *The Declaration of Independence* (detail) ©Yale University Art Gallery

TIRED OF THE SAME OLD AUDITS?

Then get excited about the new Bill Review and Medical Audit program from Cost Care that combines experienced medical professionals and prompt turnaround to deliver:

- ✔ Guaranteed savings
- ✔ Physician evaluation for medical necessity
- ✔ RN review of all audits
- ✔ Integration with all Cost Care programs

Cost Care guarantees performance.

COST CARE™

Call:
Phillip Havener, VP
1-800-762-3029 Nationwide

BILL REVIEW AND MEDICAL AUDIT PROGRAM

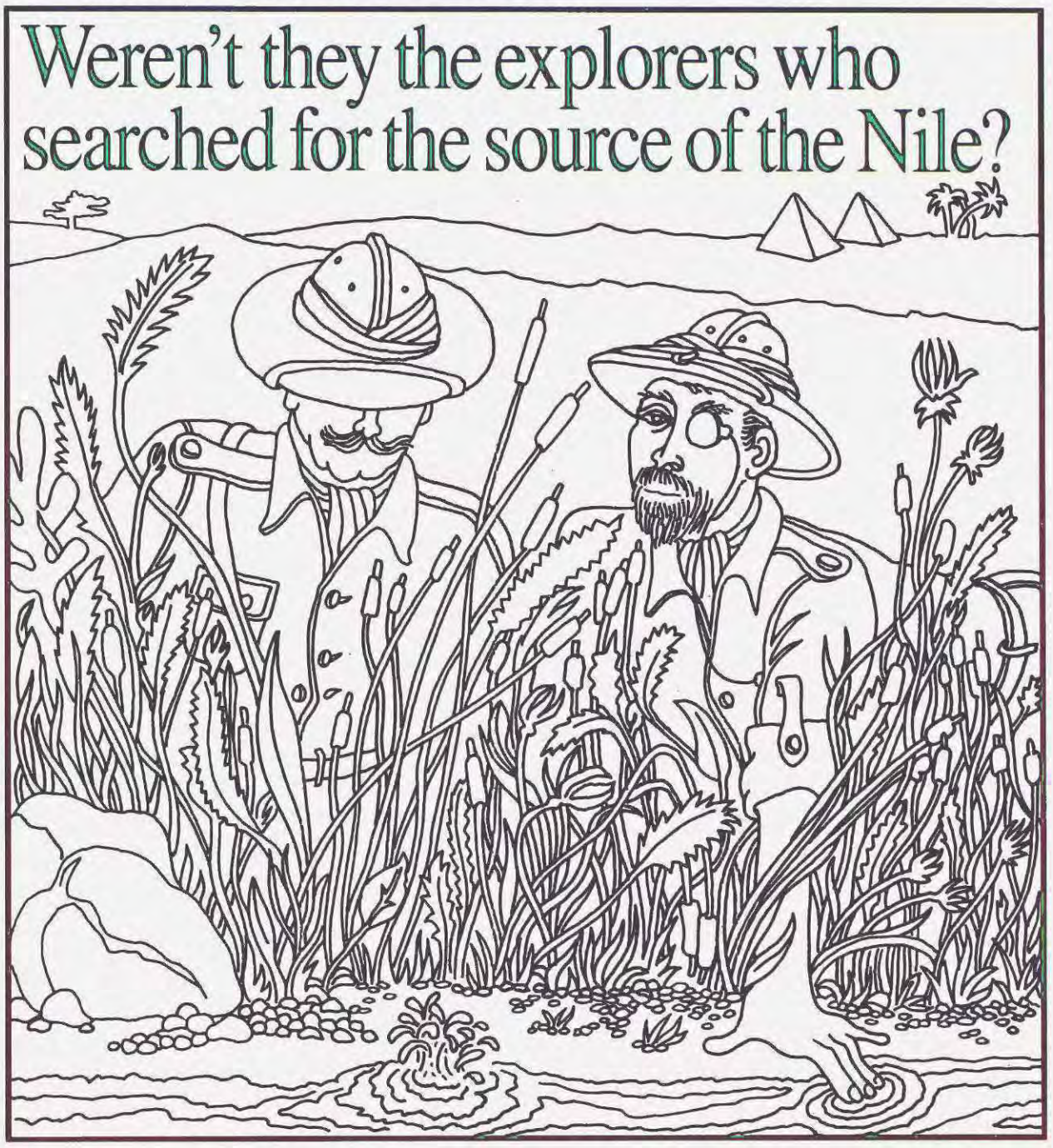


Photo: Hewitt Associates

"Sonam Benefit Network," developed with Hewitt Associates, maximizes Sony Corp.'s own resources, including its Trinitron color video monitors.

Duncanson & Holt.

Weren't they the explorers who searched for the source of the Nile?



Unless you're in insurance, you might not know that Duncanson & Holt, Inc. has been exploring innovative programs for our clients for twenty successful years. Back in 1967, we created the American Accident Reinsurance Group (AARG) and became the first major accident and health reinsurance pool in America.

We've been developing new programs ever since to help our clients increase their leverage and maximize their security. Our current earned premium is in excess of $150 million and our per occurrence capacity is $50.0 million, making us the largest facility of its kind in the country. Whatever your size, if you're searching for creative solutions to your needs, call our offices in Atlanta, Chicago, Dallas, New York, Philadelphia or San Francisco. We might be just the source you've been looking for. DUNCANSON & HOLT, INC. dh®

Communications

Continued from page 24

direct communications with employees," said Ms. Roller.

"If you don't get your hand in early. . .it will be difficult to catch up."

Aetna's system is designed to give employees information about their employer's defined benefit and defined contribution plans.

The Hartford, Conn.-based insurer tested the system with its own employees during 1986 and is now improving it, said Ms. Roller. She noted that one major change will be the switch from a keyboard to a touchscreen because a touchscreen is easier to work with.

The new system will be installed in seven company locations around the Hartford area for 15,000 Aetna employees during May and June. Ms. Roller estimated that Aetna will begin "actively marketing" the system to clients this summer.

Metropolitan Life Insurance Co. in New York, one of the first insurers to develop an interactive communication system, has been marketing its SHOWCASE system to clients for several years (*BI*, May 26 and Aug. 18, 1986).

Another insurer following a similar course of action is Travelers Corp.

Travelers is working on an interactive communications system housed in a kiosk that uses a touchscreen and incorporates video, according to Stephen Booma, secretary of the company.

The software, called "Benny," was first used by employees in April 1986. Currently, about 10,000 Travelers employees can access the program in about five kiosks throughout the company's Hartford headquarters.

Although touchscreens are becoming more popular, they do cost two to three times as much as a regular monitor, so they may not be appropriate for employees with some familiarity with computers, noted Ms. Greenbaum of Mercer.

For example, Sony Corp. of America plans to start up an interactive communications system in July that maximizes the use of its own resources, including Sony Trinitron video monitors and extensive color graphics, since Sony employees are technologically oriented.

The software, called "Sonam Benefit Network," was developed with Hewitt Associates. It was designed "to make sure that employees had all the right tools to make the most of their benefits," said Hewitt's Mr. Stentiford.

Thus far, the system deals only with Sony's group insurance plans, not its savings plans.

Sony has a flexible benefits program that allows employees to choose among benefit options, such as various medical plans, dental

Continued on page 30



IT'S 1987: DO YOU KNOW WHERE YOUR REINSURANCE CERTIFICATE IS?

CONFER® A new and powerful system puts your entire facultative reinsurance program at your fingertips.

CONFER (Communications Network For Electronic Reinsurance) lets you eliminate manually intensive processes and accomplish in seconds what used to take days or even weeks—plus, now you can do things you've never been able to do before.

Experience the CONFER advantage, it sets a new standard in reinsurance:

- automates your inventory of facultative reinsurance and related information
- instantly identifies reinsurance coverages
- speeds recovery and expedites processing and payment of reinsurance claims
- delivers new business documents—quotes, binders, certificates and endorsements within minutes
- electronically transmits certificate replicas and certificate abstracts up to 10 years old
- provides premium and accounting information
- automatically updates your General Re coverage data base
- provides for easy collection and maintenance of non-General Re reinsurance data.

This exclusive system, with its own personal computer and laser printer installed in your office, is available to General Reinsurance clients only.

Find out how CONFER can take your reinsurance out of the dark ages and put you light years ahead.

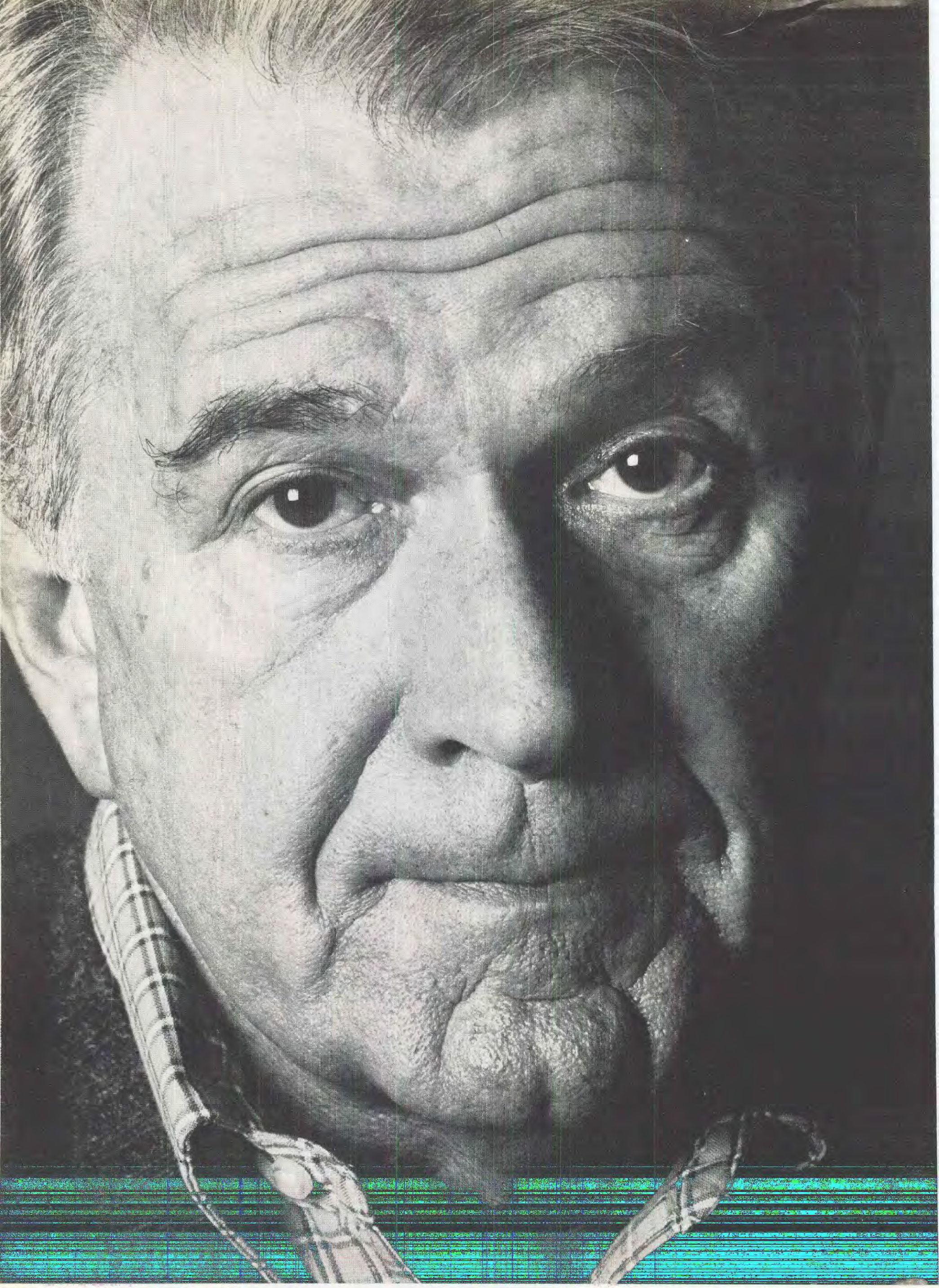
For a brochure, give us a call at our CONFER HOTLINE **(203) 328-5888**.

General Re

THE LAMP OF EXPERIENCE



CONFER is a registered servicemark of General Re Corporation
©General Re Corporation 1987



Hank's income just retired.

It didn't come as a surprise. Because it retired when he did.

But it meant a big adjustment.

The lifestyle Hank and his wife enjoyed had depended on his income. It's tough going out to dinner on a gold watch.

Too bad Hank's employer didn't know about UNUM.

UNUM protects incomes. With products that range from health and disability plans to life insurance and pension management.

From flexible group benefits to individual coverage that's custom-tailored, we're creating the next generation of insurance ideas.

All to protect income.

Whether you're an employer or an employee, UNUM's ideas can benefit you.

UNUM®

Income Protection

UNUM Life Insurance Company, Portland, ME 04122 (Pension products available only through this company).
UNUM Life Insurance Company of America, Portland, ME 04122 (All states except NY). First UNUM Life Insurance Company, Elmsford, NY 10523 (New York State only).

Coalitions grapple with data problems

By MEG FLETCHER

Some employer coalitions still encounter nagging technical and analytical problems when collecting and analyzing employees' health care cost and utilization data.

These include difficulty in determining what data to request, the degree of analysis provided and getting health care insurers and providers to release uniform reports.

However, employers and health care insurers that communicate and cooperate have made some progress in getting more precise and more meaningful data.

Employers formed coalitions in the early 1980s for strength in numbers when requesting information from insurers and hospitals and to determine what to ask.

"Health care data is still a pressing and frustrating problem for employers," said James W. Mortimer, president of the Chicago-based Midwest Business Group on Health.

More than two-thirds of the 73 MBGH members responding to a survey released last year said needed data were not being gathered by their administrator. More than half also said that reports did not include a time-trend analysis, and that there was neither a comparison base nor benchmark against which their experience could be interpreted, he said.

Most companies are receiving "too much data and not enough analysis," Mr. Mortimer pointed out.

Solving problems of data analysis, data collection and data report design have the highest priority among about half of the members that responded to another survey of member experience and expectations for corporate health care program management, Mr. Mortimer said.

As a result, the organization may re-emphasize its data analysis efforts, he added.

At this time, however, the coalition's employer group focusing on data still exists, but "ran out of steam," said Alan Peres, manager of health care utilization for Illinois Bell Telephone Co. in Chicago.

The group did hammer out a useful list of information requests that made it easier for Blue Cross of Illinois, Illinois Bell's insurer, to respond, he added.

Particularly helpful were reports that allowed him to compare employee health care costs and utilization by type of employee as well against regional and national norms, he said.

In addition, hospitals with high rates of Caesarean section deliveries and unnecessary admissions were identified and contacted, which eliminated some of those problems, Mr. Peres said.

Susan Margolis, director of health management for Corporate Health Strategies Inc., said that employer requests for information are increasing, especially among those involved in health care coalitions. Corporate Health Strategies is a New Haven, Conn.-based subsidiary of Metropolitan Life Insurance Co.

Joseph Rosmann, a Chicago-based partner in Coopers & Lybrand's Actuarial, Benefits and Compensation Group, said sophisticated large firms are asking for more and more data. But he said many small and medium-sized employers aren't asking for as much data as in the past because they couldn't use much of it without analysis from outside the company.

However, insurer response to these increasing requests for data "frequently involved tremendous amounts of reprogramming. . . at a tremendous cost," Mr. Rosmann said.

"Bashing ' insurers for their unwillingness to provide information wasn't fair because many employers were not willing to pay for it, either directly through special fees, or indirectly through higher overall administration charges. said Sandra Person, executive director of the Houston Area Health Care Coalition.

"Insurance carriers have been a little more responsive to data requests, but have been handicapped by the fact that they can produce data in their format but still not always meet the needs of employers," said Dr. Leon Warshaw, executive director of The New York Business Group on Health Inc.

Claims payers incompatible formats contributed to the Utah Health Cost Management Foundation's postponement of plans to assemble a data base of information on health care costs and utilization in the state, said Evan Schelin, executive director of the Salt Lake City-based coalition.

But even when the information is conveyed, many data reports became "dust catchers," Dr. Warshaw said. Problems include sample sizes being too small to be valid or the employer found that he was not prepared to implement benefit plan changes the data indicated.

"Stacks of computer listings produced by carriers in response to company requests without the availability of talented staff members to analyze the information to draw conclusions and recommend decisions led to inevitable frustration," Mr. Mortimer of the Midwest Business Group said.

Laird Miller, president of Health Systems Management Inc., a Minneapolis-based consulting firm, said that an employer on his own frequently can analyze utilization factors like admissions and incidences of diagnoses. However, outside help may be needed for more sophisticated analyses of factors like the incidence of a disease in a population and the impact of intervention programs.

Employers "have to be far more systematic about what information they want and how they will use it," said Mr. Miller.

Some employers, with coalitions acting as liaisons, turned their employee health care cost and utilization data over to "data consultants"—companies that specialize in health care data collection and analysis. Consultants' jobs often include reconciling the differences between insurers' various data collection programs and setting up files by case instead of merely by claim. In addition, they can compile a common data base that allows a single employer to compare its experience with the larger group.

Coalition spokesmen report mixed results from working with data consultants.

"Employers who have hired specialized data consultants to work

Continued on next page

To A Lot Of Insurance This Was A Stop Sign.

Most insurance companies view heavy construction as a risky business. And when R.E. Hazard Contracting Company applied for liability and workers' compensation coverage three years ago, insurers saw Hazard the same way. Trouble, waiting to happen.



To provide workers' comp and liability coverage for a construction project that employs dozens of trades takes flexibility and resourcefulness. It takes a company like Argonaut.

But Argonaut took a closer look and saw something more.

One of the best safety records in the industry.

And we've been insuring Hazard ever since.

Continued from previous page
with claim data tapes have been frustrated by the inaccuracy and incompleteness of this information, which was not collected with the intention of using it for management reporting," Mr. Mortimer said.

And, even when data and format problems are resolved, the cost of a data consultant's services can be more than a coalition can afford. The Boise-based Employers Health Coalition of Idaho paid a consultant more than $50,000 for his services, but its 35 employers balked at paying to update the work, said James Rand, the coalition's president and chairman.

The coalition now is working with Boise State University officials in hopes of developing a more timely data handling program at a lower cost, he said.

However, other coalitions have found working with a variety of consultants produces more usable and more precise data.

For example, employer health care coalitions in Houston and St. Louis have established on-line computer access to a data base of health care costs and utilization information supplied by their members' insurers. Both the Houston Area Health Care Coalition and the St. Louis Area Business Health Coalition acted as liaisons between their members and data consultants to establish the data base.

While problems collecting and analyzing data continue, some successes have been achieved, including:

- Development of a standardized data form for health maintenance organizations to report utilization data, which was a joint project of the Washington Business Group on Health and the Group Health Assn. of America (*BI*, Dec. 15, 1986).

The form will provide a uniform data collection system to serve the needs of employers that have complained for years that they cannot obtain data reports from health maintenance organizations to determine, among other things, the prepaid plans' cost-effectiveness.

While HMOs are not required to use the form, incorporating it into their existing information systems could save plans the time and expense of preparing a different data report for each employer.

The form, which was completed at the end of last year, is the basis for data collection in a new joint demonstration project, said Carol Cronin, WGBH coalition vp.

At least 12 employers have agreed—and eight more are considering—to allow the coalition to use their employees' utilization data from about 100 HMOs to establish a data center, she said.

Participating employers will receive reports, probably by the end of this summer, which will be prepared with the help of a consultant from William M. Mercer-Meidinger-Hansen Inc., analyzing their individual data and comparing it to all data collected.

However, Ms. Cronin cautioned that although the reports may provide some indications about HMO users' demographics and utilization patterns, the employer group is self-selected and may not be random enough for statistical validity.

"This is an important first step," Ms. Cronin said. The next step will be to get a handle on the quality of services provided, she said.

- Philadelphia-area Blue Cross/Blue Shield affiliates are providing employers and labor unions with extensive data, said Leonard Davis, vp of cost containment for Blue Cross of Greater Philadelphia.

Major components of the data collected by Blue Cross of Greater Philadelphia and Pennsylvania Blue Shield over the past decade include: admissions per thousand; inpatient hospital days; average length of stay and how it has changed; hospitals' usual charges; and the amount that Blue Cross/Blue Shield subscribers pay as a result of discounted rates.

In addition, data is broken down by type of medical care, including medical, surgical, psychiatric, maternity and drug- or alcohol-related, he said.

Four reports are issued. A community report includes the experience of more than 2 million group and individual subscribers. A business report, produced in conjunction with the Delaware Valley Business Coalition, includes the experience of about 350,000 employees. A labor union report, produced with the Philadelphia Council of the AFL-CIO, includes about 290,000 union members' health care utilization data. Finally, each large employer receives an individual utilization analysis that compares his company's experience with the coalition's average.

Some large subscribers wanted even more timely data, so the BC/BS plans are now preparing quarterly reports for the 20 largest groups of subscribers, Mr. Davis said.

In addition, BC/BS tries to make the data readable, using a narrative format that is supported by tables, Mr. Davis added.

"I think data is one of the most important marketing tools that a BC/BS plan has, and it is a real service," he said.

As a result of these data reports, some health care plans have made greater use of ambulatory surgery, he said. In addition, unions instituted more early intervention programs for members with drug and alcohol problems, Mr. Davis added.

Data from national employers participating in this Philadelphia-based reporting program is being combined with data from eight other BC/BS affiliates to establish a national data base of several million plan participants.

Boston-based Health Information Reporting Co., a BC/BS affiliate, is now testing the data, said Ilene Rosin, project manager. By fall, it should be possible for BC/BS program managers to compare each national employer's health care cost and utilization data with national, state and regional norms. Plans are for the program to eventually be available to other employers, she added.

The quality of data available to be compared was enhanced by adoption of a new claim form in 1984 that increased the number of spaces for information from 90 to 1,200, Ms. Rosin said.

- The Kansas Employer Coalition on Health in Topeka, Kan., hopes to make Wichita the fourth city in the state where hospitals report utilization data, said James Schwartz, the coalition's consulting director.

Four Wichita hospitals had agreed to participate in the program, but backed out after alleging that the coalition had released information about the program too soon, Mr. Schwartz said.

Seven hospitals in three Kansas cities—Topeka, Manhattan and Emporia—already report average charges and lengths of stay by the 50 most common diagnostic-related groups for patients whose care is not funded by a public program, he said.

The Kansas coalition prefers collecting data from hospital providers rather than insurers because hospital data is easier to pool. In addition, the hospitals provide the data free of charge. The data then is entered into a software program Mr. Schwartz created, so the only additional cost to the coalition comes from printing and publishing reports, he said. ■



Companies,



To get more projects off the ground, we look at your company not your category.

Argonaut looks at the company, not the category. The specifics, not the stereotypes.



Our loss control plan makes your project a safety zone.

Because every customer is unique. And every situation demands the responsiveness and flexibility that a company of our size and resources is ideally equipped to provide.

Call (415) 326-0900 and talk to our president, Michael Crall. He just might get you what a quick once-over won't:

The high sign. Argonaut

MANY PROBLEMS . . . ONE SOLUTION.

No matter how many Workers' Compensation problems you have, Cost Care's Workers' Compensation Case Management System is the only solution you need.

At last there is a **single** comprehensive system designed to:

✔ Mitigate disability and reduce litigation.
✔ Assist in early return to work.
✔ Reduce both medical and indemnity costs.

Cost Care -- the single solution for Workers' Comp Case Management.

COST CARE™

Call:
Burt Feldman, Director
1-800-762-3029 Nationwide

WORKERS' COMPENSATION
CASE MANAGEMENT

'87 EBIS directory includes more firms than previous year's

By MARILOU JONES

When an employee benefit manager decides it's time to automate the department's work, what are the options?

The directory of employee benefit information systems that follows includes information on 67 companies that market these systems to employee benefit departments.

To compile the directory, *Business Insurance* sent out questionnaires to software vendors that requested them.

To be included in the directory, the vendors must produce and supply employee benefit software directly to corporate employee benefits personnel; the directory does not include software products that are of use only to insurance companies, third-party claims administrators or health care providers.

Last year, the first directory of employee benefit information systems listed 46 EBIS vendors. This year, the EBIS directory includes 67 such companies—an increase of 45.7%.

The computer software products included in the directory perform a variety of benefit-related functions.

Some of the software products are designed to administer health plans or flexible benefit plans, while others perform services, such as utilization review, enabling the benefit manager to monitor health care costs.

Also included in the directory are software products that employees can use to determine which benefit options may be the best for them.

And, many of these software products can generate personalized benefit statements and other communications materials that can be used by employees.

Because many employee benefit managers may not be familiar with the capabilities and quirks of a newly purchased EBIS, the majority of system vendors offer some type of continued user support for their clients.

Methods of support include services such as user groups and meetings, telephone assistance during business hours or around-the-clock and training seminars at the client's office.

Many companies also offer newsletters and other publications to keep benefit managers up to date on current developments in the employee benefits software field.

Information on specific software products is included in the directory to help benefit managers determine if a product is right for them.

For example, the listings for each company include:

- The average price of each system offered by the vendor.
- Whether the software and hardware are sold as a bundled package or unbundled.
- Whether the system is available on a time-sharing basis.
- The type of hardware needed to operate the software.

In addition, the number of employee benefit department installations for each product is given, as is the total number of installations, which includes products sold to insurance companies, third-party claims administrators, hospitals, preferred provider organizations and health maintenance organizations.

Also, general information on the software company, such as number of staff members, number and size of clients and branch office locations, gives benefit managers insight as to whether a particular vendor and client will be a good match.

The directory of employee benefit information systems is published by *Business Insurance* as an editorial service; there is no charge for companies to be listed in the directory. ■

MEDHELP WORLDWIDE . . .

THE INTERNATIONAL HEALTH PLAN

Medical Insurance for Employees Living Overseas.

MedHelp Worldwide provides comprehensive medical coverage for:

- Expatriates
- Employees on overseas assignments
- Foreign nationals temporarily in the U.S.A.
- Frequent international travelers

MedHelp Worldwide . . .

- Provides a choice of three plans to meet different requirements.
- Provides comprehensive medical expense coverages of up to one-half million dollars (per covered injury or sickness) **anywhere** in the world including limited coverage even when the insured person returns to his home country.
- Provides an international network of 24-hour multi-lingual assistance centers to help the insured person find medical treatment and eliminate the problem of paying for it in a foreign country.
- Provides renewable semi-annual or annual coverages (including coverage for dependents.)

Also available:

- Accidental Death and Dismemberment benefits of $100,000 or $250,000.
- Life insurance benefits up to $500,000.

International Underwriters Group provides short-term international health insurance plans.

Brokerge contracts are available.

MedHelp Worldwide . . . the logical medical insurance choice for people away from their home country.

International Underwriters Group
243 Church Street West
Vienna, Virginia 22180
800-237-6615
703-255-9800

MedHelp Worldwide is underwritten by International Insurance Company of Hannover, Ltd.

WITH OUR D&O LIABILITY COVERAGE YOU GET MORE THAN JUST A POLICY.

YOU GET A PARTNERSHIP.

For over 20 years, National Union, a member company of AIG, has been a significant and stable source of Directors & Officers liability insurance.

In fact, we're the nation's leading underwriter of this critical coverage. For good reasons.

OUR EXPERIENCE AND TEAMWORK ARE UNSURPASSED

From corporate finance, to credit analysis, to legal considerations, our command of the intricacies of D&O underwriting is surpassed only by our corporate commitment to deliver the highest quality coverage at a time when the stakes couldn't be higher.

Support this with our 20-year heritage of teamwork and it's easy to understand how our leadership position has been established and sustained.

OUR FINANCIAL POSITION IS STRONG

Through one of the most challenging periods in the industry, we've continued to expand our capacity while earning the highest marks from Moody's and Best's.

In fact, we're Aaa and A + rated, respectively, and capable of providing up to $25 million in coverage for you.

WE'RE READY TO ASSIST YOU IN DEFENSE

Your D&O coverage wouldn't be worth much if it crumbled in the face of litigation.

Fortunately, we have a long and successful track record of assisting in the defense of claims and lawsuits. And that's a significant advantage for your corporation.

If you'd like to explore all the advantages of D&O coverage from National Union, simply have your agent or broker contact the AIG branch office nearest you.

You'll find it's our policy to provide much more than insurance.

AIG AMERICAN INTERNATIONAL GROUP OF INSURANCE COMPANIES

Our Policies Are Your Best Insurance.

Continued from previous page

User support: Telephone assistance available eight hours per day, one-site meetings with clients.

1986 gross revenues: Not reported.

Principal officers: Frank J. Hoder III, president; John W. Hoder, vp.

Benefit Technology Inc.

209 S. Second, Rogers, Ark. 72756; 501-636-0366; 800-451-0366

Year founded: 1978.

Software products:

• Self Funded Health Claims Administration: $100,000; bundled hardware and software; mainframe or minicomputer; first installation, 1978; 10 total installations; functions include administration of self-funded health, dental, vision and disability claims.

• Self Funded Prescription Card Plan Administration: $10,000; bundled hardware and software; mainframe or minicomputer; first installation, 1982; three total installation; functions include administration of prescription card benefit plans.

• Flex-Benefit Plan: $10,000; unbundled hardware and software; personal computer or minicomputer; new product; functions include administration of flexible benefit plans; can be used to communicate benefit programs to employees.

Staff: Three total staff members who are professionals.

Clients: 25 total clients. Five employee benefit department clients; 25% with less than $200 million in gross revenues, 25% $200 million-$500 million, 50% $1 billion-$3.5 billion.

User support: Telephone assistance available 24 hours per day, on-site visits to clients.

Locations: Oklahoma City.

1986 gross revenues: Not reported; 50% from sale of hardware, 50% from sale of software.

Principal officers: John T. Oakes, president; Doug King, vp.

Benefits Control Inc.

601 Jefferson Road, Parsippany, N.J. 07054; 201-884-0774

Year founded: 1982.

Software products:

• COBRA Compliance: $1,500; unbundled hardware and software; personal computer; first installation, 1986; four total installations in employee benefit departments; system facilitates COBRA compliance with letters, follow-up and reports. Employer clients include Electro-Biology Inc.; Carroll, McIntee & McGinley.

• Benefits Management: $995-$8,000; unbundled hardware and software; personal computer; first installation, 1985; seven total installations in employee benefit departments; functions include self-billing, allocations to profit centers, HMO tracking. Employer clients include Electro-Biology Inc.; Carroll, McIntee & McGinley.

• Flexible Benefits: $25,000; unbundled hardware and software; personal computer or minicomputer; first installation, 1987; one total installation in employee benefit department; functions include administration of flexible benefit programs and reporting; can be used to communicate benefit programs to employees. Employer client is Black Clawson.

Staff: 11 total staff members, eight professional staff members.

Clients: 60 total, which are employee benefit department clients; 80% with less than $200 million in gross revenues, 20% $200 million-$500 million.

User support: Telephone assistance available 12 hours per day, on-site visits and training programs for clients.

Locations: Miami and Tampa, Fla.

1986 gross revenues: $600,000; 40% from sale of software, 60% from services.

Principal officers: J. MacDougald, chairman; S. Hood, president; S. Babits, executive vp; D. Arroyo, vp-systems design.

BeneSoft Inc.

P.O. Box 3530, Bethany, Conn. 06525; 203-393-0320

Year founded: 1982.

Software products:

• BeneSoft's FlexibleSoftware: $10,000 annually; unbundled hardware and software; personal computer; first installation, 1987; five total installations; two employee benefit department installations; functions include administration of flexible benefit plans, eligibility reporting, premium calculations and payroll interface; can be used to communicate benefit programs to employees and to administer claims under COBRA. Employer clients include Trustcorp Inc.

• BeneSoft's Benefits Communications & Calculations System: $5,000 annually; unbundled hardware and software; personal computer; first installation, 1987; three total installations; one employee benefit department installation; system produces annual benefit statements and personalized employee communications materials; can be used to communicate benefit programs to employees and to administer claims under COBRA.

• BeneSoft's Pension & Social Security Calculations & Administration System: $25,000-$35,000; unbundled hardware and software; personal computer; first installation, 1984; 55 total installations, in employee benefit departments; functions include pension administration and benefit calculations; can be used to communicate benefit programs to employees. Employer clients include Comsat, Chemical Bank.

Staff: Seven total staff members, five professional staff members.

Clients: 60 total clients. 55 employee benefit department clients; 25% with less than $200 million in gross revenues, 50% $200 million-$500 million, 25% $500 million-$1 billion.

User support: User groups and meetings; telephone assistance available 24 hours per day; training, implementation support and consulting for clients.

1986 gross revenues: $200,000; 100% from sale of software.

Principal officers: F.A. Saleh, president; Steve Y. Froebel, vp-systems development.

Benetics

325 E. Middlefield Road, Mountain View, Calif. 94043; 415-940-6300

Year founded: 1981.

Software products:

• Charlie Health Claims Administration: $70,000; unbundled hardware and software; personal computer, minicomputer or mainframe; first installation, 1983; 37 total installations; four employee benefit department installations; functions include administration of group medical, dental, prescription drug, vision and disability claims; can be used to communicate benefit programs to employees and to administer claims under COBRA. Clients include Encyclopaedia Britannica, Honeywell Information Systems, Dart Container Corp.

• Billing/Enrollment Administration: $35,000; unbundled hardware and software; personal computer,

Continued on page 42



Everybody feels a glow of pride over a triumph like the Voyager's. Once it's over.

It's a very different story when things are in the planning stage. Because the more original an idea is, the harder to get it off the ground.

When the Voyager's insurance broker came to our subsidiary in Texas, Global Aviation Insurance Services, their specific insurance needs were considered by expertly trained underwriters. Who, by no coincidence, happen to be pilots themselves.

They decided that it was well worth writing a policy for the daring venture called Voyager.

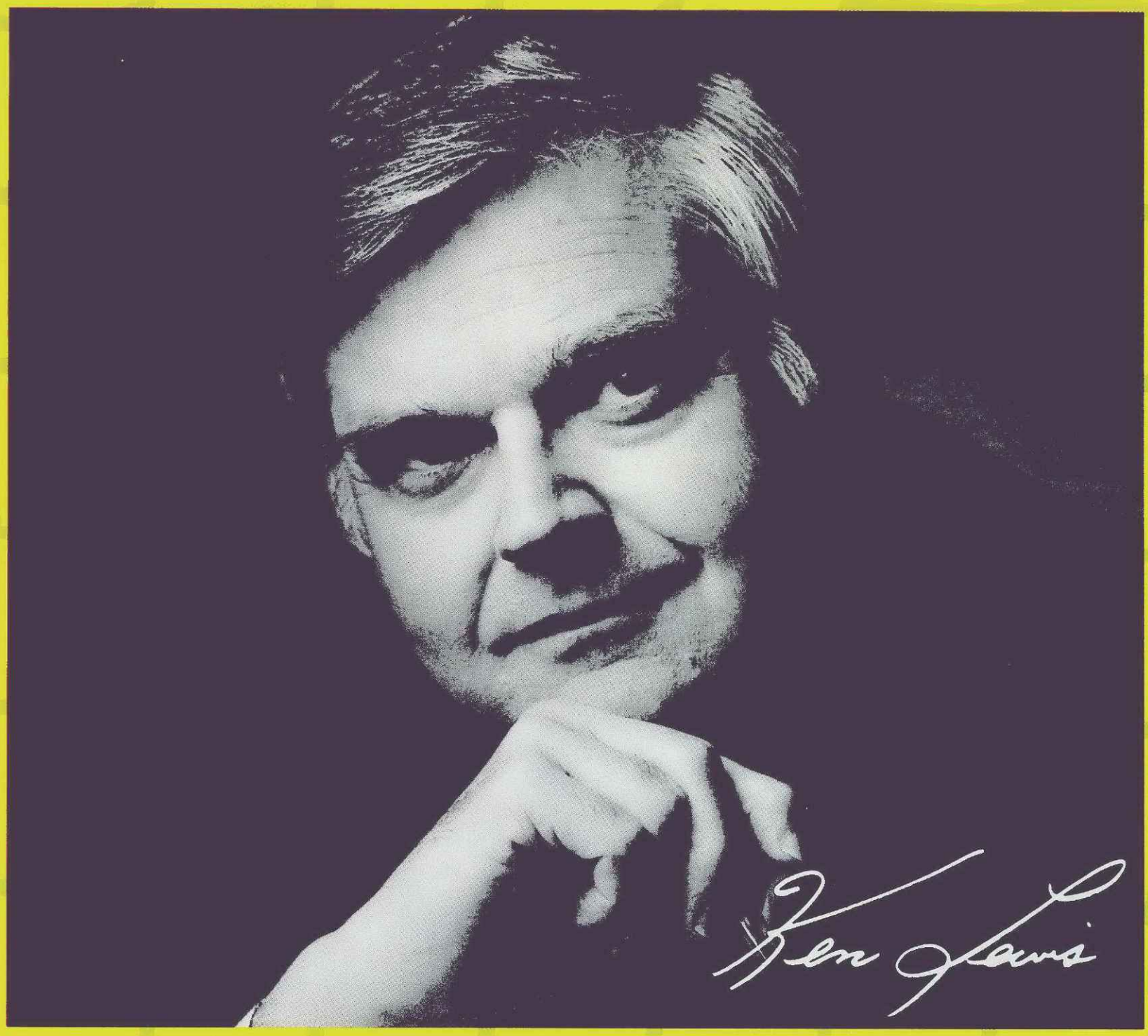
This kind of personalized thinking has characterized Home Insurance since we first started business, back in 1853. It works as beautifully for an extraordinary enterprise, like Voyager, as for underwriting professional liability or property policies.

So whether you're a major corporation, or a small company with a big idea, have your broker or agent contact the Home field office nearest you. Or write Marshall Manley, Chairman, The Home Insurance Company, 59 Maiden Lane, New York, New York 10038.

Home Insurance
There's no place like it.

The Home Insurance Company is a member of The Home Group, Inc.

whom are professionals.



© 1987 Health Net

"Your Job Is To Offer A Health Plan With A Minimum Of Paperwork. Our Job Is To Develop The Most Efficient System For Processing Claims."

Ken Lewis, *Vice President, Operations, Health Net*

At Health Net, we believe that nothing should prevent you and your employees from receiving quality medical care. Particularly not claim forms and other administrative hassles.

That's why we've developed our fully-automated claims processing system. Not only does it eliminate the frustration of extensive paperwork, it speeds up the processing time to no more than five working days.

So look to Health Net to provide a maximum of quality care with a minimum of paperwork.

Health Net. Because it doesn't have to hurt.

HEALTH NET

A Federally Qualified HMO.

The Next Generation In Health Care.

Available to companies with 15 or more employees.
For further information, call your insurance broker or a Health Net representative at 1-800-522-0088.

HEALTH CARD THE BETTER ALTERNATIVE FOR PRESCRIPTION DRUG COVERAGE

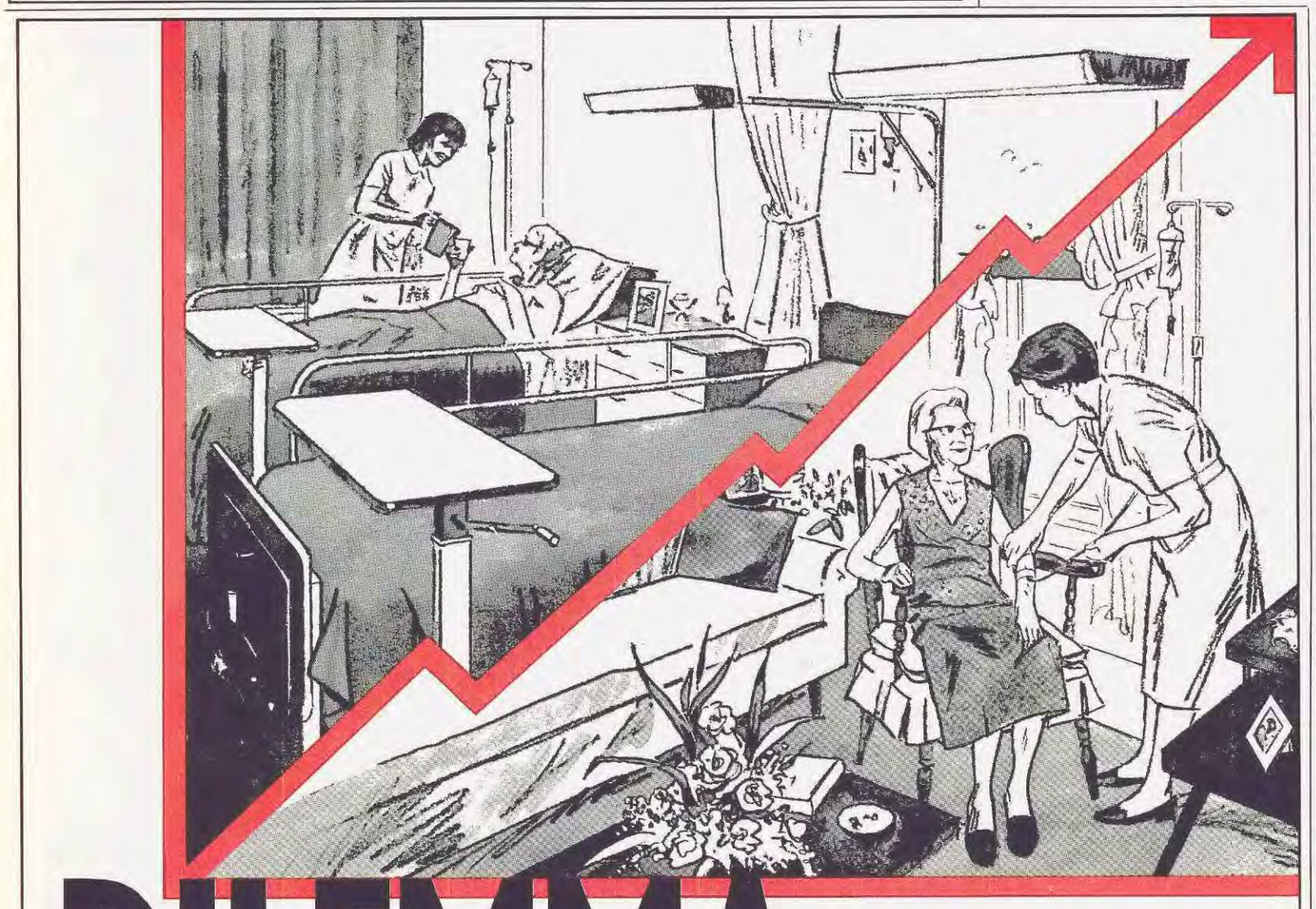
Providing the Most Comprehensive Administration of Prescription Drug Programs

• Designed to Meet Your Specific Requirements •

— National Pharmacy Participation — Maintenance Programs
— Low Administration Fee — Generic Programs
— Computerized Utilization Reports

- Plastic I.D. Card
- Audits
- Automated Front End Deductible Administration
- Direct Reimbursement
- Utilization Review

Call or Write:
NATIONAL MEDICAL HEALTH CARD SYSTEMS, INC.
48 Harbor Park Drive, Port Washington, NY 11050
800 645-3332 • 516 626-0007



DILEMMA

With skyrocketing hospital costs, how can you afford to give employees or policyholders the best in health care?

...the answer can be found at home.

- QUALITY CARE, a leader in home health care for almost two decades, provides highly skilled, trained personnel — R.N.'s, L.P.N./L.V.N.'s, home health aides, home managers, high-tech specialists, others
- QUALITY CARE, with over 200 corporate-owned offices nationwide, provides the widest variety of home health care services: for patients recovering from acute illnesses, accidents, operations, chronic diseases
- QUALITY CARE is staffed with professionals who provide insurers with on-site, prompt case assessment and consultation

Find out about the home care alternative.

Millions of dollars have been saved, in thousands of cases, as a result of QUALITY CARE services to insurance carriers, TPA's and self-insured companies. Find out for yourself. Call our National Resource Center Hotline at 800-645-3633 (in NY State 800-632-3201) or write Marketing Dep't. B.

QUALITY CARE®
"The Complete Homecare Service"
100 N. Centre Avenue
Rockville Centre, NY 11570

© 1987 Quality Care, Inc.

Continued from page 40
minicomputer or mainframe; first installation, 1985; 10 total installations; two employee benefit department installations; functions include billing for COBRA.

• Case Management Tracking: $35,000; unbundled hardware and software; personal computer, minicomputer or mainframe; first installation, 1986; three total installations; functions include precertification and utilization review tracking.

• Flexible Benefits Administration: $35,000; unbundled hardware and software; personal computer, minicomputer or mainframe; first installation, 1987; one total installation; functions include administration of flexible benefit, flexible spending and cafeteria plans; can be used to communicate benefit programs to employees.

Staff: 55 total staff members, 40 professional staff members.
Clients: 40 total clients. Four employee benefit department clients; 25% with less than $200 million in gross revenues, 25% $200 million-$500 million, 25% $500 million-$1 billion, 25% $1 billion-$3.5 billion.
User support: User groups and meetings, telephone assistance available 24 hours per day, on-site assistance for clients, remote dial assistance.
Locations: Hartford, Conn.; Philadelphia; Chicago; Boca Raton, Fla.
1986 gross revenues: Not reported.
Principal officers: Harold Enright, president/chief executive officer; Kenneth Jonker, executive vp/chief operating officer; Duane Roberts, vp-research/development.

Buck Consultants Inc.

2 Pennsylvania Plaza, New York, N.Y. 10121; 212-330-1000

Year founded: 1916.
Software products:
• PIA—PRO: Mainframe; first installation, 1978; functions include calculation of Social Security benefits.
• BENCAL: Mainframe; first installation, 1970; functions include calculation of retirement benefits for defined contribution plans.
• Loans Plus: Mainframe; first installation, 1984; functions include initiation and administration of loans under defined contribution plans.
• ACTVAL: Accessed through vendor's mainframe; first installation, 1970; functions include calculation of defined benefit plan liabilities.
• OPTAMIX: $7,000; personal computer; first installation, 1984; functions include allocation of assets.
Staff: 875 total staff members, 645 professional staff members.
Clients: 1,000 total clients.
User support: Telephone assistance available during business hours, project implementation and support.
Locations: Atlanta; Chicago; Dallas; Fort Wayne, Ind.; Harmon Meadow, N.J.; Honolulu; Houston; Los Angeles; New York; Pittsburgh; San Francisco; Washington, D.C.; Toronto.
1986 gross revenues: Not reported.
Principal officers: William E. Giegerich, president/chief executive officer; John Seltzer, chairman.

C

C G Data Corp.

8685 N.W. 53rd Terrace, Miami, Fla. 33166; 305-593-1881

Year founded: 1980.
Software products:
• FACTS: $79,500; unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1982; 99 total installations; 14 employee benefit department installations; functions include claim administration, PPO administration, pre-certification and utilization review; can be used to administer claims under COBRA.
• FACTS 125: $7,000; unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1986; 18 total installations; one employee benefit department installation; functions include administration of flexible spending accounts and cafeteria plans.
Staff: 67 total staff members, 11 professional staff members.
Clients: 116 total clients, 14 employee benefit department clients.
User support: User groups and meetings; telephone assistance available 24 hours per day.
Locations: Oak Brook, Ill.
1986 gross revenues: Not reported.
Principal officers: Gary S. Simmons, president; Lawrence Tornek, vp/treasurer.

CVA Consultants Inc.

3320 W. Sahara Ave., Suite 300, Las Vegas, Nev. 89102; 702-385-2162

Year founded: 1983.
Parent company: Fred S. James & Co. Inc.
Software products:
• Continuation Health Insurance

Continued on page 44



THE REAL BENEFIT BEHIND THE TRAVELERS FLEXIBLE BENEFITS IS HAPPIER, MORE SATISFIED EMPLOYEES.

The fact is, most employees don't realize how much their employee benefits are worth. So they don't truly appreciate them. They see benefits as an entitlement. And that could limit the changes they'll accept as you strive to manage costs.

But with The Travelers flexible benefits, employees have a complete understanding of their benefit program. They're better able to match coverage to individual needs. And see the value of their coverage like never before.

That's because The Travelers guides employees through the enrollment process, thoroughly equipping them to make knowledgeable, responsible benefit choices. And when employees more clearly understand the nature and dollar-value of their benefits, your abilities to manage costs are improved.

Further, our superior systems capabilities and expertise in plan design and pricing mean a smooth transition to your flexible benefit program.

And that keeps everyone smiling.

Learn the details. Call Bruce Davidson, Vice President, (203) 277-4518.

The Travelers Insurance Company and its Affiliates, Hartford, CT 06183.

The Travelers

You're better off under the Umbrella.℠

Continued from page 42
Coverage Software (CHICS): $2,500; unbundled hardware and software; personal computer; first installation, 1986; more than 25 total installations, in employee benefit departments; functions include administration of claims under COBRA; can be used to communicate benefit programs to employees. Employer clients include Washoe County School District, Southwest Gas Corp., Golden Nugget Inc.

Staff: 26 total staff members, 16 professional staff members.
Clients: 55 total clients; 75% with less than $200 million in gross revenues, 20% $200 million-$500 million, 5% $500 million-$1 billion.
User support: Telephone assistance available eight hours per day.
Locations: Through offices of parent company.
1986 gross revenues: $300,000; 25% from sale of software, 75% from services.
Principal officers: Randall V. Capurro, president; C.J. Christie, secretary/treasurer.

California Interactive Computing Inc.

12517 Chandler Blvd., North Hollywood, Calif. 91607; 818-985-2680; 213-557-2424

Year founded: 1977.
Software products:
• DiMed: $60,000; unbundled hardware and software; first installation, 1980; 30 total installations, in employee benefit departments; functions include group health claims management. Employer clients include Oklahoma Natural Gas Co.
• Medical Fee Schedule Module: $9,500; unbundled hardware and software; first installation, 1986; three total installations; used in conjunction with DiMed system.
• Policy Management: $15,000; unbundled hardware and software; first installation, 1986; three total installations; functions include tracking policy data.
• Data Management Reporting System: $55,000; unbundled hardware and software; first installation, 1986; three total installations; used in conjunction with vendor's claims processing systems.
Staff: 60 total staff members, 20 professional staff members.
Clients: 40 total clients; 80% with less than $200 million in gross revenues, 5% $200 million-$500 million, 5% $500 million-$1 billion, 10% exceeding $3.5 billion.
User support: Telephone assistance available 15 hours per day, on-site service for clients.
1986 gross revenues: $10 million; 30% from sale of hardware, 40% from sale of software, 30% from services.
Principal officers: Jerry C. Buckley, president; Robert Reisbaum and Ralph M. Flygare, vps; Dorothy Payne, director-client services; Theodore Kircher, vp-finance/administration; Gary L. Smart, vp-sales.

Cantor & Co.

9348 Civic Center Drive, Beverly Hills, Calif. 90210; 213-859-7277

Year founded: 1982.
Software products:
• PCMS: $9,700; unbundled hardware and software; first installation, 1985; 120 total installations; functions include tracking disability, benefits and patient care. Provider clients include City of Hope National Medical Center, Kaiser Foundation of Southern California.
• Riskmap Risk Financing: $1,950; unbundled hardware and software; first installation, 1983; more than 100 total installations; functions include benefit funding mechanisms and budgeting. Employer clients include The New York Times Co., National Medical Enterprises Inc.; other clients include Marsh & McLennan Cos. Inc. (Kansas City, Mo., office), Rollins Burdick Hunter Co. (Portland, Ore., office), Bayly, Martin & Fay International Inc. (Los Angeles office).
• Riskmap Loss Forecasting: $1,500; unbundled hardware and software; first installation, 1984; 11 total installations; functions include forecasting of frequency, severity and total cost of benefit programs. Employer clients include National Medical Enterprises Inc., Charter Medical Corp.
• HMO Membership/Claims Management System: bundled or unbundled hardware and software; new product; functions include management of membership and claims for HMOs.
Staff: Six total staff members, five professional staff members.
Clients: More than 200 total clients; 25% with less than $200 million in gross revenues, 60% $200 million-$500 million, 10% $500 million-$1 billion, 4% $1 billion-$3.5 billion, 1% exceeding $3.5 billion.
1986 gross revenues: Not reported.
Principal officers: Alan B. Cantor, president.

Cascade Technologies Inc.

2 Pennsylvania Plaza, Suite 1500, New York, N.Y. 10121; 212-244-3100

Year founded: 1985.
Software products:
• ProCAS: $25,000; unbundled hardware and software; personal computer; first installation, 1985; five total installations; functions include record keeping for defined contribution plans and claims administration; can be used to communicate benefit programs to employees.
Staff: Four total staff members who are professionals.
Clients: Not reported.
User support: User groups and meetings, telephone assistance available nine hours per day, training seminars for clients.
Locations: Westbury, N.Y.; Jersey City, N.J.
1986 gross revenues: Not reported, 100% from sale of software.
Principal officers: William Colgan, president; Vigdis Austad, vp-marketing; Frank Joicy, vp-technology.

The Commons Management Group

10420 Little Patuxent Parkway, Columbia, Md. 21044; 301-997-9292

Year founded: 1981.
Parent company: Parkside Health Management Corp.
Software products:
• The Caseplex Business System: Available on a time-sharing basis; minicomputer; first installation, 1981; functions include providing information on inpatient and outpatient health care costs and utilization review.
Staff: Six total staff members.
Clients: Not reported.
User support: Telephone assistance, client presentations and data analysis.
Locations: Park Ridge, Ill.
1986 gross revenues: Not reported.
Principal officers: Robert Coburn, president.

Coopers & Lybrand-Actuarial, Benefits & Compensation Group

400 Renaissance Center, Detroit, Mich. 48243; 313-446-7266

Year founded: 1951.
Parent company: Coopers & Lybrand.
Software products:
• COBRATRACKS: $2,500; unbundled hardware and software; personal computer; first installation, 1986; 100 total installations in employee benefit departments; functions include tracking COBRA participants from date of qualification until end of continuation coverage; can be used to communicate benefit programs to employees.
• Personnel Administration Control System (PACS): $150,000; mainframe; first installation, 1977; 20 total installations; 16 employee benefit department installations; functions including accounting for defined contribution plans, general personnel accounting and reporting; can be used to generate employee benefit statements.
Staff: 625 total staff members, 500 professional staff members.
Clients: Not reported.
User support: Software updates.
Locations: Albany and Syracuse, N.Y.; Atlanta; Boston; Charlotte, N.C.; Chicago; Cleveland; Columbus, Ohio; Dallas; Hartford and Stamford, Conn.; Los Angeles; Louisville, Ky.; Minneapolis; Newark, N.J.; New York; Philadelphia; Pittsburgh; San Francisco; Seattle; Tampa, Fla.;
Continued on facing page

COST CARE PHYSICIANS HAVE REVIEWED OVER 200,000 HOSPITAL ADMISSIONS... ONE PATIENT AT A TIME.

Should that matter to you?

It should, if you are concerned about the quality of medical care and effective cost management.

It should, because only doctors can:

✔ Influence other doctors prospectively.
✔ Evaluate medical necessity.
✔ Establish an appropriate setting.
✔ Determine appropriate length of stay.
✔ Develop an effective treatment plan.
✔ Ensure cost effective and quality care.

Only doctors can do all that, and only Cost Care has them. On staff. Full-time. Reviewing **100%** of our cases.

It should matter...

At Cost Care, it does.

We treat your employees the way their doctors do -- case by case.

COST CARE
Offices Nationwide

Call:
Phillip W. Havener, VP
800-762-3029 Inside California–800-922-8403

PSYCH/SUBSTANCE ABUSE CASE MANAGEMENT
PRE-HOSPITAL/SURGICAL REVIEW
MEDICAL CASE MANAGEMENT
ALTERNATE MEDICAL CARE
BILL REVIEW AND AUDIT

Continued from facing page
Washington, D.C.

1986 gross revenues: Not reported.

Principal officers: Jerome Halperin, national director-actuarial, benefits and compensation consulting services; Vince Taormina, West regional partner; John Phillips, Northwest regional partner; Robert Pugh, Southwest regional partner; Jack Forstadt, Central regional partner; Dave Sunderhaft, Midwest regional partner; Reed Keller, Southeast regional partner; Ken Harris, Mid-Atlantic regional partner; Barry Blazer, New York metro regional partner; Larry Glass, Northeast regional partner.

Corporate Health Strategies Inc.

2 Whitney Ave., New Haven, Conn. 06510; 203-789-2989

Year founded: 1981.
Parent company: Metropolitan Life Insurance Co.
Software products:
• PC CHAP: $40,000; bundled hardware and software; personal computer; first installation, 1984; 50 total installations; 30 employee benefit department installations; functions include analysis of health care utilization and provider.
• Benefit Simulation Model: $15,000; bundled hardware and software; personal computer; first installation, 1984; 50 total installations; 30 employee benefit department installations; functions include tracking benefit plan performance; can be used to communicate benefit programs to employees.
• PPO Selection Model: $15,000; bundled hardware and software; personal computer; first installation, 1985; 50 total installations; 30 employee benefit department installations; functions include selection of preferred providers.
Staff: 50 total staff members, 45 professional staff members.
Clients: 110 total clients, which are employee benefit departments; 10% with less than $200 million in gross revenues, 10% $200 million-$500 million, 10% $500 million-$1 billion, 30% $1 billion-$3.5 billion, 40% exceeding $3.5 billion.
User support: User groups and meetings; telephone assistance available 24 hours per day, newsletters, on-site consultation and training for clients.
Locations: Westport, Conn.; New York.
1986 gross revenues: Not reported.
Principal officers: Robert A. Chernow, president.

d

Data Management Ventures Inc.

P.O. Box 724258, Atlanta, Ga. 30339; 404-438-9193

Year founded: 1985.
Software products:
• FEE FACTS: $350-$795 for six months; unbundled hardware and software; mainframe or personal computer; first installation, 1985; 80 total installations; two employee benefit department installations; system provides a reference for chiropractic and physical therapy claims and rehabilitative medicine, provides cost-containment services. Insurer clients include State Farm Insurance Co. (Bloomington, Ill.), Northwestern National Insurance Co. (Minneapolis); provider clients include Cost Care Inc.
Staff: Five total staff members, three professional staff members.
Clients: 80 total clients, two employee benefit department clients.
User support: Telephone assistance available eight hours per day.
1986 gross revenues: Not reported; 5% from sale of software, 95% from services.
Principal officers: Richard E. Olson, president.

Digital Insurance Systems Corp.

1560 Fishinger Road, Columbus, Ohio 43221; 614-457-8336

Year founded: 1986.
Software products:
• Health Claims Processing System: $150,000; unbundled hardware and software; first installation, 1986; six total installations; functions include claims adjudication and payment, eligibility determination, hospital utilization review, analysis of cost and utilization. HMO, PPO and TPA clients include Leland A. Wolf & Associates, Sierra Health Services, Health Chicago.
Staff: 10 total staff members, five professional staff members.
Clients: Four total clients.
User support: Telephone assistance available 10 hours per day, training programs for clients.
1986 gross revenues: Not reported; 100% from sale of software.
Principal officers: Donald Demers, president; Robert Fountain and Frank Reilly, vps.

Dyer, Wells & Associates

2251 Lake Park Drive, Smyrna, Ga. 30080; 404-432-5888

Year founded: 1977.
Parent company: CIGNA Corp.
Software products:
• dw&a/FASTRAK: Unbundled hardware and software; mainframe; first installation, 1981; 35 total installations; 13 employee benefit department installations; functions include health claims processing; can be used to administer claims under COBRA. Employer clients include Panhandle Eastern Pipeline Co.
• dw&a/FASTRAK PC: Unbundled hardware and software; personal computer; first installation, 1985; five total installations; two employee benefit department installations; functions include health claims processing; can be used to administer claims under COBRA.
• dw&a/FASTRAK VS: Bundled or unbundled hardware and software; minicomputer; first installation, 1981; 14 total installations; two employee benefit department installations; functions include health claims processing; can be used to administer claims under COBRA. TPA client include Johnson & Pickford.
• dw&a/FLEXTRAK: Unbundled hardware and software; mainframe; first installation, 1984; seven total installations; one employee benefit department installation; functions include administration of flexible benefit plans. Insurer clients include CIGNA Corp.
• dw&a/MEDICODES II: Unbundled hardware and software; mainframe or minicomputer; first installation, 1983; 24 total installations; seven employee benefit department installations; functions include medical procedure and diagnostic coding and cross-referencing. Insurer clients include CIGNA Corp.
Staff: 130 total staff members, 10 professional staff members.
Clients: 74 total clients.
User support: User groups and meetings, telephone assistance, on-site training for clients, training at vendor offices.
Locations: Oak Brook, Ill.; Thousand Oaks, Calif.
1986 gross revenues: $7.6 million; 4.3% from sale of hardware, 51.3% from sale of software, 44.4% from services.
Principal officers: Jody Dyer, chief executive officer; Phillip Fauver, president; Theresa Tanton, senior vp.

e

Eastern Benefit Software Inc.

200 E. Freeway Drive, East Orange, N.J. 07018; 800-524-0227

Year founded: 1983.
Parent company: The Vogel Group.
Software products:
• CLAIM/NET: $35,000-$60,000; unbundled hardware and software; personal computer; first installation, 1982; six total installations; two employee benefit department installations; functions include administration of medical, dental, vision, short- and long-term disability and life insurance claims; can be used to communicate benefits to employees.
• FLEX/NET: $5,000-$25,000; unbundled hardware and software; personal computer; first installation, 1986; six total installations; two employee benefit department installations; functions include administra-

Continued on next page

When it comes to flexible benefit administration... we packed all the versatility you'll ever need into five inches of software magic.



Easy. Flexible. Economical. It's the ultimate concept from Confederation Life with the ability to make changes in either benefit selection or carrier practically overnight.

There's virtually nothing the "ConfedFlex" system can't produce for your client's needs on an easy update, ongoing basis. Best of all, Confederation Life comes with the program. And that means top products, superb training support and comprehensive employee communication materials — all for a fraction of the cost of less adaptable, mainframe systems.

So, if you're in the section 125 business, find out how Confederation Life can make you look good with your corporate clients and prospects.

Contact the Group Sales Office nearest you in Atlanta, Boston, Chicago, Detroit, Houston, Los Angeles, Philadelphia, Puerto Rico, San Francisco, or St. Louis, or drop us your business card at P.O. Box 105103/Group Marketing/Atlanta, Georgia, 30348.

ConfedFlex. The ultimate, easy-to-use, flexible system from

Confederation Life

Continued from previous page
tion of flexible spending accounts and cafeteria plans; can be used to communicate benefits to employees.

• ADMIN/NET: $5,000; unbundled hardware and software; personal computer; first installation, 1982; one total installation; functions include tracking coverage and employee and dependent data, producing reports, billing; can be used to communicate benefits to employees.

Staff: 25 total staff members, 10 professional staff members.

Clients: Six total clients, four employee benefit department clients.

User support: Toll-free telephone assistance available eight hours per day, modem dial-up support.

Locations: Shawnee Mission, Kan.

1986 gross revenues: Not reported.

Principal officers: Tony Lim, president.

Erisco

1700 Broadway, New York, N.Y. 10019; 212-765-8500

Year founded: 1968.

Parent company: The Dun & Bradstreet Corp.

Software products:

• ClaimFacts: Unbundled hardware and software; mainframe; first installation, 1980; 88 total installations; 35 employee benefit department installations; functions include health claims administration.

• ImpleFacts: Unbundled hardware and software; mainframe; first installation, 1972; 90 total installations, in employee benefit departments; functions include record keeping for defined contribution plans; can be used to communicate benefit programs to employees.

• CertiFacts: Unbundled hardware and software; mainframe; first installation, 1986; three total installations; functions include preadmission certification and review; can be used to communicate benefit programs to employees.

• GroupFacts: Unbundled hardware and software; mainframe; first installation, 1984; 22 total installations; functions include administration of group life and health claims.

Staff: 475 total staff members, 227 professional staff members.

Clients: 203 total clients, 125 employee benefit department clients.

User support: User groups and meetings, telephone assistance available 24 hours per day, regional and on-site training for clients.

Locations: Sacramento, Calif.

1986 gross revenues: $28 million.

Principal officers: Thomas Barrea, chairman; Pat D'Amato, vice chairman; Thomas Garvey, president; Anthony Fiumefreddo and Robert Pero, executive vps; Jeffrey Sauerhoff, chief financial officer.

f

FLX Corp.

130 S. State Road, Suite 103, Springfield, Pa. 19064; 215-544-3539

Year founded: 1985.

Software products:

• The Recordkeeper: $15,000; unbundled hardware and software; personal computer; first installation, 1985; 11 total installations; three employee benefit department installations; functions include administration of flexible benefit plans flexible spending accounts and 401(k) allocation; can be used to communicate benefit programs to employees.

• The Enroller: $1,395; unbundled hardware and software; personal computer; first installation, 1986; 10 total installations; three employee benefit department installations; functions include management of plan enrollment, providing benefit selections to employees, generating status reports, enrollment forms and tax illustrations; can be used to communicate benefit programs to employees.

• COBRA Administrator: $1,395; unbundled hardware and software; personal computer; first installation, 1987; four total installations; one employee benefit department installation; functions include providing COBRA compliance and claims administration.

Staff: Five total staff members, three professional staff members.

Clients: 11 total clients. Three employee benefit department clients, 100% with less than $200 million in gross revenues.

User support: User groups and meetings, telephone assistance available 8½ hours per day.

1986 gross revenues: Not reported.

Principal officers: Ed Hughes, president; Karen Fitting, director-marketing.

Fell Business Systems Inc.

P.O. Box 159, Winnetka, Ill. 60093-0159

Year founded: 1984.

Software products:

• Fell Business Systems Medical Benefits System: $500 until Oct. 1; unbundled hardware and software; new product; functions include administration of medical claims.

Staff: One total staff member.

User support: Telephone assistance available eight hours per day, system upgrades.

Principal officers: Al Fell, president; Karen Templeton, secretary/treasurer.

g

Genelco

1600 S. Brentwood Blvd., Suite 500, St. Louis, Mo. 63144; 314-962-2040

Year founded: 1973.

Parent company: General American Life Insurance Co.

Software products:

• Health Benefit Management System: Minicomputer; first installation, 1984; nine total installations; six employee benefit department installations; functions include adjudication and administration of medical, disability, dental, vision and prescription drug claims.

• Group Benefit Administration System: Minicomputer; first installation, 1984; four total installations; three employee benefit department installations; functions include employee reporting and verification for Taft-Hartley plan trusts, multi-employer plan trusts and group insurance plans.

Staff: 135 total staff members.

Clients: 12 total clients, 100% with less than $200 million in gross revenues.

User support: User groups and meetings, telephone assistance.

Locations: Philadelphia and Denver.

1986 gross revenues: $2.4 million; 15% from sale of hardware, 65% from sale of software, 20% from services.

Principal officers: David B. Johnson, president; Benjamin C. Allen, senior vp; Russell E. Korte, executive vp; Larry M. Amundsen, vp-marketing/sales.

Genesys Software Systems Inc.

20 Ballard Way, Lawrence, Mass. 01843; 617-685-5400

Year founded: 1981.

Software products:

• Defined Contribution System: Unbundled hardware and software; mainframe; first installation, 1986; 13 total installations in employee benefit departments; functions include administration of 401(k), 403(b), employee stock ownership, profit sharing and thrift and savings plans; can be used to communicate benefit programs to employees.

• Defined Benefit System: Unbundled hardware and software; mainframe; new product; functions include administration of defined benefit pension plans; can be used to communicate benefit programs to employees.

• Payroll/Personnel System: Unbundled hardware and software; mainframe; first installation, 1974; 193 total installations, in employee benefit departments; functions include payroll accounting, providing personnel, benefits and COBRA information; can be used to communicate benefit programs to employees and to administer claims under COBRA.

Staff: 131 total staff members, 63 professional staff members.

Clients: 400 total clients. 104 employee benefit department clients;

Continued on facing page

OUR CLIENTS PROCESS OVER 7000 BENEFIT PLANS.

The Benetics solution can help *you* simplify the administration of your benefit programs, too.

FLEXIBLE

The Benetics on-line plan design allows the creation of custom benefit programs while controlling special programs such as:

- PPO Arrangements
- Pre-Certification
- Second Surgical Opinion
- COBRA

COMPREHENSIVE

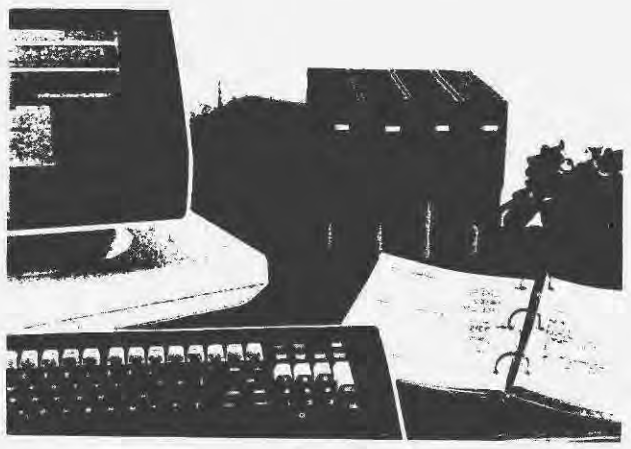
You customize the system to meet your company's changing needs, whether you are a self-administering organization with a single insurance plan, or a large Third-Party Administrator processing hundreds of self-funded plans for different employers.

EASY-TO-USE

Claims can be adjudicated quickly and accurately on a single screen. Billing and enrollment adjustments are handled automatically.

POWERFUL

No other system provides you with as many advanced features or with the same wealth of analytical reports. UNIX*, the industry operating standard, coupled with state-of-the-art technology, allows Benetics to provide you the speed and power of a large system at a fraction of the cost.



Benetics

- We Make Business Work Better -

BENETICS CORPORATION
325 E. Middlefield Road
Mountain View, CA 94043

(415) 940-6300

* UNIX is a trademark of AT&T Bell Laboratories.

Continued from facing page
10% with less than $200 million in gross revenues, 25% $200 million-$500 million, 35% $500 million-$1 billion, 20% $1 billion-$3.5 billion, 10% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance 8½ hours per day, 24-hour emergency information telephone line.

Locations: Long Beach, Calif.; Houston; Oak Brook, Ill.; Dallas; Hackensack and Marlton, N.J.; Roswell, Ga.; Alexandria, Va.

1986 gross revenues: $1.3 million; 100% from sale of software.

Principal officers: Lawrence J. Munini, president; Robert Pomerleau, senior vp-finance/treasurer; Lloyd Birns, vp-sales; Mike Miller, vp-marketing; Arthur Willner, senior vp-development/home office support; Linda M. Koski, vp-application services.

Group Administration Support Products

100 S. Charles St., 10th Floor, Baltimore, Md. 21201; 301-539-0411; 800-638-6565

Year founded: 1963.
Parent company: Group Administration Services.
Software products:
• The COBRA Controller: $2,495; bundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1986; 20 total installations; five employee benefit department installations; functions include administration of claims under COBRA; can be used to communicate benefit programs to employees.
Staff: 70 total staff members, 54 professional staff members.
Clients: More than 1,000 total clients.
User support: User groups and meetings, telephone assistance available 12 hours per day.
1986 gross revenues: Not reported.
Principal officers: Louis J. Nicholas, president; Nick Calitri, vp.

h

John Hancock Financial Services

P.O. Box 111, Boston, Mass. 02116; 617-421-6000

Parent company: John Hancock Mutual Life Insurance Co.
Software products:
• Star-View: Unbundled hardware and software; personal computer; first installation, 1986; four total installations; two employee benefit department installations; functions include providing information on benefit programs to employers.
Staff: Three total staff members assigned to software services who are professionals.
Clients: Two total clients.
User support: Telephone assistance, electronic mail services.
1986 gross revenues: Not reported.
Principal officers: E. James Morton, chairman/chief executive officer; Stephen L. Brown, president/chief operations officer.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2569

Year founded: 1911.
Parent company: Saatchi & Saatchi P.L.C.
Software products:
• PVL: Available on a time-sharing basis; unbundled hardware and software; personal computer; first installation, 1983; approximately 1,000 total installations; 18 employee benefit department installations; functions include valuation of defined benefit plans, studies, benefit calculations, post-retirement medical valuations; can be used to produce individual employee benefit statements.
• CAL: Available on a time-sharing basis; unbundled hardware and software; personal computer; first installation, 1986; 12 total installations; one employee benefit department installation; functions include record keeping for defined contribution plans; can be used to produce individual employee account statements.
• COBRA Administration: $2,000; unbundled hardware and software; personal computer; first installation, 1986; two total installations, in employee benefit departments; functions include administration of claims under COBRA and claims and premium determination; can be used to produce notifications of coverage for employee.

Staff: 91 total staff members, 45 professional staff members.
Clients: 1,000 total clients, 21 employee benefit department clients.
User support: User groups and meetings, telephone assistance available eight hours per day, newsletters for clients.
Locations: New York, San Francisco, Los Angeles, Atlanta.
1986 gross revenues: $2.5 million; 75% from sale of software, 25% from services.
Principal officers: Ken Shapiro, president; Kurt Fichthorn, Ann Palaitis, Bob Moreen and Rita Porreca, senior vps.

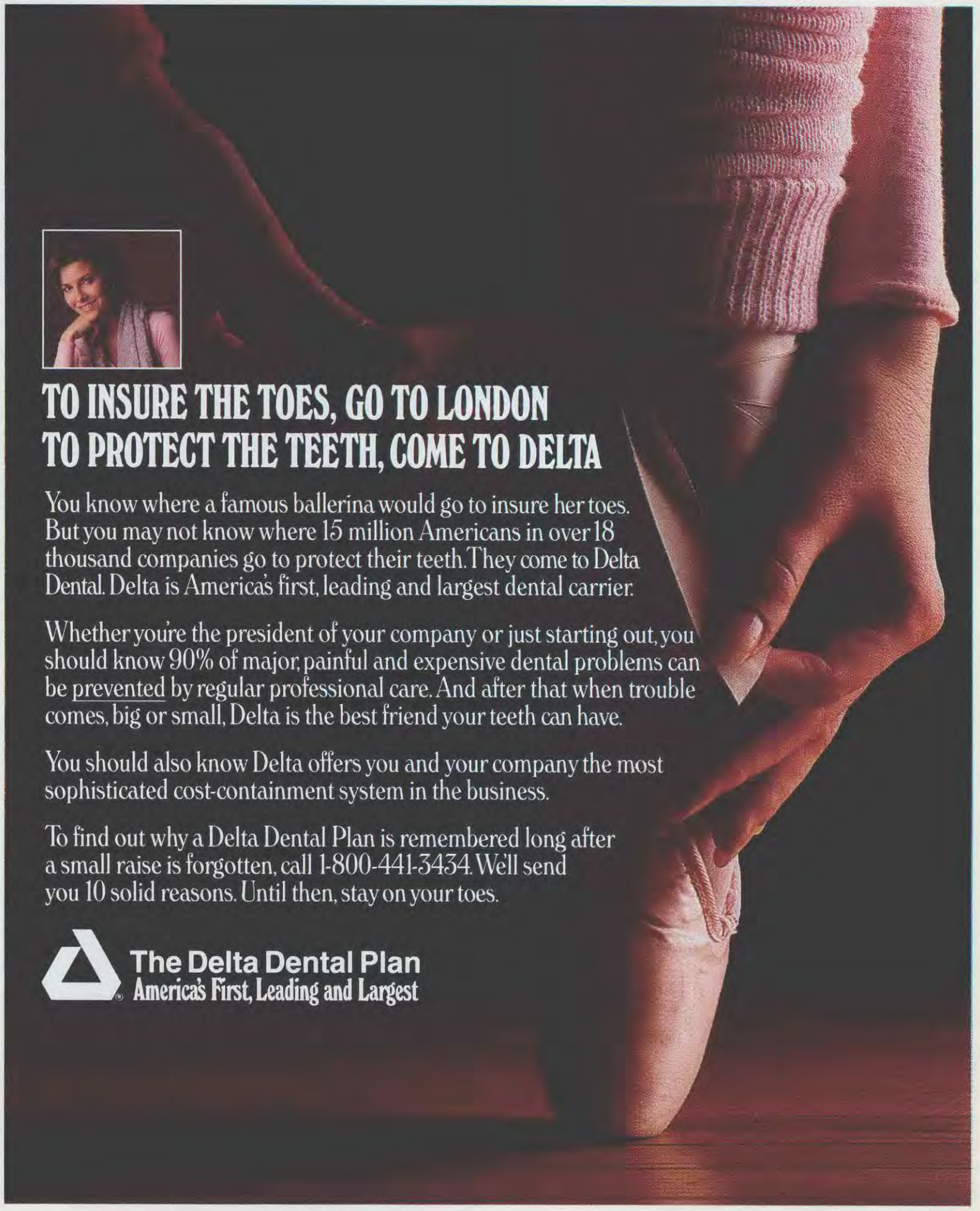
Hazlehurst & Associates Inc.

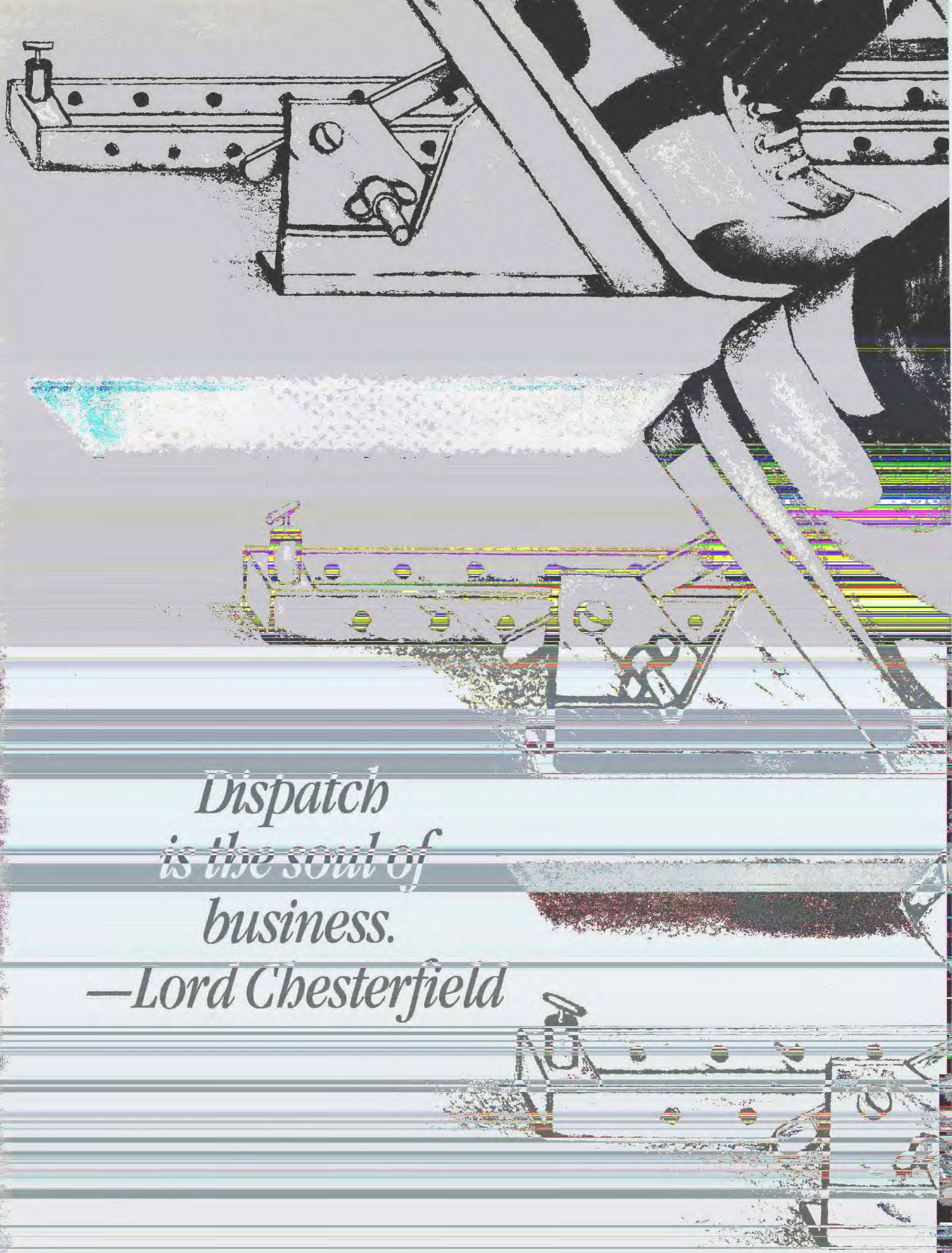
400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30346; 404-395-9880

Year founded: 1971.
Software products:
• H&A Tailored Pension Benefit Calculation System: $18,900; unbundled hardware and software; personal computer; first installation, 1985; 12 total installations in employee benefit departments; functions include calculation of pension benefits for individuals or groups; can be used to communicate benefit programs to employees.
• H&A COBRA & Other Beneficiary Data Maintenance System: $3,000; unbundled hardware and software; personal computer; first installation, 1986; 15 total installations in employee benefit departments; functions include administering data necessary to conform with COBRA requirements and maintenance of employee and dependent cov-

Continued on page 54







Dispatch
is the soul of
business.
—Lord Chesterfield



RESPONSIVENESS

You put your reputation on the line every time you sell a policy.

You deal in promises. As an independent agent or broker, you depend on your carriers to expertly underwrite those promises. And you expect claims to be resolved quickly and fairly.

At Fireman's Fund, we're making responsiveness a rule with no exceptions.

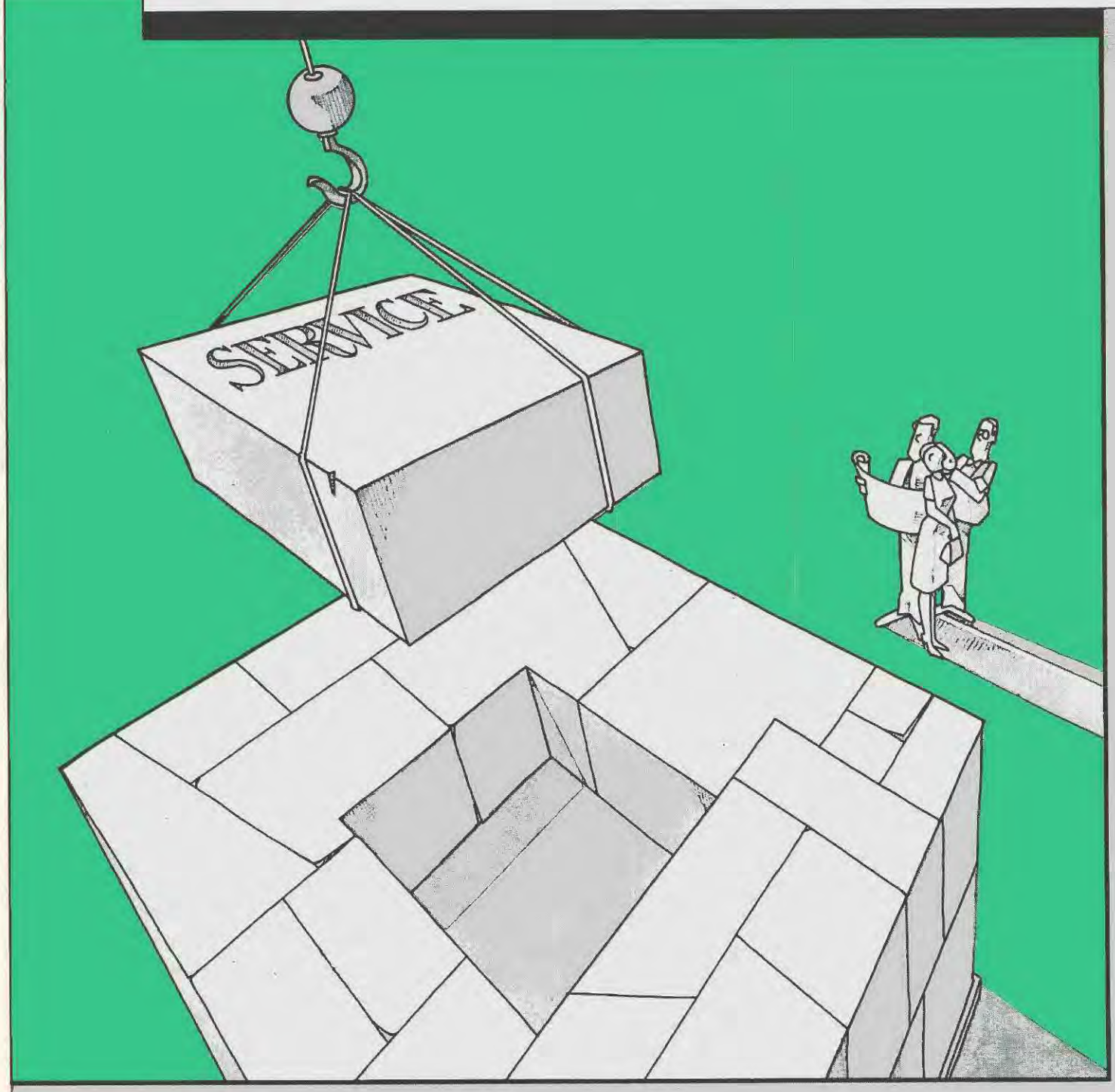
We provide fast, consistent, experienced underwriting. And we offer a time-saving approach to settling claims, even in special areas such as the environment and entertainment. Whenever necessary, unusual cases are dispatched to the claims office with the right experience, saving your customers a lot of confusion and anxiety.

What's more, we've recently put 200 new claims adjusters into the field, significantly increasing our "hands-on" claims capability. So we're able to respond quickly to emergencies. And that's the kind of personal attention that builds business.

The bottom line is that Fireman's Fund is going all out to make our underwriting and claims service the best. Because service is the future of our business. We ought to know. It's been the cornerstone of our success for over 123 years.

FIREMAN'S FUND
INSURANCE COMPANIES
123 years of tomorrows.

Service Is Part of Our Plan



At Provident Mutual, comprehensive service backs every plan we provide.

When your clients choose a Provident Mutual group plan, they benefit from . . .

- **claimsPRO:**
  Our exceptional computerized benefit administration system — backed by our team of professional benefit examiners — ensures fast and accurate claims processing.
- **Large Claim Management:**
  Through highly skilled medical claims specialists, Provident Mutual provides for the management of potentially large claims through personalized guidance for patients and their families, and claim cost management for your client.
- **claimsPROBE:**
  Our reporting system is designed specifically to facilitate effective use of the data gathered through claimsPRO. ClaimsPROBE enables your clients to choose data analysis in areas most relevant to their needs.
- **GROUP-COMM:**
  Our new billing/accounting system with on-line inquiry enables our account specialists to answer your clients' questions immediately.

Our professional staff of field service experts works with your client every step of the way. From initial installation the local service staff is available to meet all of your client's service needs. And, an individually assigned account specialist acts as your client's service coordinator in the home office.

When your client needs a plan of life, health or disability coverage, call on Provident Mutual — where service is always a part of the plan! Contact the group office nearest you.

Provident Mutual Group Sales Offices

Atlanta
(404) 393-1300

Baltimore/Washington
(301) 598-4800

Charlotte
(704) 376-6209

Chicago Area
(312) 990-8200

Detroit Area
(313) 354-5850

Florida
(305) 660-0801

Greensboro
(919) 294-4240

New England
(617) 423-4283

New York
(212) 759-0111

North & Central New Jersey
(201) 233-3400

Northern California
(415) 392-5117

Philadelphia
(215) 568-3930

Southern California
(213) 383-6000

Texas (Dallas Area)
(214) 506-9200

Texas (Houston Area)
(713) 621-7650

PROVIDENT MUTUAL
SECURITY THROUGH FINANCIAL SERVICES

THE CYCLE

Property/casualty market once again reaches 'High Noon'

By Paul B. Ingrey

QUIET REIGNED in Hadleyville. . .Marshall Will Kane (Gary Cooper) had just married Amy (Grace Kelly) and hung up his badge "forever." Townsfolk were enjoying the good life; prosperity had returned to Hadleyville: Would it last, this time?

. . .Word leaked out: Frank Miller had been released from jail and would reach town on the noon train to seek revenge. His old gang waited at the station. And so, as Dimitri Tiomkin struck up the orchestra—"Do not forsake me, oh my darling. . . ," Gary Cooper left Grace, found his gun and badge and filled with virtue, purpose and a heavy heart, went to face the Miller Gang, again.

speaking out

Thus, another cycle was under way. A harbinger of other crises and opportunities. Do we control our own destiny? As the immortal Charles Dillon "Casey" Stengel said, "Can't anybody here play this game?" It is certainly easier to be scorekeeper in this game than to be an effective player. Perhaps Pogo said it simply and best: "We have met the enemy and he is us."

This insurance clock was prepared two years ago as a whimsical look at insurance history. There is nothing absolute or inflexible about it; no fundamental truths are disclosed: It's just one person's view at one point in time. The chairman of a large insurer recently said the clock is valuable "to visually remind people how stupid we are."

We need managements to demonstrate control of their business and establish sound game plans. These managements will look at the rates and the profit potential and have the courage to follow their own knowledge and judgment: To reduce operations when conditions cannot produce a profit.

What we need is simple: Avoid the extremes!

Never before have we had so much weaponry: Financial and actuarial analyses, tax-loss carry-forwards, tort reform, a strong stock market and new capital. Excellent management information is provided via high-powered computers and sophisticated personal computer adaptations that should provide all the tools necessary to track *actual* prices and changes in exposure, not just manual rates.

Producers, buyers, insurers and reinsurers surely must be able to plan for tomorrow and avoid the lure of short-range quarter-by-quarter objectives! Are we all locked to the magnet of competition that results in such wide swings in results for buyers and the insurance business alike?

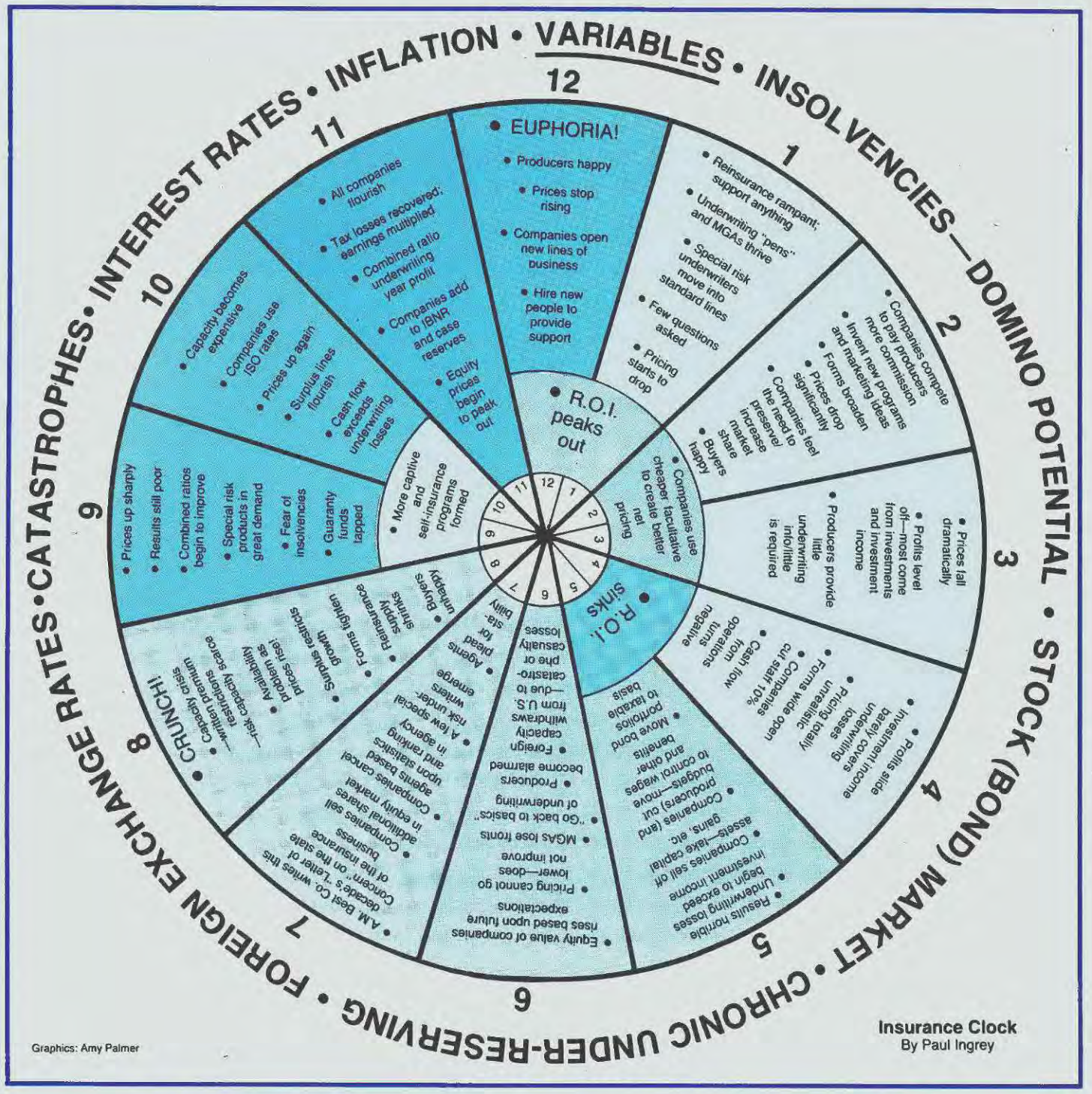
A sense of historical perspective does help in planning at every level. However, if history always repeated itself and if structural changes were not always occurring this business would be too easy; life without cavities.

We are moving through the period that in 1985 seemed like it would be High Noon. However, each cycle has its own characteristics. Some observations about 1987 are:

- If a combined ratio profit is ever reached, it will be short-lived.
- Combined ratio results should be evaluated on an underwriting year basis; this eliminates the catch-up reserving all too often buried within calendar-year results. There may be additional reserve strengthening needed, perhaps for environmental impairment liability, asbestos property damage (and bodily injury?), formaldehyde and/or fiberglass. On a pure underwriting basis, 1986 and 1987 will be profitable.
- The major timing differential appears to be in the projection for re-emergence of reinsurance competition as 1 a.m. (see clock). Reinsurers were the main culprits in the last competitive wave. Bulk additions to the competitive supply of capacity should *not* come from price-driven reinsurance competition, at least for the short-term future. By year-end 1987, the "balance" between reinsurance buyers and sellers should have roughly evened out.
- Managing general agents may flourish again, but probably not as early as originally predicted. There are just too many scars on too many backs for a return to the activity of the early 1980s. There are good and bad MGAs. Generally, the good have weathered the storm. However, many have failed only because of the lack of a front company and/or the exit of reinsurance. "Automatic" facultative contracts are becoming popular again.
- The surplus lines companies that survived 1985 in good financial shape are doing extremely well today. They will be tempted to move back into standard lines and into competition with the major writers. Most specialty programs for groups of buyers will be developed. Initially, these programs have been well-conceived and narrow in scope.
- Association captives, purchasing groups and Risk Retention Act start-ups have benefited from industry myopia that tended to remove traditional insurers from all but standard lines of business. However, unless these are staffed with true professionals, troubles will lurk as another "Miller Gang" prototype returns.
- The demand for skilled and experienced talent is escalating sharply.
- Insolvencies and questionable reinsurance recoverables have left a lasting impression on balance sheets and reduced the capital base required to reach a reasonable state of competitive balance.

Recent years have seen the industry benefit from most of the variables surrounding the clock. The domino potential of insolvencies and guaranty fund assessments has not yet materialized and probably will not. Catastrophes have been light despite 1983 winter storms, Hurricane Alicia—which is now valued at $1.2 billion—and a frequency of smaller 1985 storms.

Continued on next page



Graphics: Amy Palmer

Insurance Clock
By Paul Ingrey

Underwriters approaching 'High Noon'

Continued from previous page

It is still not entirely clear to me why the reinsurance and retrocession worlds were not permanently changed by the seemingly monstrous Hurricane Gloria—poised to hit Long Island with 140 mph winds, and then New England.

Talk about charmed lives.

Unprecedented capital appreciation and the drop in inflation have been direct and indirect sources of profit. Lower investment returns should give pause to a return of "cash-flow underwriting."

If this broad-brush approach outlines the current market, where are we headed?

First, it should be noted that there is perhaps a 15- to 18-month gap between the time that price increases or decreases take hold and we see corresponding changes in operating results. This pipeline effect is not positive because it continues to create the illusion that further price change (regardless of which cycle direction we are going) is required.

Secondly, there is an inherent danger in discussing market changes in that while some areas of the market are indeed reducing rates, others are stable and others *need* rate increases. As talk of decreases continues, the danger is that rate reductions become a self-fulfilling prophecy.

Finally, let's break down commercial insurance pricing, broadly speaking, over the last few years.

Commercial property insurance prices began rising, roughly, in mid-1984, and they rose more sharply than most people realized. In the last three months, we have seen reductions of 25% to 30% and the business still looks profitable. Property loss ratios on large risks in 1986, if such a single category exists, probably averaged 40%.

Because of the short-tail element, prices on commercial property and difference-in-conditions are still adequate today; they seem "about right" when one considers the catastrophic element in terms of large risk exposure or catastrophe (hurricane, tornado, flood or earthquake). Regardless, 1987 should also be a profitable property year based upon current rate levels.

Casualty business is not so easy to generalize. A good portion is now placed through trusts, association captives, broker-sponsored underwriters like A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd. Perhaps this business is lost to the so-called traditional markets, perhaps not. Competitive pressures usually manage to "win" business back.

Rather than try to cover the entire long-tail field, let's look at just one subpart in depth. In my view, the first segment to have peaked in pricing and started back down again is commercial auto. The long-haul trucking segment, five years ago, had perhaps 35 competitors plus a few large insurers; most of these were specialists, many were general agents. During 1983, prices dropped on a power-unit basis to less than $1,000. At year-end, reinsurers left in droves and general agents lost front companies. The market was further reduced by insolvencies to perhaps six quality insurers in 1984. Prices escalated: $3,000, $4,000, $5,000 and some at $6,000 per unit. There is a lot of weak generalization here, depending also on such things as risk management techniques and selection, claims handling, but the broad outline is accurate.

So, reinsurers responded. A major new insurer entered. Prices began to drop, not precipitously, but perhaps 25% to 35%. A reasonable competitive level, some would say. Excess pricing, generally, for limits above $1 million, has not dropped at all.

Other casualty lines are much more difficult to project. More capacity is available today. Insurance company net retentions are up, mostly because reinsurers overreacted beginning at year-end 1985. New layers of capacity are being put together. A company with a $5 million line in 1986 probably has a $10 million line today and would like more. Prices are generally lower on primary and excess liability and stable to lower for professional liability.

Cycles: How do we avoid the extremes? I don't have the answers, but I can evaluate the past, or the history, of insurance. I can take stock of the scars on my back and learn from mistakes. I suggest insurers and reinsurers need to:

- Have a definite game plan and stick to it.
- Stay with the business they know best and the people they know best.
- Learn that deliberately lowering prices only leads to a moving target. Deliberately raising prices precipitously either dislocates the insurers from the market or the market from the insurer.
- Be pragmatic, but protect the downside. To get a suitable reward for the risk taken one must totally *understand* that risk.
- Learn that frequency kills.

Most companies seem to be working on plans to confront the next soft market. Liability classes are the most difficult because it is so hard to ever truly evaluate profitability of business when it is written. The management information available today is incredible. This is encouraging.

We can learn from the past: What has happened is that segment-by-segment prices slip, additional capacity is utilized, commissions are raised and then another layer of capacity is added. Before we know it, the clock keeps moving and we must either accept the inevitable or leave Grace and face Frank Miller.

Paul B. Ingrey is president of F&G Re Inc. of Morristown, N.J., a wholly owned subsidiary of United States Fidelity & Guaranty Co. Mr. Ingrey is a Chartered Property & Casualty Underwriter.



Policy limit not payable for single loss: Court

The fact that policyholders made a single premium payment on a property insurance policy did not entitle them to recover the amount of the actual loss sustained at one of the four insured locations up to the policy limit where a schedule in the policy set forth the value of each building and its contents at each location, the Arkansas Court of Appeals ruled.

Bobby Bratton and Leyon Bratton, doing business at Buffalo River Flooring Co. and Bratton Manufacturing Co. Inc., contracted with St. Paul Surplus Lines Insurance Co. to insure business property consisting of buildings and their contents at four different locations. A single premium of $7,392 was paid. A schedule of loss attached to the policy set forth the value of each building insured and its contents. The combined amount was $528,000.

While the policy was in force, a building and its contents at "Location No. 2" was destroyed by fire. The schedule valued the building at $80,000 and the contents at $140,000. St. Paul paid $220,000.

The Brattons sued seeking the difference between the total policy coverage of $528,000 and the $220,000 paid by the insurer. St. Paul replied that recovery was limited to the value assigned the property at each site.

The trial court ruled for St. Paul.

On appeal, the Brattons argued that since they made a single premium payment, they were entitled to recover the amount of their actual loss sustained at one location up to the total policy amount of $528,000. But, the court said that divisibility and apportionment are distinct and essentially unrelated concepts, and an insurance contract may be entire although the amount for which it is issued is apportioned for different items. The trial court decision was affirmed. *Bratton vs. St. Paul Surplus Lines Insurance Co.*, Court of Appeals of Arkansas, March 26, 1986 (*BI*/02/J.-$5).

These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a $10 check payable to Cases Unlimited to Business Insurance, *740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.*

legal briefs

Workers comp benefits

The Supreme Court of Utah held that workers compensation death benefits to a child born three weeks after her father was killed in a work-related accident were payable from the date of her birth and not the date of her father's death.

Isaac Robertson was killed on April 18, 1984, in a job-related accident. On May 11, a daughter was born to Remona Roach. The child, Heather Roach, was the daughter of Mr. Robertson. Under Utah law, Heather was entitled to death benefits. An administrative law judge ordered benefits to commence April 19, the day following Mr. Robertson's death. The employer appealed.

The appellate court said that Utah workers compensation law awards benefits to certain wholly dependent persons at the time of a workers death. A child under 18 is presumed wholly dependent upon a deceased employee, the court said, including a posthumous child. However, the court said that it believed the state Legislature used the word child in its ordinary and usual sense to mean a child that has been born. The court ordered benefits to commence to Heather the day of her birth. *Alma Evans Trucking vs. Roach*, Supreme Court of Utah, Feb. 24, 1986 (*BI*/05/J.—$10)

Eligibility limitation

Can an insurer enforce the limitation on eligibility for coverage clearly stated in its master policy and in literature distributed to a policyholder despite the acceptance of premium payments and the issuance of a certificate specifying greater coverage? The Supreme Court of Ohio ruled it could.

James Pedler would not have been eligible for supplemental life insurance coverage under a group policy issued to his employer by Aetna Life Insurance Co. until he had been employed by the company for two years. He had been employed only two months when he applied for and was issued a certificate for $25,000 supplemental insurance to the basic $50,000 coverage. All employees received a booklet explaining the available coverage. The booklet contained a plan summary that provided that eligibility for the supplemental life coverage required two years of employment prior to Dec. 1 of each year. This limitation was not specified on the face of Mr. Pedler's certificate. The first paragraph of the plan summary stated that the employee would receive an individual certificate insert indicating benefits actually covered.

Mr. Pedler's widow sought to recover under the supplemental policy; however, Aetna denied coverage. She sued and won in the trial court. The Court of Appeals overturned the lower court decision.

The state Supreme Court said that, absent fraud, the provisions of the group policy are controlling over the provision of the certificate and the rights of the parties in group insurance enterprise are dependent upon the group contract. *Pedler vs. Aetna Life Insurance Co.*, Supreme Court of Ohio, March 26, 1986 (*BI*/04/J.—$10).

Pretty Good Underwriters Need Not Apply

There's a place for pretty good underwriters. And pretty good claims adjusters. And pretty good marketing reps. But it isn't here.

We're only interested in hiring the best.

You see, at Reliance, we've embarked on something really exciting. We intend to excel at everything we do. Our plan is simple: We intend to be the best insurance company in the business.

Ask the people who work here. At first, some of them were a little doubtful that we could make it happen. But we're making believers out of them. We're doing it by making the investments it takes to be the best. We're improving our service. And building the skills of our entire work force.

Today, Reliance people are committed to quality, and determined to make this company the best company it can be. What's more, they're enthusiastic about it. And if you're the sort of person who is satisfied only by the best, you'll understand why.

Because we're getting better, we're getting bigger. In fact, our plans call for additional staff in almost all of our offices. In underwriting, claims, large accounts, marketing and data processing. We intend filling these jobs with people who won't be satisfied until they are working for the best company in the business—people who are themselves the best at what they do. We've launched a nationwide search for the best underwriters, the best claims people, the best marketing people, the best data processing people.

If you're the best, we want you at Reliance, a company that really values outstanding people. And rewards them.

If you're the best, convince us. Write to our president, David Woodward, at Reliance Insurance Company, 4 Penn Center Plaza, Philadelphia, PA 19103. Of course, if you're only pretty good, you might want to save the stamp.

Reliance 1817

The Reliance Insurance Companies

4 Penn Center Plaza, Philadelphia, PA 19103

An Equal Opportunity Employer

Continued from page 47
erage data for health care and other plans; can be used to communicate benefit programs to employees.

• H&A Social Security Calculation System: $295; unbundled hardware and software; personal computer; first installation, 1981; 30 total installations in employee benefit departments; functions include calculation of Social Security benefits and can be used in the administration of defined benefit pension plans; can be used to communicate benefits to employees.

• H&A IRC Section 415 Limit Testing System: $6,000; unbundled hardware and software; personal computer; first installation, 1986; six total installations in employee benefit departments; functions include calculation of defined contribution plans based on salary and contribution data and adjusting the projected defined benefit under the rules of TEFRA; can be used to communicate benefits to employees.

• H&A Benefit Information Transfer (HABIT): Unbundled hardware and software; personal computer; new product; system allows inquiry, data entry, management and administration of health plans; can be used to communicate benefits to employees.

Staff: 85 total staff members, 60 professional staff members.

Clients: 125 total clients, which are employee benefit departments; 20% with less than $200 million in gross revenues, 25% $200 million-$500 million, 25% $500 million-$1 billion, 20% $1 billion-$3.5 billion, 10% exceeding $3.5 billion.

User support: Telephone assistance available eight hours per day.

Locations: Seattle.

1986 gross revenues: Not reported.

Principal officers: James G. Pope, president.

Health Claims System

14500 S. Forty Outer Road, Suite 312, Chesterfield, Mo. 63017; 314-434-4620

Year founded: 1985.
Software products:

• Version 1.0 Health Claims System: $9,995-$14,995; bundled hardware and software; personal computer or minicomputer; first installation, 1985; four total installations; one employee benefit department installation; functions include health claims administration.

• Version 1.1 Health Claims System: $14,995-$21,995; bundled hardware and software; personal computer or minicomputer; first installation, 1987; one total installation; functions include health claims administration, eligibility determination, billing and administration of claims under COBRA.

• Version 2.0 Health Claims System: $19,995-$28,995; bundled hardware and software; personal computer or minicomputer; first installation, 1987; one total installation; functions include administration of adjudicated health claims, eligibility determinations, billing and administration of claims under COBRA.

Staff: Nine total staff members, eight professional staff members.

Clients: Not reported.

User support: Telephcne assistance available 10 hours per day, onsite assistance for clients.

Locations: St. Louis.

1986 gross revenues: Not reported.

Principal officers: William Byrne and Alan Lemley.

Health Risk Management Inc.

8000 W. 78th St., Minneapolis, Minn. 55435; 800-824-3882

Year founded: 1977.
Software products:

• ResultsPLUS: $2.50 per employee per year; unbundled hardware and software; operates through vendor's mainframe; 45 total installations in employee benefit departments; functions include identification of medical cost problems and selecting solutions. Employer clients include AT&T, A.O. Smith Corp.

• HRM BeneCALC: $2 per employee per year; unbundled hardware and software; personal computer and/or mainframe; six total installations; functions include analysis of medical claims; can be used to track COBRA claims. Employer clients include AT&T, A.O. Smith Corp.

• HMO Evaluations: $1 per employee per year; unbundled hardware and software; operates through vendor's mainframe; two total installations in employee benefit departments; functions include evaluation of HMO premiums as compared to indemnity experience.

Staff: 200 total staff members, 150 professional staff members.

Clients: 60 total clients; 60% with less than $200 million in gross revenues, 10% $200 million-$500 million, 10% $500 million-$1 billion, 10% $1 billion-$3.5 billion, 10% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available eight hours per day.

Locations: Los Angeles; Columbus, Ohio; Phoenix, Ariz.

1986 gross revenues: Not reported.

Principal officers: Gary T. McIlroy, chief executive officer; Marlene Travis, senior executive vp.

Health Systems International

100 Broadway, New Haven, Conn. 06511; 203-562-2101

Year founded: 1968.
Software products:

• Medical Claims Monitoring System (MCMS): Unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1984; 25 total installations; two employee benefit department installations; functions include identification and monitoring of hospital claims.

• Clinical Claims Editor (CCE): Unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1984; 30 total installations; two employee benefit department installations; functions include validation of diagnostic-related groups.

• DRG Grouper: Unbundled hardware and software; mainframe, minicomputer or personal computer; first installation, 1982; 45 total installations; two employee benefit department installations; functions include assignment of diagnostic-related groups.

Staff: 95 total staff members, 85 professional staff members.

Clients: More than 1,500 total clients; 50% $1 billion-$3.5 billion, 50% exceeding $3.5 billion.

User support: Telephone assistance available 10 hours per day.

Locations: Los Angeles.

1986 gross revenues: $2 million; 100% from sale of software.

Principal officers: Ron Bernier, president; Tom Owens, vp-marketing; Rich Stevens, vp-computing services; Robert Treat, vp-administration; Dennis Dobson, vp-corporate communications.

HealthDecisions Inc.

198 Western Ave., Suite 200, St. Paul, Minn. 55102; 612-227-5779

Year founded: 1986.
Software products:

• Insight: $2,500; unbundled hardware and software; personal computer; first installation, 1985; 20 total installations; three employee benefit department installations; functions include projection of medical benefit costs by preventable and non-preventable illness groups.

• Risk Plan: $5,000; unbundled hardware and software; personal computer; first installation, 1986; three total installations; two employee benefit department installations; functions include projection of benefit costs with respect to employee lifestyles over three to 10 years.

• Demographic Estimator: $2,500; unbundled hardware and software; personal computer; first installation, 1987; one total installation in employee benefit department; functions include estimation of eligibility.

Staff: Eight total staff members, five professional staff members.

Clients: 25 total clients. Six employee benefit department clients; 33% with less than $200 million in gross revenues, 50% $200 million-$500 million, 27% $1 billion-$3.5 billion.

User support: Telephone assistance available eight hours per day.

1986 gross revenues: $250,000; 1%

Continued on page 56

4 THINGS TO DO BEFORE BUYING A CLAIMS ADMINISTRATION SYSTEM.

1
START WITH A SURE THING

If you're a self-administered employer, TPA or HMO, and are considering automated systems, there are a lot of things to consider. And a lot of pressure to avoid mistakes.

California Interactive Computing, Inc. offers a range of systems that includes everything from general liability claims management to group medical claims management, premium allocation systems, loss trending and forecasting, telecommunications systems and services, and workers' compensation claims management.

We know your problems and understand your needs. And with our track record, and over a decade of experience in the design and implementation of business and benefits systems, you're getting experts.

The right decision up front saves time, money...and worry.

2
SEND YOUR PEOPLE TO SCHOOL

Before you get your system...not after.

The time to start training your staff is before you've got the system.

We provide both on-site and classroom training designed to instill working knowledge and flexibility with any CIC system. CIC provides instructor training for your staff to enable them to teach your new employees, as they come aboard, as well as hands-on experience in our training facility in North Hollywood, California.

The teaching is done by professional educators with years of experience in the computer and the insurance industries and an understanding of the complexities of insurance and benefits systems. Our teachers, with credentials from the Insurance Education Association, know how to get people comfortable and capable with our system, quickly.

We invite you to send your people to our training program before you even acquire our system. Let them learn from our experts and experiment with our system first.

3
WATCH A CIC SYSTEM PROCESS ONE OF YOUR CLAIMS

Bring us your most complex claim.

You'll be amazed at the speed and accuracy with which the CIC system processes it.

Tell us what you need, what questions you've been trying to ask your current manual or automated system, and we'll show you how the CIC system handles it.

Because all our systems are integrated, you can acquire one software module at a time, building new capabilities gradually, as your needs change and grow.

Our insurance-related software organizes, automates, simplifies and expedites claims processing and administration. It also provides a statistical data base that helps you make critical decisions, and analyze individual and collective benefit cost comparisons.

And don't be surprised at the numbers you get when you estimate the cost/benefit of our system. CIC's systems routinely and literally pay for themselves within the predicted time.

4
TAKE A GOOD LOOK AT THE COMPANY BEHIND THE SYSTEM

You're getting more than a system. You're getting a team, and all its resources.

Ask if it has the full range of products you may need. CIC has over twenty applications systems that are widely used by self-administered employers, third-party administrators and health maintenance organizations.

Find out if the firm provides software maintenance and on-call technical support...hardware and telecommunications consultation. We do.

Check the firm's position nationally. CIC is in the top segment of independent software firms in the country.

Talk to the company's clients. Ours include Fortune 500 firms, states, counties, municipalities and major corporations throughout the nation.

CIC does all this...very well.

Call Gary Smart, Vice President-Sales, for detailed information or to schedule a demonstration
818/985-2680 (213/557-2424

CALIFORNIA INTERACTIVE COMPUTING, INC.
The Employee Benefits Systems Company
12517 Chandler Blvd., North Hollywood, CA 91607

SURVIVAL.

A not-so-simple matter for all but the fittest.
A process vital to both man and beast.
The human edge? Intelligence.

GROUP INSURANCE FROM THE G[illegible]N

The Intelligent Choice in
Employee Benefit Plans

- Life
- Short and Long Term Disability
- Major Medical
- Dental
- Cost Containment
- Alternate Funding

© 1987 The Guardian

The Guardian

The Guardian Life Insurance Company of America • Est. 1860

Continued from page 54
from sale of hardware, 35% from sale of software, 64% from services.

Principal officers: Richard Huset, president; William Rush, vp.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000

Year founded: 1940.
Software products:

• FlexSystem Timesharing: $25,000-$150,000, $10-$20 per participant per year; bundled hardware and software; personal computer; first installation, 1983; 60 total installations in employee benefit departments; functions include enrollment, administration and record keeping for flexible benefit programs; can be used to administer claims under COBRA.

• FlexSystem PC; $25,000-$100,000; unbundled hardware and software; personal computer; first installation, 1985; 30 total installations in employee benefit departments; functions include enrollment, administration and record keeping for flexible benefit programs.

• Installable FlexSystem; unbundled hardware and software; mainframe; first installation, 1936; two total installations in employee benefit departments; functions include enrollment and administration for flexible benefit programs; can be used to administer claims under COBRA.

• Interactive Enrollment Software: unbundled hardware and software; personal computer; first installation, 1986; two total installations in employee benefit departments; product is used by employees to model and record elections for flexible benefit programs.

• Pension Administrator: unbundled hardware and software; mainframe, personal computer or available on a time-sharing basis; first installation, 186; 50 total installations, in employee benefit departments functions include maintenance of employee data benefit calculation and report and letter generation for administration of pension plans.

• Social Security Calculator Mainframe: $4,000; unbundled hardware and software; mainframe; first installation, 1979; 30 total installations, in employee benefit departments; functions include calculation of Social Security benefits to facilitate offset and preretirement counseling.

• Social Security Calculator PC: $500; unbundled hardware and software; personal computer; first installation, 1984; 180 total installations in employee benefit departments; functions include calculation of Social Security benefits to facilitate offset and pre-retirement counseling.

• Plan Accounting System: $150,000-$400,000; unbundled hardware and software; mainframe; first installation, 1973; also available as a processing service; 20 total installations in employee benefit departments; 160 processing service clients; functions include record keeping for defined contribution plans such as 401(k), profit-sharing, savings and employee stock ownership plans.

Staff: 1,590 total staff members, 920 professional staff members.

Clients: 1,862 total clients.

User support: Telephone assistance available eight hours per day.

Locations: Atlanta; Boston; Cleveland; Dallas, Houston and The Woodlands, Texas; Dayton, Ohio; Denver; Detroit; Los Angeles, San Francisco and Santa Ana, Calif.; Milwaukee; Minneapolis; New York; Philadelphia; Phoenix, Ariz.; Rowayton, Conn.; St. Louis; Seattle; Tampa, Fla.

1986 gross revenues: Not reported.

Principal officers: Peter E. Friedes, chief executive.

i

Information Science Inc.

95 Chestnut Ridge Road, Montvale, N.J. 07645; 201-391-1600

Year founded: 1965.

Software products:

• Payroll/Personnel/Flex Comp/Benefits: $175,000; unbundled hardware and software; mainframe; first installation, 1965; more than 1,000 total installations; functions include payroll, personnel and flexible benefit plan administration; can be used to communicate benefits to employees and to administer claims under COBRA.

• Payroll/Personnel/Benefits: $70,000; bundled hardware and software; minicomputer; first installation, 1979; 80 total installations; functions include payroll, personnel and flexible benefit plan administration; can be used to communication benefits to employees and to administer claims under COBRA.

• Pension Administration System: $50,000; unbundled hardware and software; mainframe; first installation, 1976; 85 total installations; functions include administration of pension plans; can be used to communicate benefits to employees.

• InSci Personality: $9,600; unbundled hardware and software; personal computer; first installation, 1986; 90 total installations; functions include human resource management and benefits administration; can be used to communicate benefits to employees.

Staff: 213 total staff members, 37 professional staff members.

Clients: 950 total clients; 50% with less than $200 million in gross revenues, 20% $200 million-$500 million, 15% $500 million-$1 billion, 10% $1 billion-$3.5 billion, 5% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available 12 hours per day, training classes for clients.

Locations: Oak Brook, Ill.; Atlanta; Dallas.

1986 gross revenues: $20.1 million; 56% from sale of software, 44% from services.

Principal officers: John A. Rade, president/chief executive officer; Frederick W. McMillan, vp-finance/administration; Guy A. Colaneri, division president/general manager.

Insurance Management Administrators Inc.

10805 Main St., Fairfax, Va. 22030; 703-591-0666

Year founded: 1982.
Software products:

• IMAFLEX Flexible Benefits Administration System: $15,000; unbundled hardware and software; personal computer, mainframe transfer; first installation, 1985; functions include generation of personalized enrollment forms, reporting and account administration; can be used to communicate benefit programs to employees. Clients include Blue Cross/Blue Shield of Maine.

Staff: Not reported.

Clients: Not reported.

User support: Telephone assistance available eight hour per day, training classes and manuals for clients.

1986 gross revenues: Not reported.

Principal officers: Michael C. Boomer Jr., president.

Insurance Software Packages Inc.

5118 N. 56th St., Tampa, Fla. 33610; 800-237-8133; 813-621-6069 in Florida

Year founded: 1984.
Software products:

• Health Benefits Management System: $25,000; unbundled hardware and software; personal computer; first installation, 1985; five total installations; four employee benefit department installations; functions include adjudication and check writing for health plans and generation of management reports; can be used to communicate benefit programs to employees and to administer claims under COBRA.

• Fee Schedule Validation: $2,000-$8,000; unbundled hardware and software; personal computer; first installation, 1987; six total installations; four employee benefit department installations; functions include fee schedule validation.

Staff: 15 total staff members, four professional staff members.

Clients: 20 total clients. Five employee benefit department clients; 80% with less than $200 million in

Continued on facing page

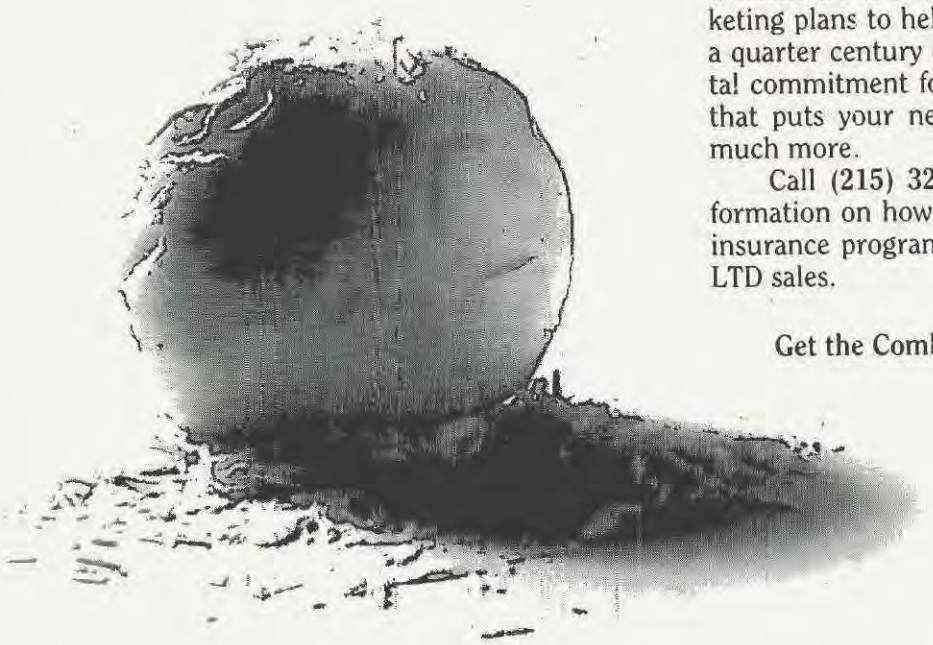
THE WHOLE BALL OF WAX.

When you're a Combined group LTD reinsurance client, we don't just take your risks, we go to work for you. This means that our professional underwriting operations and contract services fully support your LTD program. You also get top sales support, expert claims service, plus a broad range of excellent administrative and marketing resources. In other words, you get the whole ball of wax.

Take full advantage of everything Combined has to offer: Aggressive marketing plans to help you increase sales; a quarter century of experience and total commitment for the future; service that puts your needs first and much, much more.

Call (215) 322-3913 for more information on how Combined's LTD reinsurance program can best help your LTD sales.

Get the Combined difference.



COMBINED GROUP LTD REINSURANCE DIVISION
COMBINED INSURANCE COMPANY OF AMERICA

Continued from facing page
gross revenues, 20% $200 million-$500 million.

User support: User groups and meetings, telephone assistance available 10 hours per day, on-line communication.

1986 gross revenues: Not reported, 100% from sale of software.

Principal officers: A. Allan Machesney, president.

International Data Processing Inc.

76 Floral Ave., Murray Hill, N.J. 07974; 201-464-4480

Year founded: 1981.

Software products:

• IDP/COBS: Available as a service; personal computer; first installation, 1985; 14 total installations; system allows detection of duplicate insurance coverage in families; can be used to track claims under COBRA.

Staff: 90 total staff members.

Clients: 14 total clients.

User support: User groups and meetings, telephone assistance available 12 hours per day.

1986 gross revenues: Not reported.

Principal officers: Marshall D. Clary, president/chairman; James E. Snow, vp.

j

Thomas L. Jacobs & Associates Inc.

230 W. Monroe St., Suite 545, Chicago, Ill. 60606; 312-346-0155

Year founded: 1915.

Software products:

• JDMS: $75,000; unbundled hardware and software; mainframe or personal computer; first installation, 1983; six total installations; two employee benefit department installations; functions include administration of disability benefits.

• JACS: $75,000; unbundled hardware and software; mainframe or personal computer; first installation, 1984; four total installations in employee benefit departments; functions include administration of disability benefits.

Staff: 40 total staff members, 30 professional staff members.

Clients: 150 total clients. 75 employee benefit department clients; 20% with less than $200 million in gross revenues, 20% $200 million-$500 million, 20% $500 million-$1 billion, 20% $1 billion-$3.5 billion, 20% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available 12 hours per day.

Locations: Conshohocken, Pa.

1986 gross revenues: Not reported.

Principal officers: Richard A. Lewis, president; Richard H. Wille, executive vp; James E. Roman, senior vp.

Johnson & Higgins-BeneNet Consulting Group

125 Broad St., New York, N.Y. 10004; 212-574-7214

Year founded: 1845.

Parent company: Johnson & Higgins.

Software products:

• BeneNet Administration System (BAS): $45,000-$55,000; unbundled hardware and software; personal computer; first installation, 1984; 40 total installations, in employee benefit departments; system administers benefit plans including flexible spending accounts; can be used to communicate benefit programs to employees and to administer claims under COBRA.

• BeneNet Defined Contribution Plan Recordkeeping System (BRS): $45,000-$55,000; unbundled hardware and software; personal computer; first installation, 1987; 15 total installations; five employee benefit department installations; functions include record keeping for 401(k), employee stock ownership, savings and profit-sharing plans; can be used to communicate benefit programs to employees.

• BeneNet COBRA Administration System: $12,000-$20,000; unbundled hardware and software; personal computer; first installation, 1986; 10 total installations, in employee benefit departments; system administers claims under COBRA, including billing and cash application; can be used to communicate benefit programs to employees.

Staff: 6,500 total staff members; 30 staff members in BeneNet Consulting Group, including 26 professional staff members.

Clients: 50 total clients, which are employee benefit departments in BeneNet Consulting Group; 25% with less than $200 million in gross revenues, 25% $200 million-$500 million, 25% $500 million-$1 billion, 15% $1 billion-$3.5 billion, 10% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available 12 hours per day, training sessions for clients.

Locations: Princeton, N.J.; Los Angeles; also through offices of parent company.

1986 gross revenues: Not reported; 40% from sale of software, 60% from services.

Principal officers: Robert V. Hatcher Jr., chairman/chief executive officer; James G. Harlow, senior vp/director/national practice partner; Carl S. Swope, national practice leader-administrative systems.

Continued on next page

RENT-A-CAPTIVES AVAILABLE

"THE ANSWER TO THE 1986 TAX REFORM ACT"

FINANCIAL TECHNOLOGY INC.

Consultants specializing in Captives, Risk Retention Groups, Cash Flow, Self-Funded, Loss Portfolio Transfer Programs, Feasibility Studies, Formation and Management.

1888 Century Park East, Suite 910, Los Angeles, CA 90067
(213) 879-3991

The best place to start cutting your health claims costs is right here.

Of all the coupons in this magazine, this is the one that can mean the biggest savings for your company.

Because it brings you information on the ASA/CAS II℠ Claims Administration System from ASA.

Using CAS II to self-administer your own health benefits can typically save you 30% or more compared to outside services.

That's because CAS II automates virtually the entire claim adjudication process. Claims are paid accurately and consistently. Operators can turn them around quicker thanks to productivity features like single-screen entry. And CAS II gives you the computer power to set up cost containment programs like PPOs, precertification, and second surgical opinion.

CAS II is a no-compromise mainframe system, priced like a mini. And it's available either as a software package or through our remote processing service.

Best of all, it's a product of ASA, the largest software organization devoted exclusively to health insurance systems.

So if you're serious about cutting your health claims costs, all you need are a pair of scissors—and CAS II!

For all the details, send in the coupon. Or call ASA's Director of Marketing at 312/893-9055.

ASA℠
ADVANCED SYSTEM APPLICATIONS, INC.

I'd like to know more about the **ASA/CAS II℠** health claims processing system

Name_____

Title_____

Company_____

Address_____

_____

Area Code/Phone_____

Annual Claim Volume_____

Mail to: ASA, Director of Marketing
One ASA Plaza
Bloomingdale, IL 60108

BI 5/87

Continued from previous page

k

Kwasha Lipton

2100 N. Central Road, Fort Lee, N.J. 07024; 201-592-1300; 212-279-6800

Year founded: 1944.
Software products:
• Int-Act: $40,000; unbundled hardware and software; personal computer; new product; functions include benefits modeling for flexible benefit plan enrollment; can be used to communicate benefits to employees.
• Custom-Designed Micro-Computer Benefits Administration System: $5,000-$50,000; unbundled hardware and software; personal computer; first installation, 1982; 30 total installations in employee benefit departments; functions include record keeping, Social Security calculations, special benefit reports, data transfer and entry.
• Computer-Assisted Employee Communications: $20,000-$50,000; unbundled hardware and software; mainframe and/or personal computer; first installation, 1985; six total installations in employee benefit departments; functions include executive compensation, retirement planning, savings and retirement income projections, HMO enrollment; is used to communicate benefits to employees.

Staff: 275 total staff members, 22 professional staff members assigned to software sales and services.

Clients: 36 total clients, which are employee benefit departments; 10% with less than $200 million in gross revenues, 15% $200 million-$500 million, 40% $500 million-$1 billion, 35% $1 billion-$3.5 billion.

User support: User groups and meetings, telephone assistance available 10 hours per day, updates and manuals for clients.

1986 gross revenues: Not reported; 60% from sale of software, 40% from services.

Principal officers: Richard C. Sears, chief executive partner; David A. Skovron, chief operating partner; R.T. Whitman, partner in charge of marketing.

m

Mayer Hoffman McCann

420 Nichols Road, Kansas City, Mo. 64112; 816-753-3870

Year founded: 1954.
Software products:
• Cafeteria Plan Management System (CPMS): $1,950; unbundled hardware and software; personal computer; first installation, 1985; 136 total installations; 35 employee benefit department installations; functions include accounting for Section 125 cafeteria plan flexible spending accounts; can be used to communicate benefits to employees. Provider clients include Lee's Summit Community Hospital; TPA clients include CPI.
• Cafeteria Plan Proposal System (CPPS): $495; unbundled hardware and software; personal computer; first installation, 1987; 136 total installations; 35 employee benefit department installations; functions include feasibility analyses for Section 125 cafeteria plans; can be used to communicate benefits to employees.

Staff: 125 total staff members, 95 professional staff members.

Clients: 1,000 total clients for all services company provides, 100% with less than $200 million in gross revenues.

User support: Telephone assistance available eight hours per day.

1986 gross revenues: Not reported, 100% from sale of software.

Principal officers: Miles Ross, Charles R. McCann and Alan Thibault.

McDonnell Douglas ISG

P.O. Box 516, St. Louis, Mo. 63166; 800-325-1551

Year founded: 1967.
Software products:
• Benefits 1: $150,000; bundled hardware and software; minicomputer; first installation, 1986; one total installation; functions include administration of flexible benefit plans and claims; can be used to communicate benefit programs to employees and to administer claims under COBRA.

Staff: More than 100 professional staff members.

User support: User groups and meetings, telephone assistance available 10 hours per day, on-site services for clients.

Locations: Fairfax, Va.; Chicago; New York; Los Angeles.

1986 gross revenues: Not reported.

Contact: John E. Whelpley, director.

MEDSTAT Systems, Inc.

400 E. Eisenhower Parkway, Ann Arbor, Mich. 48108; 313-996-1180

Year founded: 1981.
Software products:
• MEDSTAT On-Line System: unbundled hardware and software; personal computer; first installation, 1983; 30 total installations, in employee benefit departments; functions include benefit planning, analysis and modeling, provider profiling.

Staff: 52 total staff members, 41 professional staff members.

Clients: 34 total clients, which are employee benefit departments; 10% with $1 billion-$3.5 billion in gross revenues, 90% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available 12 hours per day, workshops for clients.

Locations: San Francisco; Stamford, Conn.

1986 gross revenues: $4.2 million.

Principal officers: Ernest G. Ludy, president; Laurence Haggerty, executive vp; Jennifer Ponski, vp-finance; Dennis J. Becker, vp-marketing; J. Dennis Bush, vp-consulting; William Duddleson, vp-information systems.

William M. Mercer-Meidinger-Hansen Inc.

1211 Ave. of the Americas, New York, N.Y. 10036; 212-997-7171

Year founded: William M. Mercer Inc. and Meidinger Inc. merged in 1984; William M. Mercer-Meidinger Inc. and A.S. Hansen Inc. merged in 1987.

Parent company: Marsh & McLennan Cos. Inc.

Software products:
• ABC/GeneSys: Unbundled hardware and software; personal computer; first installation, 1986; more than 50 total installations in employee benefit departments; functions include calculation of defined benefit pension plan benefits.
• Flexkey: Unbundled hardware and software; personal computer; first installation, 1984; 20 total installations; 10 employee benefit department installations; functions include enrollment, administration and reimbursement account processing for flexible benefit programs.
• Social Security Calculation System No. 1: Unbundled hardware and software; personal computer; first installation, 1984; functions include calculation of Social Security benefits.
• Social Security Calculation System No. 2: Unbundled hardware and software; mainframe or personal computer; first installation, 1979; 100 total installations in employee benefit departments; functions include calculation of benefits under the Social Security law in effect since 1978.
• Masterkey: Unbundled hardware and software; mainframe; first installation, 1984; functions include accounting and administration of defined contribution plans.
• Loankey: $8,000; unbundled hardware and software; personal computer; first installation, 1986; 20 total installations; functions include administration of loan provisions under defined contribution plans; can be used to communicate benefits to employees.
• Mercer-Meidinger-Hansen COBRA Administration System: Unbundled hardware and software; personal computer; first installation, 1986; 15 total installations in employee benefit departments; functions include administration of claims under COBRA; can be used to communicate benefits to employees.
• BENPRICE: Unbundled hardware and software; personal computer; first installation, 1986; 15 total installations; two employee benefit department installations; functions include development of pricing options, underwriting and credit strategies for health care options in flexible benefit plans.

Staff: 4,243 total staff members and 1,900 professional staff members in entire company, prior to merger with A.S. Hansen.

Clients: 14,000 total clients for all services company provides.

User support: User groups and meetings, telephone assistance available during business hours.

Locations: Albuquerque, N.M.; Anchorage, Alaska; Atlanta and Columbus, Ga.; Baltimore; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago and Deerfield, Ill.; Cincinnati, Cleveland and Columbus, Ohio; Dallas, Fort Worth and Houston, Texas; Denver; Detroit and Grand Rapids, Mich.; Fresno, Los Angeles, Orange, San Francisco and San Jose, Calif.; Indianapolis; Kansas City and St. Louis, Mo.; Louisville, Ky.; Memphis and Nashville, Tenn.; Milwaukee; Minneapolis; Morristown, N.J.; New Orleans; Philadelphia and Pittsburgh, Pa.; Phoenix, Ariz.; Portland, Ore.; Richmond, Va.; Rochester and White Plains, N.Y.; Seattle; Stamford, Conn.; Tampa, Fla.; Tulsa, Okla.; Washington, D.C.; Wichita, Kan.

1986 gross revenues: $294 million for all services company provides.

Principal officers: Douglas D. Stegner, chairman; Steven W. Fargason, vice chairman; Diljit S. Juneja, president; Robert A. Brochu, Joseph Holtzer and Frank Peabody III, executive vps; Philip E. Carlin, Chester D. Clark, Edward H. Davis, Paul L. Hendricks, Robert E. Lindgren, Howard F. Lund and Timothy J. Lynch, managing directors.

Metropolitan Life Insurance Co.-Advanced Benefits Communication

1 Madison Ave., New York, N.Y. 10010-3690; 212-578-2211.

Year founded: 1868.
Parent company: Metropolitan Life Insurance Co.
Software products:
• MetLife SHOWCASE: unbundled hardware and software; first installation, 1983; six total installations in employee benefit departments; system provides employees with access to information on benefit plans, including information on COBRA. Employer clients include Rockwell International Corp., American Express Co.

Staff: 16 total staff members, 11 professional staff members.

Clients: Not reported, 100% with gross revenues exceeding $3.5 billion.

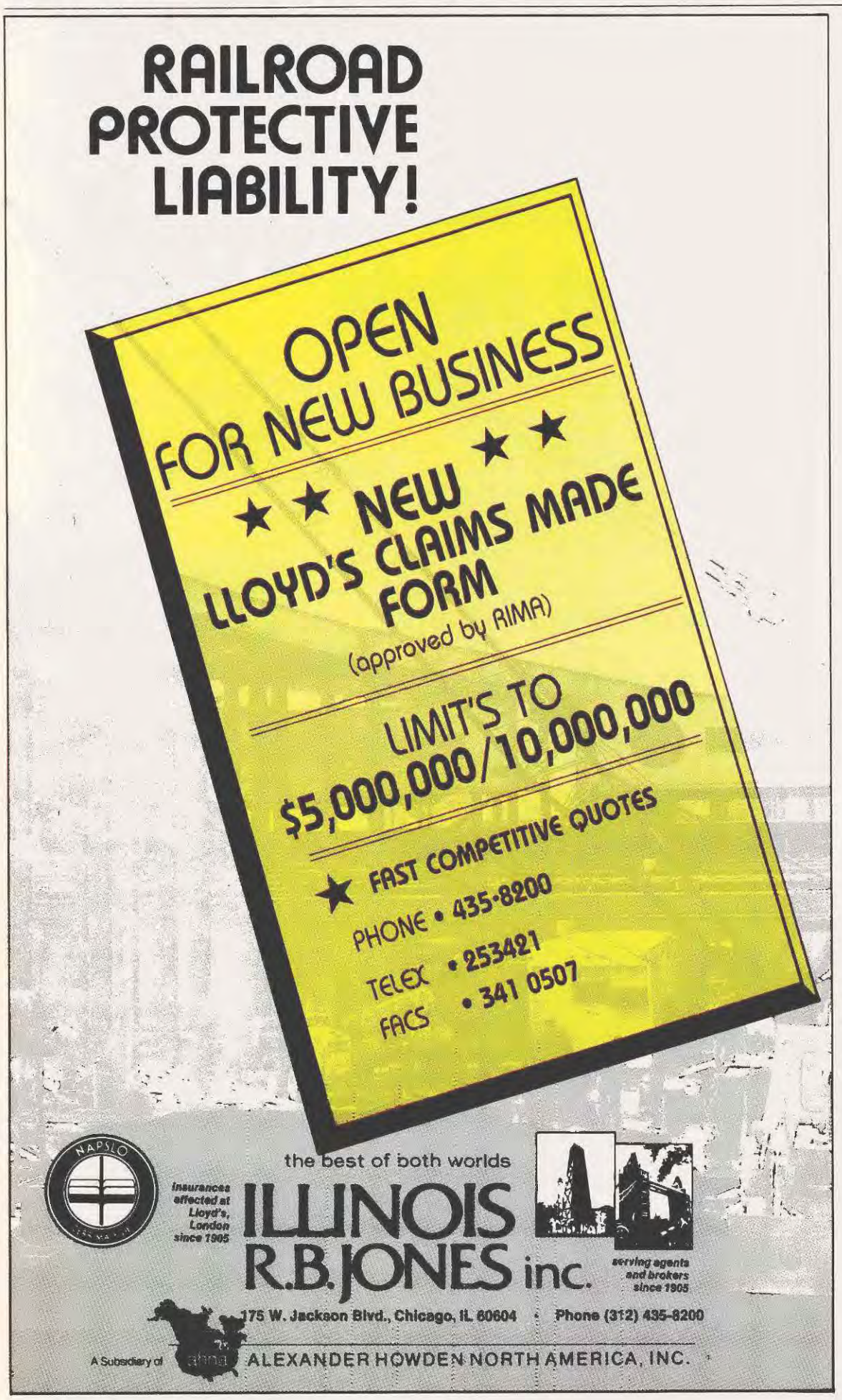
User support: User groups and meetings, telephone assistance.

Locations: Locations throughout the U.S.

1986 gross revenues: Not reported.

Principal officers: Lewis DeRisi, vp; Linda Grosso, director of marketing-Advanced Benefits Communication.

Continued on facing page



Continued from facing page

Miller, Mason & Dickenson

1 First Ave., Conshohocken, Pa. 19407; 215-834-2116

Year founded: 1960.
Software products:
• Retirement Calculation System: $15,000; unbundled hardware and software; personal computer; first installation, 1984; 16 total installations; 10 employee benefit department installations; functions include calculation of retirement benefits; can be used to communicate benefit programs to employees. Employer clients include Pneumo-Abex, General Waterworks.
Staff: 190 total staff members, 150 professional staff members.
Clients: Not reported.
User support: User groups and meetings, telephone assistance, newsletters for clients.
Locations: Chicago, Dallas, Houston, Detroit.
1986 gross revenues: $200,000; 70% from sale of software, 30% from services.
Principal officers: M.P. Dickenson, chairman; R.A. Scott, president.

Mosshamer & Associates

111 N. Third St., Geneva, Ill. 60134; 312-232-1221

Year founded: 1981.
Software products:
• 125 Adjudicator: $2,495; unbundled hardware and software; personal computer; first installation, 1987; one total installation; functions include administration of flexible benefit plans and flexible spending accounts; can be used to communicate benefit programs to employees and to administer claims under COBRA.
Staff: Four total staff members who are professionals.
User support: Telephone assistance available eight hours per day, on-site training for clients.
Principal officers: E.L. Mosshamer Jr.

n

National FSI

2777 Stemmons Freeway, Suite 700, Dallas, Texas 75207; 214-689-3200

Year founded: 1971.
Software products:
• Employee Benefit Administrative System (EBAS): bundled hardware and software; minicomputer, mainframe or personal computer; first installation, 1974; more than 120 total installations; more than 10 employee benefit department installations; functions include defined contribution plan record keeping.
• Participant Accounting System (PAS): bundled hardware and software; minicomputer or mainframe; first installation, 1979; more than six total installations; functions include daily fund record keeping for defined contribution plans.
• Pension Lump Sum System (PLUS): bundled hardware and software; minicomputer or mainframe; first installation, 1981; more than 48 total installations; functions include lump sum and recurring payment calculations for pension plans.
Staff: 200 total staff members who are professionals.
Clients: More than 250 total clients. Eight employee benefit department clients; 25% with $500 million-$1 billion in gross revenues, 25% $1 billion-$3.5 billion, 50% exceeding $3.5 billion.
User support: User groups and meetings, telephone assistance nine hours per day, emergency telephone service.
Locations: Boston, New York.
1986 gross revenues: $14 million; 24% from sale of hardware, 22% from sale of software, 54% from services.
Principal officers: Robert C. Montana II, president/chief operating officer; John Haller, vp-marketing/business development.

National Risk Management Inc.

2682 Bishop Drive, Suite 116, San Ramon, Calif. 94583; 415-830-9080

Year founded: 1978.
Software products:
• NRM Group Health Claims System: $25,000; bundled or unbundled hardware and software; personal computer or microcomputer; first installation, 1986; three total installations; one employee benefit department installation; functions include group health claims processing; can be programmed to communicate benefit programs to employees and to administrate claims under COBRA. TPA clients include Mahrt & Associates; employer client is Sierra Pacific Industries.

Staff: Not reported.

Clients: One employee benefit department client with gross revenues $500 million-$1 billion.

User support: Telephone assistance available eight hours per day.

1986 gross revenues: Not reported.

Principal officers: Frank E. Amatelli, president.

p

Policy Management Systems Corp.

P.O. Box 10, Columbia, S.C. 29202; 803-735-4000

Year founded: 1981.
Software products:

• Group Comm: bundled hardware and software; mainframe or minicomputer; first installation, 1982; 30 total installations; functions include administration of group insurance plans; can be used to administer claims under COBRA.
• Examiner: bundled hardware and software; mainframe or minicomputer; first installation, 1984; 37 total installations; eight employee benefit department installations; functions include adjudication of medical, dental, vision, life and disability claims; can be used to administer claims under COBRA.
• EXCLAIM: Bundled hardware and software; mainframe, minicomputer or personal computer; new product; functions include adjudication of health claims.

Staff: 70 total staff members, 65 professional staff members.

Clients: 150 total clients.

User support: User groups and meetings, telephone assistance available eight hours per day.

Locations: Boston; Lawrenceville, N.J.; Los Angeles, San Francisco and Orange, Calif.; Dallas and San Antonio, Texas; Islington, Ontario; Hopkins, Minn.; Addison and Rolling Meadows, Ill.; Atlanta; Surrey, England.

1986 gross revenues: $150.6 million.

Principal officers: G. Larry Wilson, chairman/president/chief executive officer; David T. Bailey, Donald A. Coggiola, Robert L. Gresham and Robert A. Sizemore, executive vps; Charles E. Callahan and Frank A. Helland, senior vps; Roy L. Faulks, vice chairman.

r

Resource Information Management Systems Inc.

500 Technology Drive, Naperville, Ill. 60540-2599; 312-369-5300

Year founded: 1981.
Software products:
• QicClaim Healthcare Data Management System: unbundled hardware and software; minicomputer; first installation, 1982; 225 total installations; 15 employee benefit department installations; functions include adjudication of medical, dental and vision claims, eligibility verification, generation of reports; can be used to administer claims under COBRA. Employer clients include Amway Corp., Benton & Bowles, Allied Van Lines.
• QicPACE Program for Alternative Care Environments: unbundled hardware and software; minicom-

Continued on next page

With the right partner, you'll have smooth sailing.



Introducing Partners Plus. We'll help you discover the potential of Group Long Term Disability.

With Partners Plus from Employers Reinsurance, you can quickly tap into the booming GLTD market.

Without investing a lot of money. Or assuming a lot of risk.

Partners Plus provides you with everything you need. From a tailor-made policy, to administrative software, to claims service.

And unlike many companies, we don't compete with you in the marketplace.

Best of all, Partners Plus offers you ultimate ownership of the business.

For more information, call toll-free 1-800-255-6931. We're the partner you've been looking for.

Employers Reinsurance Corporation

In Focus:

John Middleton, Chicago



John Middleton, Vice President and Branch Manager for Sherwood Insurance Services in Chicago, is uniquely qualified to handle the responsibility of establishing an office far from headquarters. As a Chicago native, he understands the Midwestern market; and as a veteran of Sherwood's Los Angeles office, he's an expert in providing the kind of service Sherwood has built its formidable reputation on.

Don Sherwood, President, planned on establishing the branch of the highly successful wholesale brokerage firm long before the August, 1986, opening. "We waited to move forward until we had a strong, expert staff with local understanding," explained Sherwood. "This was critical in our ability to respond to local customer needs. Fortunately for us we had our own, home-grown talent in John Middleton!"

Middleton, having spent 25 years in insurance, feels the Chicago office can provide a unique two-way exchange of business opportunities: "We'll be able to bring new markets here, plus we can give special Midwestern markets exposure to the West."

SI SHERWOOD INSURANCE SERVICES

201 California St., Suite 900 • San Francisco, CA 94111 • (415) 956-3236 • Telex 171719 • SHERINSUR SFO
3435 Wilshire Blvd., Suite 2930 • Los Angeles, CA 90010 • (213) 487-3260 • Telex 71275568 • SILAUR
10 So. Riverside Plaza, #1610 • Chicago, IL 60606 • (312) 648-0700 • Telex 282-113 • SHERINSUR CGO

Continued from previous page

puter; first installation, 1986; 43 total installations; two employee benefit department installations; functions include PPO and HMO administration and record keeping, utilization review, reporting; can be used to administer claims under COBRA.

• Flexible Benefits Administration Program: unbundled hardware and software; minicomputer; first installation, 1986; 97 total installations; three employee benefit department installations; functions include management of cafeteria plans; can be used to administer claims under COBRA. Employer clients include Benton & Bowles.

Staff: 125 total staff members, 107 professional staff members.

Clients: 225 total clients 15 employee benefit department clients; 80% with less than $200 million in gross revenues, 20% $200 million-$500 million.

User support: User groups and meetings, telephone assistance available 10 hours per day.

Locations: Albany, N.Y.; Amarillo, Texas; Mission Viejo, Calif.

1986 gross revenues: $12.8 million; 37% from sale of hardware, 51% from sale of software, 12% from services.

Principal officers: Thomas Heimsoth, chief executive officer; Terry Kirch, chief operating officer; Thomas Colgan, president; Howard Downs, executive vp.

S

S W Medical Data Systems Inc.

302 W. Carrillo St., Santa Barbara, Calif. 93101; 805-963-5959

Year founded: 1979.
Software products:

• ClaimsWork: $90,000; unbundled hardware and software; minicomputer, mainframe or available on a time-sharing basis; first installation, 1980; 35 total installations; 11 employee benefit department installations; functions include claims administration and premium billing. TPA and PPO clients include The August Group, Sagamore Health Network; other clients include Bakery & Confectionary Union Industry Fund (labor trust administrator).

• PPOWork: $90,000; unbundled hardware and software; minicomputer, mainframe or available on a time-sharing basis; first installation, 1983; three total installations; functions include payment and pricing of PPO claims, utilization review. TPA and PPO clients include Sagamore Health Network.

• HMO/IPAWork: $100,000; unbundled hardware and software; minicomputer, mainframe or available on a time-sharing basis; first installation, 1986; four total installations; functions include HMO plan administration and accounting.

• InsurWork: $150,000; unbundled hardware and software; minicomputer, mainframe or available on a time-sharing basis; first installation, 1985; three total installations; functions include underwriting, actuarial, billing, commission, cost containment; administration of medical, dental and vision claims.

• CostWork: $15,000; unbundled hardware and software; minicomputer, mainframe or available on a time-sharing basis; first installation, 1985; four total installations; functions include pre-certification, second surgical opinion, utilization reporting, claims services. TPA client include The August Group.

Staff: 48 total staff members.

Clients: 36 total clients. 11 employee benefit department clients; 73% with less than $200 million in gross revenues, 18% $200 million-$500 million, 9% $500 million-$1 billion.

User support: User groups and meetings, telephone assistance available 12 hours per day.

Locations: Additional office in Santa Barbara, Calif.

1986 gross revenues: $2 million; 65% from sale of software, 35% from services.

Principal officers: William Whitmore, president; Gregory Giloth, senior vp; Sherry Hannigan and Edwin R. Lissitz, vps.

Sanddollar Enterprises Inc.

2000 E. 116th St., Suite 204, Carmel, Ind. 46032; 317-844-3800

Year founded: 1984.
Software products:

• Sanddollar Health Management & Claims System: $27,000; bundled hardware and software; personal computer; first installation, 1985; 10 total installations; seven employee benefit department installations; functions include eligibility determination, claims calculation, check printing, PPO administration, report writing; can be used to administer claims under COBRA. Provider clients include Holston Valley Hospital, Health East; other clients include Toledo Firefighters Union.

• SandQuarter Health Management & Claims System: $17,000; bundled hardware and software; personal computer; first installation, 1986; five total installations; functions include eligibility determination, claims calculation, check printing, PPO administration, report writing; can be used to administer claims under COBRA.

• SandREI: $32,000; bundled hardware and software; personal computer; first installation, 1986; five total installations; functions include trend analysis and rate calculation.

Staff: Six total staff members, five professional staff members.

Clients: Five total clients. Three employee benefit department clients, 100% with less than $200 million in gross revenues.

User support: Telephone assistance available 10 hours per day.

Locations: Paupack, Pa.

1986 gross revenues: $1 million; 10% from sale of hardware, 85% from sale of software, 5% from services.

Principal officers: Mark G. Hershinger, president; Patricia L. Huntsinger, secretary.

Spartin Benefit Plan Administration Systems Inc. (SBPA Systems)

14925-A Memorial Drive, Houston, Texas 77079; 713-496-0800

Year founded: 1975.
Software products:

• Group Benefit Administration & Claims Processing System: $25,000-$150,000; bundled or unbundled hardware and software; first installation, 1976; 17 total installations; three employee benefit department installations; functions include enrollment billing, commissions, premium accounting, eligibility verification, reporting and claims adjudication for medical, dental and vision plans; can be used to communicate benefits to employees and to administer claims under COBRA. TPA clients include Benefit Plan Administrators, ESP Agency, First American Administrative Services, United Plans Inc.; Employer clients include Texas Gas Transmission Corp., Wycliffe Bible Translators, Columbus-Cuneo-Cabrini Medical Center.

Staff: Six total staff members who are professionals.

Clients: 17 total clients. Three employee benefit department clients, 100% with less than $200 million in gross revenues.

User support: User groups and meetings, telephone assistance, on-site training, training in vendor office.

1986 gross revenues: Not reported.

Principal officers: Arnold Heinrich, president; Tim Stunz, executive vp; Dave Small, vp; Dan Redwine, vp/secretary.

Synergy Health Systems Inc.

16775 Addison Road, Suite 201, Dallas, Texas 75248; 214-248-6241

Year founded: 1985.
Software products:

• Advanced Claims Processing System: $150,000; unbundled hardware and software; minicomputer; first installation, 1985; 12 total installations; two employee benefit department installations; functions include health claims processing, membership and enrollment.

• Basic Claims Processing System: $72,000; unbundled hardware and software; minicomputer; first installation, 1986; two total installations; functions include health claims processing, membership and enrollment.

Staff: 14 total staff members, 10 professional staff members.

User support: User groups and meetings, telephone assistance available 12 hours per day.

1986 gross revenues: Not reported.

Principal officers: Fred A. Kinder Jr., president; Eric R. Hornquist, executive vp.

t

Tesseract Corp.

150 Spear St., 10th Floor, San Francisco, Calif. 94105; 415-543-9320

Year founded: 1971.
Parent company: The Prudential Insurance Co. of America.
Software products:

• Tesseract Benefit Plan Administration System: $100,000-$200,000; unbundled hardware and software; mainframe; first installation, 1982; 44 total installations in employee benefit departments; functions include administration of flexible benefit plans, insurer reporting and administration of claims under COBRA; can be used to communicate benefits to employees.

• Tesseract Investment Plan Management Systems: $100,000-$200,000; unbundled hardware and software; first installation, 1987; five total installations in employee benefit departments; functions include administration of defined contribution plans; can be used to communicate benefits to employees.

Staff: 160 total staff members, 80 professional staff members.

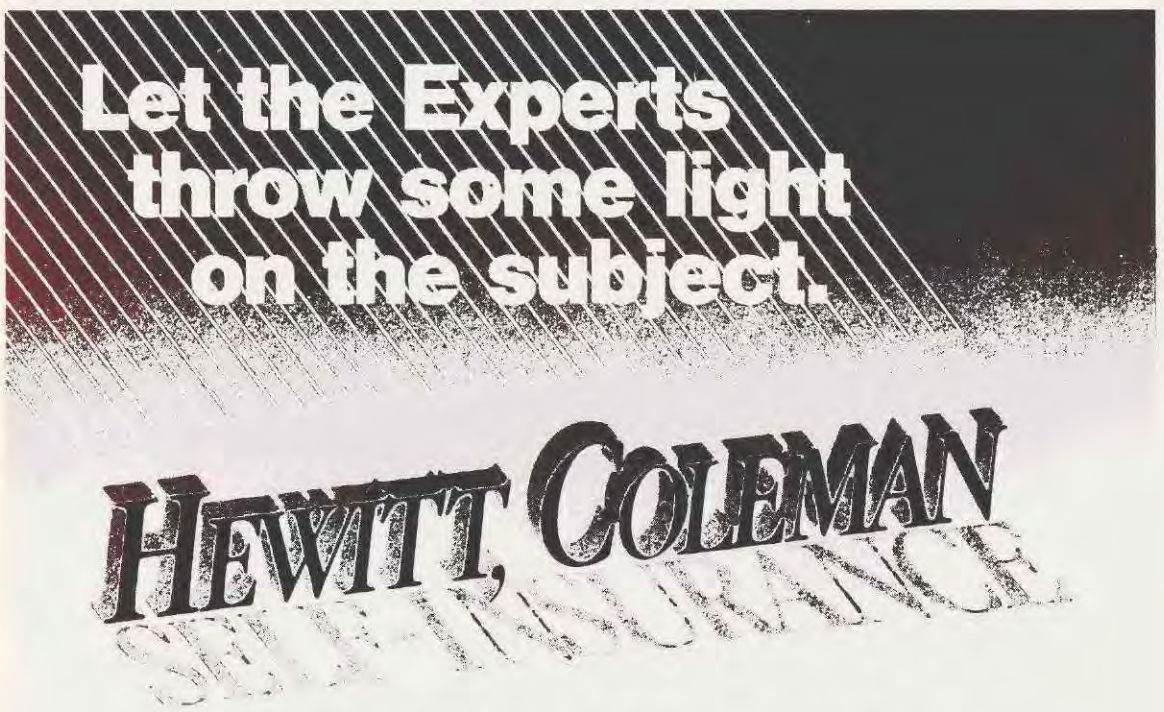
Clients: 90 total clients. 44 employee benefit department clients; 11% with less than $200 million in gross revenues, 11% $200 million-$500 million, 11% $500 million-$1 billion, 28% $1 billion-$3.5 billion, 39% exceeding $3.5 billion.

User support: User groups and meetings, telephone assistance available 24 hours per day, training and consultation for clients.

Locations: Inverness, Ill.; Dallas; Saddlebrook, N.J.; Boston; Atlanta; Long Beach, Calif.

1986 gross revenues: Not re-

Continued on facing page



Now, Self Funding of Employee Medical Benefit Programs for companies with as few as 25 employees!*

Find out how savings of up to 50% are possible through self-funding with the leading third party administrator...Hewitt, Coleman & Associates. We've been the experts in the self-insurance business, exclusively, since 1923. For more information...call or write our home office.

*Not available in all states

Call 1-800-421-9139 In S.C. call 1-242-4350

P.O. Box 3665, 2717 Poinsett Highway, Greenville, SC 29608
Branches and affiliated offices in major cities.

Continued from facing page
ported, 100% from sale of software.

Principal officers: Charles J. Yazel, president; Gary L. Durbin, executive vp; William Leckonby, vp-sales.

Touche Ross & Co.-Benefits Practice

1633 Broadway, P.O. Box 919; New York, N.Y. 10019-6754; 212-489-1600

Year founded: 1975.
Parent company: Touche Ross & Co.
Software products:

• CompuFlex System: unbundled hardware and software; personal computer; first installation, 1985; five total installations in employee benefit departments; functions include administration of flexible benefit plans; can be used to communicate benefits to employees.

Staff: 125 professional staff members in Benefits Practice.
Locations: 80 offices in the U.S.
1986 gross revenues: Not reported.
Principal officers: David Dresner, national director-actuarial, benefits & compensation consulting; Timothy R. Garmager, national director-health & flexible benefits consulting; Debora K. Harvey, national manager-flexible compensation services.

Towers, Perrin, Forster & Crosby

245 Park Ave., New York, N.Y. 10167; 212-309-3400

Year founded: 1934.
Software products:

• SSCALC: Personal computer, $1,000; unbundled hardware and software; first installation, 1984; 125 total installations in employee benefit departments. Mainframe, $4,000; unbundled hardware and software; 90 total installations in employee benefit departments. Functions include calculations of Social Security benefits; can be used to communicate benefits to employees.

• PENCALC: Personal computer, $35,000; unbundled hardware and software; first installation, 1985; 25 total installations, in employee benefit departments. Mainframe, $50,000; unbundled hardware and software; first installation, 1974; 50 total installations in employee benefit departments. Functions include calculation of defined benefit pension plan benefits.

• SOMS: $12,000; unbundled hardware and software; personal computer; first installation, 1984; 47 total installations; system is designed to administer stock option plans.

• FLEXSELECT: Unbundled hardware and software; personal computer; first installation, 1985; two total installations in employee benefit departments; system is used by employees to determine flexible benefit program options, and printouts of benefit election forms.

• ASK ELISE: Unbundled hardware and software; personal computer; new product; system is used by employees to estimate future retirement income from company savings plans.

• TPF&C COBRA Administration System: Unbundled hardware and software; personal computer; first installation, 1987; 45 total installations, in employee benefit departments; system facilitates compliance with COBRA and is used to administer claims under COBRA.

• FBAS: Unbundled hardware and software; personal computer; new product; functions include maintenance of data for and administration of flexible benefit plans.

Staff: 3,800 total staff members and 2,600 professional staff members in entire company.
Clients: More than 10,000 total clients for all services of company.
Locations: 52 offices worldwide.
1986 gross revenues: $420 million from all services company provides.
Principal officers: Quentin I. Smith Jr., chairman; James E. Kielley, president; Charles E. Peartree, executive vp.

Travis Software Corp.

11221 Richmond Ave., Suite C-111, Houston, Texas 77082; 713-496-3737

Year founded: 1986.
Software products:

• Corporate COBRA Manager: $1,295; unbundled hardware and software; personal computer; first installation, 1986; more than 600 total installations; more than 500 employee benefit department installations; functions include notification, enrollment, premium billing, premium collection, generation of notices and reporting; can be used to communicate benefits to employees and to administer claims under COBRA. TPA clients include Employee Benefit Protective Services; insurer clients include Northwestern National Life Insurance Co.

• Corporate Flex Manager: $2,995; unbundled hardware and software; personal computer; first installation, 1987; 10 total installation in employee benefit departments; system provides accounting for flexible benefit programs, including flexible spending accounts, check generation and reporting; can be used to communicate benefits to employees.

• Retiree Medical Manager: $1,295; unbundled hardware and software; personal computer; first installation, 1987; 15 total installations in employee benefit departments; functions include retiree premium billing, notifications and reporting; can be used to communicate benefits to employees.

Staff: Eight total staff members, six professional staff members.
Clients: 360 total clients, 340 employee benefit department clients; 15% with less than $200 million in gross revenues, 15% $200 million-$500 million, 40% $500 million-$1 billion, 20% $1 billion-$3.5 billion, 10% exceeding $3.5 billion.
User support: Telephone assistance available nine hours per day.
1986 gross revenues: 100% from the sale of software.
Principal officers: Alan H. Williams, president; W.J. McDaniel, vp.

Trilog Inc.

1700 Market St., Philadelphia, Pa. 19103; 215-564-3404

Year founded: 1966.
Parent company: CIGNA Corp.
Software products:

• TPM/Online: Unbundled hardware and software; mainframe; first installation, 1986; functions include record keeping for defined contribution plans.

• Microshare 401(k): $5,000; unbundled hardware and software; personal computer; first installation, 1980; functions include record keeping for defined contribution plans.

Staff: 125 total staff members.
Clients: Not reported.
User support: User groups and meetings, telephone assistance available seven hours per day.
1986 gross revenues: Not reported.
Principal officers: Daniel A. Drozd, president.

W

WLT Software of Florida Inc.

2087 U.S. 19 N., Suite D, Clearwater, Fla. 33575; 813-797-7814

Year founded: 1980.
Software products:

• MEDICLAIMS: $45,000-$125,000; bundled or unbundled hardware and software; minicomputer; first installation, 1981; functions include claims administration and billing for medical, dental, vision, prescription drug, long-term and short-term disability claims; administration of flexible benefit plans, PPO processing, cost containment reporting, financial accounting and administration of claims under COBRA; can be used to communicate benefits to employees.

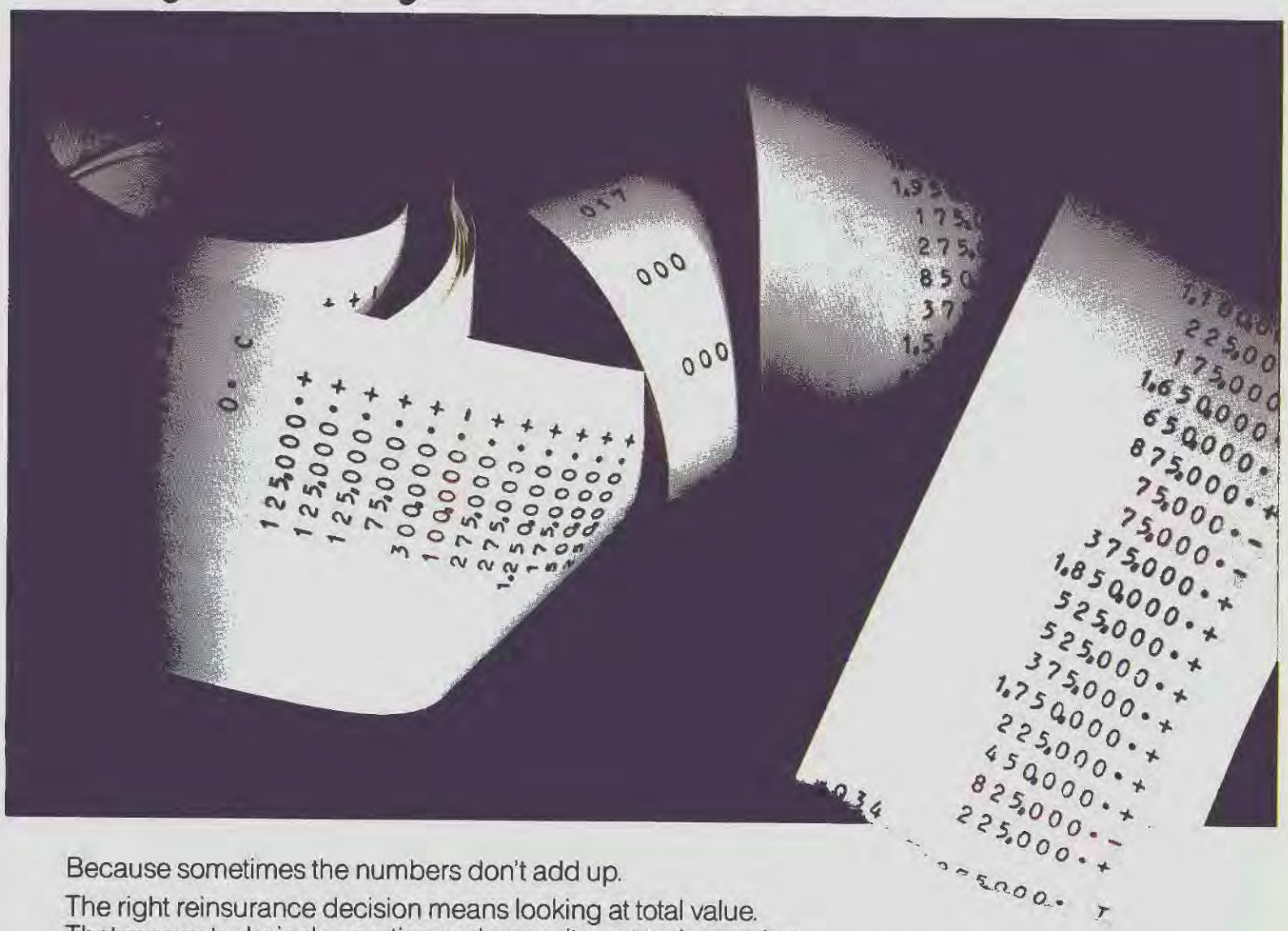
Staff: Not reported.
Clients: Not reported.
User support: User groups and meetings, telephone assistance available nine hours per day, newsletters for clients.
1986 gross revenues: Not reported.
Principal officers: William L. Tiner Jr., president.

The Wyatt Co.

1990 K St. N.W., Suite 900, Washington, D.C. 20006; 202-857-9200

Year founded: 1947.
Continued on next page

If you only look at the numbers, you may miss the total.



Because sometimes the numbers don't add up.

The right reinsurance decision means looking at total value. That means technical expertise and commitment to the market. It means industry knowledge and the willingness to share it.

At Lincoln National, our success depends on being a reinsurance resource you can count on — for capacity and much, much more. Almost 80 years of experience make us a powerful resource. And when you're a client, our strengths are yours to draw upon.

The lowest price doesn't always reflect the highest value. That's as true in reinsurance as it is everywhere else. So when you're considering reinsurance, look at the numbers. Then look carefully at the total.

LINCOLN NATIONAL REINSURANCE

The Reinsurance Resource.

1300 S. Clinton Street
P.O. Box 1110
Fort Wayne, IN 46801

Developing a Professional Image

"CEBS is the highest mark of professionalism in the employee benefits field."



The Certified Employee Benefit Specialist (CEBS) designation is awarded to individuals who successfully complete a series of ten college level courses and examinations covering the design and operation of employee benefit plans. The CEBS program is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

CEBS

For more information, contact the CEBS Department, International Foundation, P.O. Box 69, Brookfield, WI 53008-0069, (414) 786-6700.

Continued from previous page

Software products:

- COBRA Administration System (CAS): $6,000; unbundled hardware and software; personal computer; first installation, 1986; more than 500 total installations, in employee benefit departments; functions include administration of claims under COBRA.
- MediCost: $50,000; unbundled hardware and software; personal computer and/or mainframe; first installation, 1986; functions include claims analysis for health care cost management.
- Benefit Connection: $30,000; unbundled hardware and software; personal computer; first installation, 1985; two total installations in employee benefit departments; functions include generation of electronic benefit statements; can be used to communicate benefits to employees.
- Reimbursement Administration: $10,000; unbundled hardware and software; personal computer; first installation, 1984; 55 total installations in employee benefit departments; functions include administration of flexible spending accounts; can be used to communicate benefits to employees.
- Flex Enrollment: $25,000; unbundled hardware and software; personal computer; first installation, 1985; 25 total installations in employee benefit departments; product is an enrollment system for flexible benefit plans; can be used to communicate benefits to employees.
- Participant Administration Software System (PASS): Unbundled hardware and software; personal computer; first installation, 1984; 25 total installations in employee benefit departments; functions include administration of defined contribution and pension plans.
- PCPIA: Unbundled hardware and software; personal computer; first installation, 1985; six total installations in employee benefit departments; functions include Social Security projections and payout calculations.

Staff: 2,200 total staff members in entire company.

Clients: More than 10,000 total clients for all services company provides.

User support: User groups and meetings, telephone assistance available nine hours per day.

Locations: Atlanta; Wellesley Hills, Mass.; Chicago; Cleveland and Columbus, Ohio; Dallas and Stafford, Texas; Denver; Grand Rapids, Mich.; Detroit; Fort Lee and Upper Montclair, N.J.; Honolulu, Hawaii; Irvine, Van Nuys, San Diego and San Francisco, Calif.; Memphis, Tenn.; Miami; Minneapolis; New York; Philadelphia; Phoenix; Portland, Ore.; Seattle; Stamford, Conn.

1986 gross revenues: $5 million from software sales and services; 80% from sale of software, 20% from services.

Principal officers: J.P. Stanley, president. ■

HMO members satisfied with quality of care: Study

By KAREN HUELSMAN

A major reason for enrolling in an HMO, according to 50% of those who say they will re-enroll, is cost. The major advantage to an indemnity plan, say 51% of those planning to re-enroll or switch to indemnity plans, is choice of personal doctor.

Employees enrolled in health maintenance organizations generally are more satisfied with the quality and cost of the health care they receive than those enrolled in traditional indemnity plans, according to a recent survey.

The survey of 768 Chicago-area employees covered by either HMOs or indemnity medical plans revealed that the vast majority of both groups—88% and 81% respectively—were "generally satisfied" with the type of coverage they had chosen.

The survey by Hewitt Associates, a Lincolnshire, Ill.-based employee benefit consultant, surveyed 447 employees using HMOs and 321 employees enrolled in indemnity plans.

The vast majority of HMO users —90%—expect to re-enroll in an HMO, while 7% said they would enroll in an indemnity plan and 3% gave no response.

On the other hand, only 82% of the indemnity plan users said they would re-enroll in their current plan, while 13% said they would switch to an HMO and 5% gave no response.

A major reason for enrolling in an HMO, according to 50% of those who say they will re-enroll in an HMO, is cost. Other major reasons cited by these respondents included: full coverage of eligible services, cited by 16%; no out-of-pocket expenses, cited by 12%; less paperwork and red tape, cited by 10%; and overall satisfaction with HMOs, also cited by 10%.

The major advantage to an indemnity plan, cited by 51% of those planning to re-enroll or switch to an indemnity plan, is choice of a personal doctor. Other major reasons, each cited by 11% of those planning to re-enroll in an indemnity plan, include familiarity with doctors, choice of hospital facilities and overall satisfaction with coverage.

Perceptions of HMO care differ widely between users and nonusers. For instance, only 38% of respondents in indemnity medical plans ranked HMOs as very effective or somewhat effective in providing high-quality care. But among those enrolled in HMOs, 79% said HMOs are very or somewhat effective in providing high-quality care.

Both response groups, however, thought HMOs were effective in controlling costs. Among indemnity plan users, 76% responded that HMOs were very effective or somewhat effective in controlling costs, while 84% of current HMO participants said the delivery system is very effective or somewhat effective in controlling costs.

Both users of HMOs and traditional plans expressed similar levels of overall satisfaction with the caliber of their doctors.

Among HMO users, 90% said they were satisfied with the caliber of doctors, although about 25% expressed dissatisfaction with the "range of choices" and "doctors' willingness to make referrals to specialists."

On the other hand, employees in indemnity plans registered a 94% satisfaction rate with the caliber of their doctors, and 90% of these employees were satisfied with those doctors' willingness to refer them to specialists.

Opinions about the convenience of medical appointments differed between the groups. Sixty-nine percent of HMO users expressed satisfaction with their ability to make appointments for the day and time requested, while 81% of medical plan users were satisfied with availability.

Office hours were listed as satisfactory by 81% of HMO participants and by 79% of indemnity plan users. And, the length of office waits was called satisfactory by 75% of HMO users, while only 59% of indemnity plan plan users said the amount of time spent waiting in doctors' offices was satisfactory.

The survey found some differences between the needs and demographics of HMO users and indemnity plan participants.

For example, HMO participants were less likely to require ongoing doctor's care. Nineteen percent of HMO users required ongoing care, compared with 30% of the indemnity plan participants.

Twenty-one percent of HMO users reported they had been hospitalized within the past year, compared with 25% of indemnity plan participants.

Indemnity plan participants responding to the survey were slightly older and reported slightly higher income than HMO users. The average age of indemnity plan users was 41, while HMO participants reported an average age of 38. Average annual pay for indemnity plan users was $32,300, compared with $29,700 among the HMO members responding to the survey.

Although HMOs emphasize the availability of preventive care, users of both types of coverage reported similar access to such techniques. Among those enrolled in indemnity plans, 71% said their coverage encourages preventive medicine, while 68% of HMO participants responded similarly.

A majority of indemnity plan users—87%—said that they regu-

Continued on next page

RLI Corp.

is pleased to announce
that trading of its common stock on the
New York Stock Exchange, Inc.
began May 8, 1987
under the symbol

RLI

RLI Corp.
9025 North Lindbergh Drive
Peoria, Illinois 61615
(309) 692-1000

Insurers, risk managers differ on profits

By ALISON KITTRELL

Most financial services industry leaders believe the insurance industry has reported below-average profits compared with other industries, though insurance company executives are much more likely to hold this opinion than others, according to a recent survey.

"There is a strong consensus among our opinion leaders that the profitability of the property/casualty insurance industry has been below the average for U.S. industry over the past two years (as, in fact, it has)," say the authors of the survey, "Who Will Be Delivering Financial Services and How: Executives' Views."

However, less than half—43%—of the risk managers polled in the same survey believe the insurance industry's profits in recent years have been subpar.

The survey, conducted by Cambridge Reports, was commissioned by the Insurance Information Institute and the Insurance Services Office.

Cambridge Reports questioned 231 financial services leaders—including insurance executives, commercial bankers, investment bankers, insurance stock analysts and consultants, risk managers and state insurance regulators—about the current and future of the insurance and financial services industries.

The result is a wide-ranging survey showing these observers' appraisal of the current state of the property/casualty industry and their predictions about its future.

Highlights of the survey include:

- Two-thirds of all respondents agree that the recent profitability of the property/casualty industry has been below U.S. industry averages.

However, non-insurance respondents are four times more likely than insurance industry respondents to say that profitability has been above average.

- Almost three-fourths of the respondents agree there currently is a great deal of competition within the property/casualty insurance industry.
- Sixty percent of risk managers and commercial bankers say that a few large companies control most of the property/casualty insurance business, although a majority of the other groups surveyed disagree.
- All respondents generally agreed that states will continue to regulate the insurance industry, although many respondents expect greater federal regulation in some areas.
- There is great divergence of opinion of whether non-insurance companies are likely to buy property/casualty insurers.

In general, according to the survey, non-insurance industry respondents are more likely than insurance respondents to expect such acquisitions.

But, all respondents expect some non-insurance companies to divest themselves of their property/casualty subsidiaries.

- The respondents agree that captive insurance companies are likely to remain a permanent part of the commercial property/casualty insurance market.

Many respondents contend that captives will remain viable because they are less expensive than traditional insurance—and, in some cases, are the only market for a particular type of insurance coverage.

- Insurers, risk managers and state regulators believe that banks should not be allowed to sell insurance, but the commercial and investment bankers disagree.

Majorities of all the groups of respondents, except risk managers, said that the property/casualty industry's profitability over the last two years has been below national norms.

Below-average profitability was seen by 68% of the insurance executives, 58% of the commercial bankers, 77% of the investment bankers, 71% of the insurance stock analysts and consultants and 71% of the state regulators.

In contrast, only 43% of the risk managers said the industry's profitability has been below average.

When the responses of all of the respondents besides insurance executives are aggregated, 59% of the respondents say the industry's profits have been below average.

However, 21% of the other respondents say the industry's profitability has been above average, compared with only 5% of the insurance executives.

According to the survey authors, "While profitability is a key concern in any industry, it is of critical importance to the property/casualty insurance industry, which is just emerging from a prolonged period of debilitating losses."

The respondents also generally

Continued on next page

'While profitability is a key concern in any industry, it is of critical importance to the property/casualty insurance industry, which is just emerging from a prolonged period of debilitating losses,' the survey authors note.

HMO survey

Continued from previous page

larly practice some form of preventive medicine because of encouragement from their health care providers, compared with 85% of the HMO users.

Respondents also were questioned about the future of HMOs.

Among indemnity plan users, 28% said they expected HMOs to become the prevalent form of health care coverage and 37% said they expected HMOs to be equally as prevalent as indemnity plans.

Current HMO users agreed in larger numbers, with 51% predicting HMOs will become the most prevalent form of coverage and 35% maintaining that HMOs would become equally as prevalent as indemnity plans.

•

Copies of "Employee Attitudes Toward HMOs and Traditional Medical Plan Coverage" are available for $45 from Cathy Schmidt, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.



At Tifco, we finance insurance premiums fast.

No insurance sale is really closed until you get your cash. So at Tifco, our premium financing policy is to get your cash to you fast. Veryfast.

In fact, we're prepared to process a contract the day we receive it and release your funds the next morning.

We aren't fast about everything, though. Truth is, we're not so fast about cancellations. We require a monthly billing, a late notice, another late notice, and a phone call to you before cancellation. Generally, that's more than enough to solve any problems. Proof? Our cancellation rate is one of the lowest in the industry.

Learn more about the many advantages of Tifco premium financing. Calltoday.

For the number of the TIFCO office nearest you, call—
East of the Mississippi: 1-800-423-5748
West of the Mississippi: 1-800-423-5749
In Maryland: 1-301-494-1011

TIFCO
THE INSURANCE FINANCE PEOPLE

Cambridge report

Continued from previous page

agree that there is a great deal of competition in the property/casualty industry. At least 70% of each group of respondents—including risk managers—says there is substantial competition.

In addition, 82% of consumers surveyed separately by Cambridge Reports also perceive a great deal of competition within the insurance industry.

Yet, despite this perceived competition, 58% of commercial bankers and 57% of risk managers say that a few large companies control most of the property/casualty insurance business, and 71% of consumers surveyed agree. Majorities of each of the other groups of respondents disagree that a few companies control most of the business.

"In general, those who agree that there is competition in the industry disagree that a few large companies control most of the business (and vice-versa)," the survey authors say. "But some who disagree with this latter statement nevertheless do not see much competition in the industry, perhaps reflecting their views on the effect of the regulation under which it operates."

'Most (respondents) expect state regulation to continue because it has worked well, is too politically entrenched. . . or because the federal government is thought to be unable to handle (it),' the survey authors say.

Strong majorities of all the groups surveyed say the insurance industry will be highly competitive for the foreseeable future, although majorities of risk managers, commercial bankers and insurance stock analysts said that, within the next 20 years, the industry will be dominated by a few large players.

Insurance industry leaders are much more likely than other respondents to see the industry as competitive: Sixty percent of insurance industry respondents strongly agreed there currently is a great deal of competition among property/casualty companies, compared with 33% of other respondents.

And, 26% of insurance company executives and 45% of other survey respondents agreed that the insurance industry currently is competitive.

However, only 7% of insurance company executives strongly agreed—and an additional 32% agreed—that within the next 20 years the property/casualty industry will be dominated by a few large players.

In comparison, 20% of the other respondents strongly agreed and 37% agreed.

Industry profitability was cited by all respondent groups as one of the factors that will most determine the degree of competition that will exist in the property/casualty industry within the next five years.

Other factors frequently mentioned by respondents as affecting industry competitiveness include pricing and rate structures, tort reform and regulatory or legislative changes.

Strong majorities of all of the respondents also expect regulation of the property/casualty insurance industry to remain primarily on the state level. Insurance executives and regulators are among the most likely groups to take this position.

"Most expect state regulation to continue because it has worked well, is too politically entrenched to be changed. . . or because the federal government is thought to be unable to handle the complexities of regulation across diverse states or unwilling to challenge states' rights under the current administration," the survey authors say.

Those respondents who predicted greater federal regulation tended to mention it is likely for specific areas, such as overseas companies and risk retention groups.

Not surprisingly, insurance industry respondents were much more likely than banking respondents to say that banks should not be allowed to sell insurance.

Two-thirds of the insurance company executives, 61% of the risk managers and 57% of the state regulators said banks should be kept out of the insurance business. But, only 16% of the commercial bankers, 23% of the investment bankers and 36% of the securities analysts took a similar position on the issue.

However, despite their opinion on whether banks should be allowed to sell insurance, most respondents predicted that regulators will not allow banks to become "major players" in the insurance industry.

Most of the respondent groups, except analysts, also said that property/casualty companies are likely to enter other areas of the financial services market in the future.

"Respondents who say this is likely note that it is 'natural' to seek to diversify into areas where risks and cyclical variations of return on investments are less, and where opportunities for profit and growth are greater," the survey authors say.

"Insurance executives and regulators say that such a move would allow insurance companies to utilize 'transferable skills' in new areas, while risk managers see it as motivated—in part—by a 'tit-for-tat' desire to enter banks' traditional markets as they begin to enter the insurance market," the authors add.

A majority of all groups of respondents, except the insurance stock analysts, say there will be changes in the current agent/broker compensation structure during the next five years.

But, the survey authors stress, "despite this consensus that some change may be expected, respondents differ considerably in their opinions of whether commissions will continue to be paid on the traditional percentage-of-premium basis."

For example, 45% of risk managers expect the current system to be retained, while 40% expect a change to a flat-fee system and 12% expect a combination approach.

Also, 64% of insurance executives predict the current percentage-of-premium structure will be retained, while only 21% expect a change to a flat-fee system and 11% expect a combination of compensation systems.

The most likely change predicted by both insurance and non-insurance respondents is the negotiation of commission fees for large accounts.

The next-most likely change is that commissions for large accounts will be paid on a flat-fee basis, while others will continue to be calculated on a percentage-of-premium basis.

•

Copies of the survey are available for $95 each from Dr. Sean Mooney, Senior Vp, Insurance Information Institute, 110 William St., New York, N.Y. 10038.

Announcing something between COBRA and nothing

COBRA requires employees or dependents separating from an employer's group health plan to make a choice. They can choose either high-cost COBRA continuation coverage or no benefits at all.

But now employers can offer something between COBRA and nothing. It's called **Transition Coverage**. And it's quality medical insurance designed specifically for anyone in between medical coverages.

Employees and dependents like **Transition Coverage** because it costs from one-third to one-half less than the typical premiums for continuation coverage. (It doesn't cover any pre-existing medical conditions or expenses resulting from normal pregnancy, so it may not be right for everyone.)

Employers like it because it requires a person making this choice *to opt out of COBRA*. That means an employer can eliminate some of its risk from COBRA claims liability. Plus all administration and claims are handled by Celtic.

If you'd like more information about this innovative coverage that fills a need for both employees and employers, send your business card to Jim Daly at Celtic Life.

Transition Coverage℠

Underwritten by celtic

Celtic Life Insurance Co., 208 S. LaSalle St., Chicago, IL 60604, (312) 332-5401
Celtic is A rated by A.M. Best Company

Small firms less likely to offer health plans

By JERRY GEISEL

WASHINGTON—The nation's smallest employers are the least likely to offer group health insurance coverage, according to a new survey.

Just 46% of employers with fewer than 10 employees provide group health care coverage compared with 100% of companies with more than 500 workers.

In addition, 78% of employers with between 10 and 24 employees offer health care coverage, compared with 92% of employers with between 25 and 99 employees and 98% of employers with between 100 and 499 employees.

However, even among the smallest employers, health care coverage varies widely by industry. For example, among wholesalers with fewer than 10 employees, some 74% offer group health coverage. By contrast, just 21% of retailers and 45% of construction firms with fewer than 10 employees offer a group health care plan.

These findings on health care coverage are contained in a report released late last month by the U.S. Small Business Administration in Washington.

The report, "Health Care Coverage and Costs in Small and Large Businesses," was conducted late last year by ICF Inc., a Washington-based research firm.

To find out how extensive employer-provided health care plans are, especially among smaller firms, ICF surveyed 4,375 employers in August 1986. Some 846 companies responded, of which 55% were companies with fewer than 100 employees.

The survey's release comes at a time of increased discussion in Congress on whether all employers should be required to provide group health care coverage. For example, Senate Labor and Human Resources Chairman Edward Kennedy, D-Mass., is expected to introduce legislation this month to require most employers to offer at least a minimal health care plan (*BI*, April 27).

According to the Small Business Administration survey, the greatest impact of such a mandate clearly would fall on employers within certain industries.

For example, just 32% of retail employers and 51% of construction firms offer health coverage. By contrast, 71% of financial services firms and 73% of manufacturers provide group health coverage.

There are several reasons why health care coverage is lowest in the retail and construction industries, according to the report.

In both industries, a relatively high percentage of employees work for small employers who are less likely to offer health care coverage.

For example, 44% of workers in the construction industry and 30% of workers in the retail industry work for companies with fewer than 25 employees. By contrast, only 6% of manufacturing employees work for employers with fewer than 25 workers, according to the survey.

In addition, retail firms are much more likely to employ part-time or seasonal workers, while small construction firms often have high employee turnover, making it difficult for them to offer health insurance plans, the report says.

But the major reasons small firms say they don't offer health care coverage is that their profits are too low and insurance costs are too high.

For example, 67% of firms with fewer than 100 employees cited insufficient profits as a reason why they did not offer a health care plan, while 62% cited high insurance costs. The responses add up to more than 100% because of multiple answers.

Another 18% of small employers did not offer health care coverage because of high employee turnover, while 16% said group coverage was not available.

Other reasons cited among small employers for not offering group coverage include: lack of interest, 13%; administrative costs, 9%; and state minimum benefit requirements, 1%.

Indeed, small employers tend to pay more—on a per employee basis—for health insurance than larger employers.

For example, for insured plans, the average monthly premium for companies with fewer than 10 employees was $88 for individual coverage. By contrast, the average monthly premium for employers with more than 500 employees was $76 for individual coverage.

Small employers tend to pay more per employee for health insurance than larger employers.

Similarly, the average monthly premium for family coverage for employers with fewer than 10 employees was $208, compared with a monthly premium of $187 for employers with more than 500 employees.

Small employers pay more for health insurance because it costs insurers more to underwrite and administer small plans.

"Premiums are priced higher because there is a smaller number of people among whom to spread the risk: one high-cost illness has a much greater effect on a small firm" than on a large firm, according to testimony presented last month to the Senate Small Business Committee by Frank Swain, chief counsel for advocacy with the SBA.

"It is also much more costly for an insurance company to cover 10 employees in 100 firms than 1,000 employees in one large firm," Mr. Swain added.

Mr. Swain also noted that rapid employee turnover in small firms and the greater likelihood that small firms will change insurers also drive up their health insurance rates.

In addition, while small employers may be charged more for health insurance, their employees are likely to receive smaller benefits.

For example, 68% of employers with fewer than 25 employees limited the maximum annual out-of-pocket expenses of workers to less than $2,000, compared with 88% of employers with more than 500 workers.

On the other hand, 17% of employers with fewer than 25 workers said the maximum, annual out-of-pocket expense was at least $5,000, compared with 7% of the large firms.

In addition, small employers are more likely to require longer waiting periods before an employee is

Continued on next page

A CONTEMPORARY SUCCESS STORY IN EMPLOYEE BENEFITS ADMINISTRATION

Employer Services Corporation Came to Resource Information Management Systems, Inc. (RIMS) for Solutions...



Dawn Charbonneau, President, Employer Services Corporation, Dallas, Texas—a member of the Travelers Plan Administrator Network.

"Growing from zero to 32,000 covered employees in three years would have been impossible without RIMS. Since selecting the QicClaim Health Benefits Management System in 1983, I've never had to look back.

We've managed this growth by automating all our internal operations—billing, payables, receivables, and correspondence—all with one integrated system. With high performance claims processing and reporting, we administer insured, high deductible and self-funded employee health benefit plans for a wide range of clients.

Today, our QicClaim system is more versatile than ever. Its data communications capabilities allow us to provide employers with vital plan data instantly or help them self-administer with remote processing. We can leverage information for each aspect of employee benefits management...utilization reporting, provider comparisons, flexible benefits, even COBRA compliance.

We know the marketplace demands new solutions each day. With today's QicClaim system and continued RIMS/Q-Team support, Employer Services Corporation is ready."

To discover why Employer Services Corporation and 200 other companies have come to RIMS, return this coupon today. Isn't it time you came to RIMS to write your own success story?

Please send me more information on:

☐ QicClaim ☐ HMO Management ☐ PPO Administration

Name _____

Address _____

Type of Business _____

Address _____ Phone _____

City _____ State _____ Zip _____

Mail to: Resource Information Management Systems, Inc.
500 Technology Drive, Dept. BI 7511, Naperville, IL 60540-2599

© Copyright 1987 by Resource Information Management Systems, Inc.

RIMS RESOURCE INFORMATION MANAGEMENT SYSTEMS, INC.

THE Q TEAM

500 Technology Drive • Naperville, IL 60540-2599 • 312/369-5300

Health care survey

Continued from previous page

eligible for coverage than large employers.

For example, 25% of large employers said they do not impose waiting periods for coverage, compared with 9% of employers with fewer than 100 employees. By contrast, 38% of employers with fewer than 100 employees impose a two-to three-month waiting period, compared with 18% of employers with more than 500 employees.

In addition, 7% of employers with fewer than 100 employees impose a six-month or longer waiting period before coverage begins, compared with just 1% of the largest firms.

Employees of small firms also are much more likely to reject health care coverage. For example, employers with fewer than 100 employees reported that an average of 13% of workers rejected coverage, while employers with more than 500 workers reported that an average of 7% of eligible employees refused coverage.

Small employers also are much less likely to offer post-employment health care benefits than larger employers, according to the report. For example, among employers with fewer than 100 employees that offer health care coverage, some 23% also provide retiree health care benefits.

One reason why smaller firms are less likely to extend health care coverage to retirees may be the relative youth of small companies, the survey says.

That compares with 64% of employers with more than 500 employees who say they provide retiree health care benefits.

One reason why smaller firms are less likely to extend health care coverage to retirees may be the relative youth of small companies. "Small firms tend to be much younger and consequently may not have addressed the issue of retiree coverage," the report said, noting that 50% of small firms surveyed were less than 10 years old, compared with 10% of employers with more than 500 employees.

Not surprisingly, smaller employers are much less likely to self-insure their health care plans compared with large employers. For example, 19% of employers with between 100 and 499 employees said they self-insured their health care plans, compared with 41% of employers with more than 500 employees. And, small employers that do self-insure are much more likely to purchase stop-loss insurance than larger firms. The survey found that 96% of employers with between 100 and 499 employees that self-insured their health care plans purchased stop-loss insurance, compared with 80% of self-funded employers with more than 500 employees.

"This is not surprising because larger firms are better able to self-insure against catastrophes," the report said.

The survey also found that the likelihood that a company offers a health maintenance organization directly increases with firm size.

Among employers offering health care coverage, some 11% of the surveyed employers with fewer than 25 employees offered an HMO, compared with 13% of employers with between 25 and 99 employees, 18% of employers with between 100 and 499 employees and 31% of employers with more than 500 employees.

•

Copies of "Health Care Coverage and Costs in Small and Large Businesses," are available from the U.S. Small Business Administration, Office of Advocacy, 1725 I St. N.W., Room 414, Washington, D.C. 20416; 202-634-7550.

CLAIMS PROCESSING HEADACHES?

Synergy Health Systems Has the Prescription.

SYNERGY

SYNERGY'S ON-LINE, INTERACTIVE claims processing systems allow you to take charge of your health care claims processing and paying costs.

Do You Want a System that:

- Processes claims in one sitting?
- Is on-line so that files are accessible and current at the touch of a button?
- Provides multi-tiered automatic pricing?
- Can automatically generate letters to providers, employees or members?
- Grows with your organization?
- Captures important data about where your health care dollars are going?
- Verifies physician referrals and preadmission requirements?
- Offers 1099 reporting?

You can see immediate productivity gains with Synergy's family of products: Advanced Claims Processing System (ACPS) and Basic Claims Processing System (BCPS).

If you need these capabilities for your self-insured corporation, HMO, PPO or TPA, call Synergy today. We've applied today's technology to changing health care strategies.

Call our Marketing Director at (214) 248-6241.

SYNERGY

SYNERGY HEALTH SYSTEMS, INC.
16775 Addison Road, Suite 201
Dallas, Texas 75248

datebook

MAY 17-20. Eighth Annual Public Risk & Insurance Management Assn. Conference in Seattle; $265 for PRIMA member governments; $330 for non-member governments (includes 1987 membership); $475 for PRIMA industrial affiliates; $525 for private-sector non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

MAY 18-20. Product Safety and Liability Prevention: Successful Defense of the Products Liability Lawsuit course in Madison, Wis., sponsored by the University of Wisconsin-Madison College of Engineering; $650. Engineering Registration, The Wisconsin Center, 702 Langdon St., Madison, Wis. 53706; 800-262-6243; 800-363-3020 in Wisconsin.

MAY 19. National Insurance Women's Week Recognition Breakfast in Chicago, co-sponsored by the Insurance Distaff Executives Assn. and the Chicago affiliate of the National Assn. of Insurance Women; $20. IDEA Recognition Breakfast, Diane Barton, Insurance School of Chicago, 330 S. Wells, Chicago, Ill. 60606.

MAY 19. Emergency Planning and Community Right to Know of Superfund conference in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce Center for Business Management; $90 for ISCC members; $135 for non-members. **Also May 26** in Chicago. Illinois State Chamber of Commerce Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

MAY 19. Risk Analysis Training Program in Arlington, Va., sponsored by International Security Technology Inc.; $750. Jack Linden, International Security Technology Inc., 11250 Roger Bacon Drive, Suite 11, Reston, Va. 22090; 703-471-0885.

MAY 19-20. Marine Insurance Issues 1987 seminar in New York, sponsored by the American Institute of Marine Underwriters; $150. Valerie Moffat, American Institute of Marine Underwriters, 14 Wall St., New York, N.Y. 10005; 212-233-0550.

MAY 20. Is Industry a Liability? conference in London, sponsored by the Risk & Insurance Research Group Ltd.; 184 pounds (approx. $305). Risk & Insurance Research Group Ltd., 4 Henrietta St., Covent Garden, London WC2E 8PS; 01-836-0614.

MAY 20-21. Head Injury Rehabilitation: Joining Together to Meet the Challenge seminar in Southfield, Mich., co-sponsored by the Southfield Rehabilitation Hospital and the National Brain Trauma Institute; $150; $75 for residents, interns, full-time students, family members and survivors. Lynn Chynoweth, Southfield Rehabilitation Hospital, 22401 Foster Winter Drive, Southfield, Mich. 48075; 313-423-1458.

MAY 20-22. Hull and P&I Insurance seminar in New York, sponsored by the World Trade Institute; $815; $730 for additional registrant from the same organization. World Trade Institute, 1 World Trade Center, 55W, New York, N.Y. 10048; 212-466-3158.

MAY 21. National Assn. of Insurance Women, New York City Annual Awards Luncheon; $65 for individuals; $600 for table of 10. Charlene Hamrah, American International Group Inc., 99 John St., New York, N.Y. 10038; 212-770-9431.

MAY 21-23. Physician Insurers Assn. of America's 10th Annual Meeting in Colorado Springs, Colo.; $250 for members; $395 for non-members. Joyce Harbourt, Physician Insurers Assn. of America, 2 Princess Road, Lawrenceville, N.J. 08648; 609-896-2402.

MAY 22. Crisis Management: Strategies for Pre-Loss Planning and Post-Loss Recovery in San Francisco, sponsored by Golden Gate University; $150. Golden Gate University, Center for Professional Development, 536 Mission St., San Francisco, Calif. 94105; 415-442-7248.

MAY 26-29. Reinsurance Contract Wording seminar in Tarrytown, N.Y., sponsored by Robert W. Strain Seminars Inc.; $1,295 (includes lodging and meals). Robert W. Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 914-832-9384 or 212-677-5974.

MAY 28-29. Employee Benefit Plans in Corporate Transactions After Tax Reform seminar in Los Angeles, co-sponsored by the American Bar Assn. Section of Corporation, Banking and Business Law, the ABA Section of Real Property, Probate and Trust Law, the ABA Section of Taxation and the ABA Division for Professional Education; $350 for ABA sponsoring section members; $375 for ABA members; $400 for non-members. American Bar Assn., Division for Professional Education, Dept. N1457, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-6200.

MAY 31-JUNE 5. American Industrial Hygiene Conference in Montreal, co-sponsored by American Industrial Hygiene Assn., American Conference of Governmental Industrial Hygienists, and Assn. pour l'Hygiene Industrielle au Quebec; $90 for members; $115 for non-members; $65 for non-member speakers; $25 for spouses. American Industrial Hygiene Conference, 475 Wolf Ledges Parkway, Akron, Ohio 44311-1087; 216-762-7294.

JUNE 1-2. New York State Public Sector Coalition on Health Benefits' First Annual Conference in Albany, N.Y.; $95 for NYSPSC members; $150 for non-members. New York State Public Sector Coalition on Health Benefits, P.O. Box 15, Albany, N.Y. 12260; 518-473-6217.

Continued on next page

Continued from previous page

JUNE 1-2. Utilizing, Negotiating and Litigating Letters of Credit and Trust Agreements in the Insurance Industry conference in New York, sponsored by Executive Enterprises Inc.; $875; $775 for each additional registrant from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 in New York.

JUNE 1-2. Preparing and Analyzing Property and Casualty Statutory Financial Statements conference in New York, sponsored by Executive Enterprises Inc.; $875; $775 for each additional registrant from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 in New York.

JUNE 1-2. Health Care Cost Containment workshop in Chicago, sponsored by the Health Research Institute; $495. **Also June 22-23** in Philadelphia; **July 27-28** in Honolulu; **Aug. 17-18** in San Diego; **Sept. 14-15** in Cleveland; **Oct. 5-6** in Boston; **Oct. 26-27** in San Francisco; **Nov.9-10** in New York; and **Dec. 7-8** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 1-3. Employee Benefits: Concepts, Planning and Administration course in Atlanta, sponsored by the Risk & Insurance Management Society; $540 for RIMS members, $640 for others. Fran Jordan, Risk & Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 3. Health Improvement/Wellness workshop in Chicago, sponsored by the Health Research Institute; $250. **Also July 29** in Honolulu; **Aug. 19** in San Diego; **Oct. 7** in Boston; **Oct. 28** in San Francisco; **Nov. 11** in New York; and **Dec. 9** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 3. Advanced "Post Graduate" Cost Management workshop in Chicago, sponsored by the Health Research Institute; $250. **Also June 24** in Philadelphia; **July 29** in Honolulu; **Aug. 19** in San Diego; **Sept. 16** in Cleveland; **Oct. 7** in Boston; **Oct. 28** in San Francisco; **Nov. 11** in New York; and **Dec. 9** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 3-4. Insurance Industry Mergers and Acquisitions: Financing, Negotiating, Valuing conference in New York, sponsored by Executive Enterprises Inc.; $875; $775 for each additional registrant from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 in New York.

JUNE 3-5. Techniques of Finance and Accounting course in Philadelphia, sponsored by the Risk & Insurance Management Society; $540 for RIMS members, $640 for others. Fran Jordan, Risk & Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 3-5. Techniques of Loss Control course in Honolulu, sponsored by the Risk & Insurance Management Society; $540 for RIMS members, $640 for others. Fran Jordan, Risk & Insurance Management Society Inc., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 4. Assessing Vendors (HMOs, PPOs, Utilization Review Firms, etc.) workshop in Chicago, sponsored by the Health Research Institute; $250. **Also June 25** in Philadelphia; **July 30** in Honolulu; **Aug. 20** in San Diego; **Sept. 17** in Cleveland; **Oct. 8** in Boston; **Oct. 29** in San Francisco; **Nov. 12** in New York; and **Dec. 10** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 4. Cost Containment Through Communications and Education workshop in Chicago, sponsored by the Health Research Institute; $250. **Also June 25** in Philadelphia; **July 30** in Honolulu; **Aug. 20** in San Diego; **Sept. 17** in Cleveland; **Oct. 8** in Boston; **Oct. 29** in San Francisco; **Nov. 12** in New York; and **Dec. 10** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 4-5. Labor/Management Cost Containment workshop in Chicago, sponsored by the Health Research Institute; $495. **Also June 25-26** in Philadelphia; **July 30-31** in Honolulu; **Aug. 20-21** in San Diego; **Sept. 17-18** in Cleveland; **Oct. 8-9** in Boston; **Nov. 12-13** in New York; and **Dec. 10-11** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 4-5. The 100th Congress: Mandated Health Care Coverage and Employee Benefit Reforms meeting in New York, sponsored by the National Employee Benefits Institute; free to NEBI members; $395 for non-members. National Employee Benefits Institute, 2550 M St. N.W., Suite 785, Washington, D.C., 20037; 800-558-7258.

JUNE 4-5. 1987 Workers Compensation Academy—Medicine and Law for the Defense course in Boston, sponsored by Defense Research Institute Inc.; $370 for DRI members; $395 for non-members. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

JUNE 4-6. Practical Strategies for Pensions After Tax Reform seminar in Chicago, sponsored by Corbel & Co.; $395. Brenda Chatham, Corbel & Co., P.O. Box 17548, Jacksonville, Fla. 32245-7548; 904-731-4455.

JUNE 10-12. Claims Management course in San Francisco, sponsored by the Risk & Insurance Management Society; $540 for RIMS members, $640 for others. Fran Jordan, Risk & Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 10-12. Techniques of Risk Management course in Boston, sponsored by the Risk & Insurance Management Society; $540 for RIMS members, $640 for others. Fran Jordan, Risk & Insurance Management Society, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 11. Claim Abuse/Fraud Seminar in Los Angeles, sponsored by the Self-Insurance Institute of America Inc.; $95 for Self-Insurance Institute of America members; $125 for non-members. Self-Insurance Institute of America Inc., P.O. Box 15466, Santa Ana, Calif. 92705; 714-261-2553.

JUNE 15-16. Organization, Capitalization and Tax Strategies for Risk Retention Groups, Industry-Owned Insurance Companies and Association Captives conference in New York, sponsored by Executive Enterprises Inc.; $875; $775 for each additional registrant from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 in New York.

JUNE 17. Pension Planning Workshop in Philadelphia, sponsored by the Insurance Society of Philadelphia and Delaware Tech; $65 for members; $75 for non-members. Insurance Society of Philadelphia, 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306.

JUNE 18. Flex Benefits seminar in Chicago, sponsored by the Self-Insurance Institute of America Inc.; $95 for SIIA members; $125 for non-members. **Also Sept. 22** in Los Angeles. Self-Insurance Institute of America Inc., P.O. Box 15466, Santa Ana, Calif. 92705; 714-261-2553.

JUNE 22-25. Corporate Benefits Management Conference in Lake Tahoe, Nev., sponsored by the International Foundation of Employee Benefit Plans; $605 for IFEBP members, $680 for non-members. International Foundation of Employee Benefit Plans, Registration Department, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

JULY 5-9. 23rd Annual Conference of the International Insurance Society Inc. in Seoul, Korea; $900 for industry participants; $450 for academic or government representatives; $250 for spouses. International Insurance Society Administrative Headquarters, P.O. Box J., Tuscaloosa, Ala. 35487; 205-348-8974.

JULY 29-30. 1987 National Workers Compensation Seminar in Cape Cod, Mass., sponsored by Workers' Compensation Monthly; $195. Workers' Compensation Monthly, P.O. Box 590, Falmouth, Maine 02541.

SEPT. 8-11. Reinsurance Accounting and Finance for Ceders and Assumers seminar in Tarrytown, N.Y., sponsored by Robert W. Strain Seminars Inc.; $1,295 (includes lodging and meals). Robert W. Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 914-832-9384 or 212-677-5974.

OCT. 11-14. Risk Management Forum: Association Europeean des Assures de l'Industrie and the Risk & Insurance Management Society Inc. International Conference in Monte Carlo; 6,300 French francs (approximately $378) for university members or students; 4,600 French francs (approximately $757) for members of a risk management department; 6,300 French francs (approximately $1,036) for insurers, brokers, adjusters and other professions other than those listed. AEAI/RIMS Monte Carlo Conference, SOCFI, 14 Rue Mandar, 75002 Paris, France.

NOV. 15-19. National Assn. of Independent Insurers' 42nd Annual Meeting in Maui, Hawaii; $250 for members; $350 for subscribers and guests; $100 for spouses. National Assn. of Independent Insurers, 2600 River Road, Des Plaines, Ill. 60018-3286; 312-297-7800.

DEC. 4-9. 33rd Annual Employee Benefits Conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; before Oct. 4: $480 IFEBP members only; after Oct. 4: $525 IFEBP members only. Registration Department, International Foundation of Employee Benefit Plans, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

•

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. BI reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

CAFETERIA PLAN SOFTWARE

Cafeteria Plan Proposal System™ (CPPS)

- ☐ Statement of Before/After Savings for Each Employee
- ☐ Company Statement of Employer Savings
- ☐ Discrimination Reporting Based on Projected Enrollment
- ☐ Confirmation Letters and Mailing Labels
- ☐ Interfaced with Cafeteria Plan Management System™ (CPMS)

Cafeteria Plan Management System™ (CPMS)

- ☐ Employee Statements By Plan
- ☐ Company Statements By Plan
- ☐ Discrimination Reports
- ☐ Checks and Check Register
- ☐ Messages Customized by User
- ☐ Complete Audit Trail with Forms and Procedures
- ☐ Easy to Use Menu Format with Help Status Lines

***Software Requires IBM PC, XT, or AT or Compatible

Guide to Cafeteria Plan Marketing and Administration

- ☐ Marketing Slide Presentation to the Employer
- ☐ Marketing Slide Presentation to the Employees
- ☐ Sample Plan
- ☐ Sample Summary Plan Description
- ☐ Checklists, Forms, and Procedures
- ☐ Much More

Get Both Software Packages in their entirety on a trial basis for $50.00. This includes Full Documentation and User's Manuals.

For Fastest Service, Call 1-800-433-2292 or 1-816-753-3870

To Order: Simply clip this coupon and mail along with your check to:
MAYER HOFFMAN McCANN C.P.A. Cafeteria Plan Management Systems 420 Nichols Road Kansas City, MO 64112

☐ Send me the CPPS and CPMS Software Packages on a Trial Basis. I understand the $50 charge is non-refundable but applicable to the purchase of CPPS ($495) or CPMS ($1950)

☐ Send me the Guide to Cafeteria Plan Marketing and Administration for $495. I understand this guide is available April 30, 1987

☐ I've enclosed a check or ☐ MasterCard ☐ Visa ☐ American Express

Card #_____ Exp. Date. _____

Name _____

Firm _____ Telephone _____

Address Suite # _____

City _____ State _____ Zip _____ 180

Consider just one thing before using an outside U/R firm . . .



Your reputation.

It has taken years of hard work to get where you are today. To build a "spotless" reputation. So why risk it all now on the performance of an outside firm?

A firm you'll have little, if any, control over. And yet, if they fail to make the grade, it will be your hard-won reputation on the line.

With CareReview you can perform utilization review in-house and keep control where it belongs...in your own hands. In addition, you'll be able to provide your client's employees with the convenience of one, universal phone number. Versus the confusion of different numbers for U/R and claims processing.

CareReview. We put the performance and profitability of a proven U/R program at your fingertips. What's more, CareReview's exclusive physician-developed criteria helps you assure a medical doctor's standard of care.

To learn more, call Don White at 1-800-558-4353 (in Wisconsin, 1-800-242-2178) or return the coupon below today!

YES, we would like to keep our reputation "spotless." Show us how CareReview can help us perform utilization review in-house.

☐ Please call for an appointment ☐ Send us more information

Name _____ Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Telephone ( ) _____

National Health Services, Inc., 250 S. Executive Drive, Brookfield, WI 53005

CareReview®

PERFORM UTILIZATION REVIEW IN-HOUSE

250 South Executive Drive Brookfield, Wisconsin 53005

CareReview is a registered trademark of National Health Services, Inc., a NATIONAL SERVICES GROUP company.

Worldwide, Our Professionals Can Help You Handle Your Reinsurance Claims.

Reserve adequacy. Uncertainty. Ultimate costs that are a moving target. Run-off handling. Asbestos questions. Loss portfolio evaluation. Massive injuries. We're specialists in providing claims consulting services in all areas of reinsurance. All over the world.

Call Bob Hall at (212) 513-4135

American Re Management Co.
One Liberty Plaza, 91 Liberty Street, New York, NY 10005 Telex: 961 599 AM RE NY

401(k) popularity still strong: Study

By ALISON KITTRELL

The 401(k) salary reduction plan appears to have survived the Tax Reform Act of 1986, according to a recent survey.

Employee participation in the tax-deferred savings plans continues to be strong, according to "401(k) Plans After Tax Reform," a survey of 203 companies nationwide that offer 401(k) plans by Lincolnshire, Ill.-based consultant Hewitt Associates.

However, the surveyed companies said they expect a significant number of employees to be affected by the new $7,000 limit on pretax contributions to 401(k) plans and by the new, tougher non-discrimination tests that were mandated by the 1986 tax act. In all, though, "tax reform appears to have had little impact on employee participation in 401(k) plans," according to the survey.

Specific findings include:

- The median percentage of eligible employees making contributions to a 401(k) plan remained constant at 67% from 1986 to 1987.
- The design of 401(k) plans has changed little from 1986 to 1987.
- All of the surveyed companies expect at least some of their employees to be affected by the new $7,000 limit on elective deferrals.
- Some 54% of the companies said that at least some of their highly compensated employees will have to cut back their 1987 deferrals—even below the $7,000 limit—for the plan to pass the new, tougher anti-discrimination test.
- Largely because of the new restrictions on pre-retirement withdrawals from 401(k) plans, 49% of the companies that allow such withdrawals said they expect employees to make fewer withdrawals in 1987 than last year. However, 43% of the companies that offer a loan provision expect employees to take more loans against their plans in 1987 than in 1986.
- The vast majority—80%—of the companies do not intend to alter their plans to make up for the new limitation on an employee's contribution of $7,000 annually or the new non-discrimination rules.

The rate of employee participation in the 401(k) plans surveyed remained fairly constant from 1986 to 1987. In fact, 46% of the respondents said their employee participation was about the same for the two years.

And, 36% of the respondents said participation grew in 1987 over 1986. Ten percent said employee participation had increased by 5% or more, 11% said it had increased 3% to 4%, and 15% pegged the increase in participation at 1% to 2% of eligible employees.

Only 18% of the respondents said employee participation was down in 1987 over 1986. Five percent said it had decreased 5% or more, 6% said it was down 3% to 4%, and 7% said the drop was 1% or 2%.

The biggest change in plan design was the addition of a loan provision, which was reported by 15% of the companies. Some 59% of the plans had a loan provision in 1987, compared with only 44% the year earlier.

Seven percent of the plans dropped the provision for employee contributions on an aftertax basis. Sixty-seven percent of the plans allowed such contributions in 1987, compared with 74% in 1986.

But, 3% of the plans added an employer match on at least some of an employee's aftertax contribution. Forty-four percent had an employer match on these contributions in 1987, compared with only 41% in 1986.

Eighty-five percent of the plans had an employer match for at least some of the employee pretax contributions in 1987, virtually unchanged from 86% in 1986.

And, 58% of the plans accepted rollover contributions from other qualified retirement plans into the 401(k) in 1987, up three percentage points from the 55% in 1986.

One of the major changes of tax reform was the imposition of a $7,000 cap on employee pretax contributions, down from the previous limit of $30,000. And, the survey authors say, "the $7,000 limit on 401(k) deferrals will affect employees at all companies surveyed."

Some 80% of the companies estimate that between 10 and 500 employees will be affected by the new limit, with a median number of 90 employees feeling the pinch.

And, for most companies, this represents between 1% and 5% of the employees eligible to participate in the 401(k) plan, with the median being 3.6% of eligible employees.

Some 54% of the respondents said that some highly paid employees would have to reduce their contribution below the $7,000 limit to meet the new non-discrimination tests, designed to narrow the gap between the amount deferred by highly compensated employees and by lower-paid employees.

In contrast, only 26% of the respondents said some highly compensated employees had to reduce their contribution in 1986 to pass the old, less restrictive non-discrimination test.

In 1987, only 46% of the respondents said that none or less than 1% of their employees would be affected by the tests, compared with 79% in 1986. In contrast, 31% of the respondents in 1987 said that 1% to 10% of their employees would be affected by the new test, compared with only 8% in 1986.

The new tax law also has made it much more difficult for employees to withdraw money from their 401(k) account before they retire. The new law adds a 10% additional tax on early withdrawals of pretax contributions, and it makes more of the amount withdrawn subject to ordinary income taxes.

As a result, 49% of the companies that allow early withdrawals from their 401(k) expect there will be fewer such withdrawals in 1987 than in 1986. Only 7% expect more withdrawals in 1987, while 44% predict the withdrawal activity will remain about the same.

However, the survey authors note, "the anticipated decrease in in-service withdrawals is counteracted by an expected increase in new employee loans."

Some 43% of the respondents whose 401(k) plans include a loan provision expect more employees to borrow against their plan in 1987 than in 1986.

Only 17% expect to see fewer loans in 1987, while 40% expect the loan activity in 401(k) plans to remain about the same.

Despite the new limits on pretax 401(k) contributions, most employers do not plan to offer any plan changes to help employees make up for the money they no longer can contribute, the survey shows. However, employees still can contribute on an aftertax basis to two-thirds of the 401(k) plans in the survey.

●

Copies of the survey, "401(k) Plans After Tax Reform," are available for $25 from Cathy Schmidt, Hewitt Associates, 100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000.

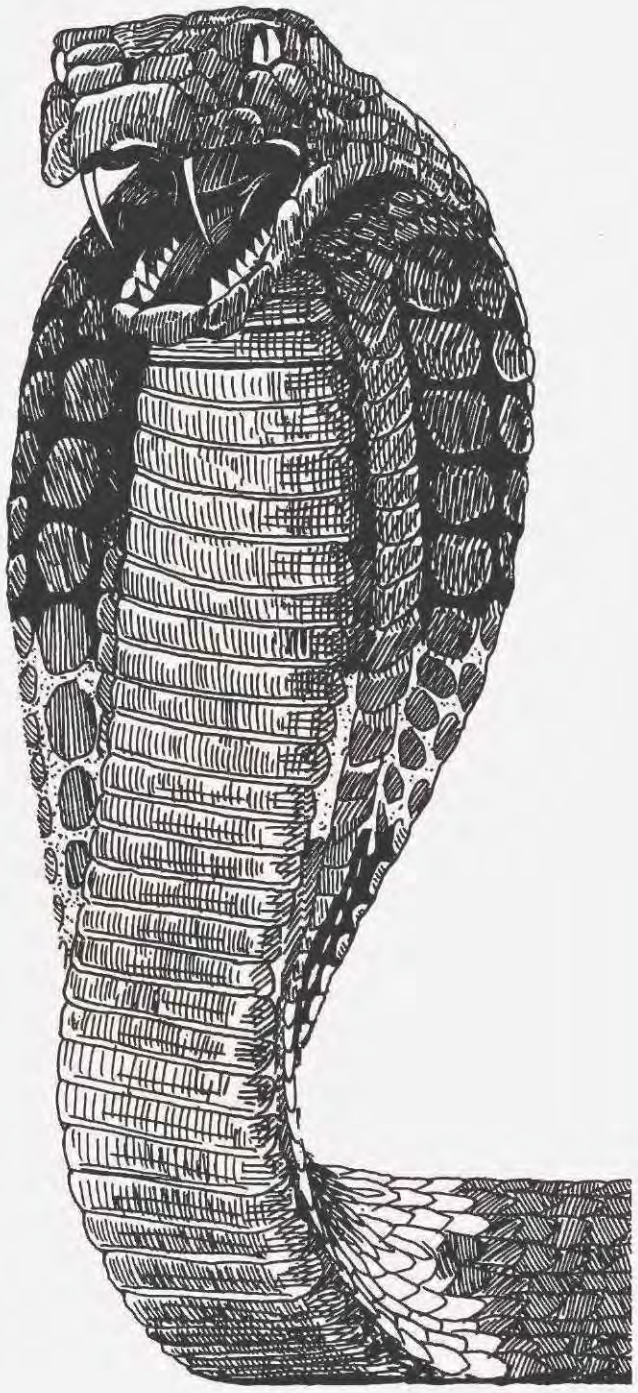
The National "Benefits Continuation Trust"

...The Ultimate C.O.B.R.A. Solution

Remove C.O.B.R.A. Liability From Your Self-Funded Plan

- No cost to join the Trust
- Legally remove C.O.B.R.A. recipients from your self-funded plan
- Place your C.O.B.R.A. recipients in a fully insured comprehensive major medical plan
- Keep your self-funded plan healthy

Have your TPA or Consultant call **GASP,** Group Administration Support Products, for details on the Benefits Continuation Trust.
CALL 1-800-638-6565 TODAY!
(In Maryland call 301-539-0411)



OSHA cites Morrell, Ford injury records

By DEBORAH SHALOWITZ

WASHINGTON—The Occupational Safety and Health Administration has proposed fining John Morrell & Co. $690,000 and Ford Motor Co. $476,900 for alleged record-keeping violations.

The proposed fine of Morrell involves alleged improper recording of injuries and illnesses at a Morrell meat-packing facility in Sioux Falls, S.D. OSHA has proposed penalties of $10,000 for each of 69 alleged record-keeping violations, the maximum allowed by law.

OSHA Chief John Pendergrass said the agency's investigation indicates a "willful" misrepresentation by Morrell of injuries and illnesses. OSHA said company records indicated that only medical treatment was required in dozens of cases when the injuries and illnesses resulted in either lost workdays or restricted activities, or both, for workers.

OSHA also cited Ford for 119 alleged "willful" injury record-keeping violations at its Hapeville, Ga., plant. A "willful" violation means that an employer either knew the violation was occurring or was aware of a hazardous condition and did not make a reasonable effort to correct it, OSHA says.

Ford can appeal the citation to an independent OSHA review panel. A Ford spokesman in the company's Dearborn, Mich., headquarters said that the automaker "is reviewing each item and is considering whether to appeal."

According to OSHA, the alleged record-keeping violations at the suburban Atlanta plant occurred between January 1985 and October 1986.

OSHA also cited Ford for two alleged "serious" safety violations involving machine guarding and unsafe operation of a forklift. A "serious" violation is defined by the agency as a "substantial problem" that "could result in serious physical harm" that the employer knew about or should have known about.

The investigation at the manufacturing facility was instituted after an employee filed a health complaint.

benefit beat

Florida coalition offers managed mental care

The Florida Health Coalition is now offering all Florida employers the chance to contain the costs and improve the quality of alcohol, drug abuse and mental health care for their employees.

The Miami-based coalition has developed a comprehensive managed care program for these services to be administered by Wilton, Conn.-based Preferred Health Care Ltd.

In response to members' complaints about recent increases in Florida in the utilization and costs of these services, the coalition wanted to develop a managed care program that would reduce costs by about 15% a year.

The development of the program began about six months ago, when the coalition released a request for proposals from managed care companies with experience and knowledge in mental health services.

The RFP included strict specifications for the managed care program, such as that the administrator of the program must place an emphasis on outpatient treatment, inpatient treatments that require brief confinements, case management procedures and detoxification services for drug abusers. The coalition will act as a broker of the program to employers (*BI*, March 23; Feb. 16).

Preferred Health Care will negotiate per diem discounts with hospitals under the managed care system. "And, these discounts will include all of the ancillary charges so that providers can't charge a la carte for the other services," said Stephen L. White, executive director of the coalition.

Since "the whole thrust of this program is to encourage more outpatient treatment in this area, Preferred also will negotiate fees with providers for outpatient treatment," Mr. White said.

Preferred Health Care also will monitor utilization of services and the quality of care delivered by the providers, as well as provide a case management program.

To determine savings and rates under the program, the coalition and Preferred Health Care will work with the employer, its insurer and its health maintenance organizations to identify the employer's costs of mental health and substance abuse treatment for the previous year, he explained. This figure then will be used as the base year for calculating savings and rate increases.

The program is being offered to employers in two models.

Under one model, Preferred Health Care serves as the exclusive provider and insurer of the employer's mental health and substance abuse benefits.

"Once the base amount is agreed upon, Preferred Health Care will take a certain amount off the top of that amount and give it back to the employer. So, even before the preferred provider panel and utilization review is effective, the employer already has saved that amount that was returned to them," Mr. White explained.

Generally, the savings will be about 15% off the base year amount.

In addition to these savings in the first year of participation in the managed care program, Preferred Health Care will guarantee that rate increases for subsequent years will not be greater than two points less than the medical care component of the Consumer Price Index, he said.

Under the other model—a "risk-sharing" model—the employer continues to insure these benefits through its group health insurer, but Preferred Health Care will set up a PPO for mental health and substance abuse care.

Under this arrangement, the employer and Preferred Health Care will share in the risk and savings of the managed care system, Mr. White said.

Other employer coalitions are interested in the managed care system developed by the Florida Health Coalition, he said.

"We're talking with other coalitions to see if we can help them replicate what we have done," Mr. White noted.

•

Made any benefit changes? Write Donna DiBlase, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5393.

washington

Ford employs 3,200 workers at its Hapeville plant.

Medicare proposal

Senate Finance Committee Chairman Lloyd Bentsen, D-Texas, was expected last week to introduce Medicare expansion legislation that would be financed by additional beneficiary contributions.

The legislation would provide benefits similar to those approved by the House Ways and Means Health Subcommittee (*BI*, April 13), but would be financed by a supplemental annual premium based on a beneficiary's income tax payment, plus a $4 increase in the Medicare Part B monthly premium, which covers physician services.

The supplemental annual premium paid by a beneficiary would be $12 per $150 of income tax due, excluding the first $150 of income tax, and would not exceed a total annual supplemental premium of $800 in 1988. This cap would be increased by $50 in subsequent years.

Under the proposal, a Medicare beneficiary with an annual adjusted gross income of $10,700 would not pay the annual supplemental premium, only an additional $4 per month added to the current Part B monthly premium of $17.90, because that person under present law would owe no income tax.

However, a Medicare recipient with an adjusted gross income of $32,500 per year would pay an annual supplemental premium of $348, based on an estimated tax liability of $4,483.50, according to Congress' Joint Committee on Taxation. Plus, that individual would pay an additional $4 per month for Medicare Part B benefits.

In addition, the legislation would:

- Limit a beneficiary's annual out-of-pocket expenses for Medicare-covered services to $1,700.
- Eliminate hospital coinsurance after a beneficiary paid an annual deductible of $520.
- Increase the number of days for which beneficiaries can receive home health care to 45 from 21, provided the beneficiary has recently been hospitalized.
- Eliminate the current 210-day limit on hospice coverage.

Malpractice study

About 43% of medical malpractice claims in 1984 were closed with an indemnity payment, according to data from the U.S. Government Accounting Office, the investigative arm of Congress.

The 1984 payments totaled $2.6 billion, said the GAO, based on malpractice claim files closed by 25 randomly selected insurers.

The payments ranged from $1 to $2.5 million, with the median payment being $18,000 and the average payment being $80,741. About 9% of the paid claims were for less than $1,000, and about 9% were for $250,000 or more. Less than 1% were for $1 million or more.

About 10% of the paid claims, accounting for 27% of the total medical malpractice indemnity payments made, were for obstetrics errors, determined the GAO.

Of the total number of claims, 80% were due to injuries that occurred in a hospital.

The median length of time from the injury to the claim was 13 months, while the average length of time was 16.4 months, according to the report. About 6% of the claims were filed in the same month as that in which the injury occurred, and about 6% were filed more than three years after the date of injury.

The GAO study was requested by Sen. John Heinz, R-Pa., ranking minority member of the Senate Special Committee on Aging, and Rep. John E. Porter, R-Ill.

The study was intended "to assist Congress in addressing public policy issues regarding the effect of medical malpractice on the quality, availability and affordability of health care; the equity of compensation for malpractice injuries; and who should be responsible for taking corrective actions," according to the report. It also noted that national data on malpractice claims had not been collected since 1978.

The report did not address the issue of corrective actions. "Recommendations on the malpractice problem will be provided" shortly, it noted.

Copies of the report, "Medical Malpractice: Characteristics of Claims Closed in 1984," can be obtained by contacting the U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, Md., 20877; 202-275-6241.

The first five copies of the report are free, and additional copies cost $2 each. ■

Erase the paperwork, erase the errors, erase the waste in workers' compensation.



CompTrack™ Workers' Compensation Software System can save your business hundreds of thousands of dollars. How? By automating the repetitive and mundane tasks your adjudicators, examiners, risk management technicians, and human resource specialists do day in and day out. By eliminating the time-consuming paperwork involved in workers' compensation, CompTrack gets rid of payment errors and gives claims specialists more time. Time they can use to follow up on injured worker's recovery, make sure they're getting the proper care and help them move back into productive jobs sooner.

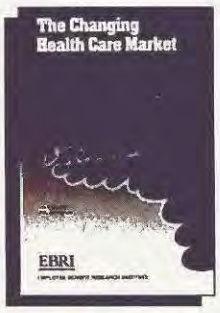
CompTrack enables companies to completely automate claims adjudication, reserving, payments, letter writing, review and follow-up, and OSHA reporting. For more information or a demonstration of how CompTrack can help your firm improve worker's care, reduce lost work time, and lower the cost for workers' compensation, contact Vicky Mast at Weyerhaeuser Information Systems, Tacoma, Washington 98477, 206-924-4200. Toll free 800-654-9347.

Workers' Compensation Software System

© 1986 Weyerhaeuser Information Systems. CompTrack is a registered trademark of Weyerhaeuser Information Systems.

The most complete, up-to-date source on past and future changes in health care.

Indispensable reading for experts and novices alike—from the EMPLOYEE BENEFIT RESEARCH INSTITUTE.



Now, in one volume, respected leaders analyze myriad changes and forces at work in the health field and forecast future changes. Written in clear, nontechnical language, this comprehensive study of changes in the health care market covers everything from employer options to congressional thinking and the role of the individual. Without question, the best single source on this complex subject. Required reading for anyone responsible for, or affected by, health care issues.

Essential reading on political, economic, and social forces driving rapid health care change.

Among topics covered: Recent trends • Physician practices • Market forces • For-profits vs. nonprofits • Retiree health benefits • Indigent care • Long-term care • Case management • Employer coalitions • Quality of care • And much more!

EBRI Employee Benefit Research Institute—Education & Research Fund
2121 K Street, NW, Suite 860, Washington, DC 20037-2121

YES! Please send me *The Changing Health Care Market.* BIH587

____ softcover @ $15 ea. ____ hardbound @ $28 ea. $_____ Total

Name _____
Company _____
Address _____
City _____ State _____ Zip _____

☐ Check enclosed. ☐ Bill me (we will add 20% postage & handling). ☐ In a hurry? Add $1.50 UPS.

☎ CALL TOLL FREE 800-354-5425 wait for tone, then dial 327425

Minet reserves $21.7 million for liabilities related to PCW

By STACY SHAPIRO

london

LONDON—Lloyd's of London broker Minet Holdings P.L.C. has set aside 12.9 million pounds ($21.7 million at current exchange rates) from its 1986 earnings to cover liabilities from its former subsidiary PCW Underwriting Agencies Ltd.

The funds will pay for Minet's unspecified portion of a 103 million-pound settlement ($173 million) that Lloyd's is offering members of PCW non-marine syndicates, and any future costs that may arise because of PCW, said Minet Chairman Ray Pettitt.

Members of the PCW non-marine syndicates currently face estimated net losses of 235 million pounds ($395 million).

The amount reserved by Minet also could cover any legal action against Minet by PCW members who refuse the offer, he said.

Lloyd's is contributing 45 million pounds ($75.6 million) from its Central Fund as part of the settlement offer, while 37 other parties —including Minet—are contributing another 55 million pounds ($92.4 million) (*BI*, April 13).

Of these 37 parties, only Lloyd's broker Sedgwick Group P.L.C. has announced the amount of its contribution: 10 million pounds ($16.8 million).

Minet will disclose its contribution to shareholders after the settlement offer becomes unconditional, said Mr. Pettitt. At least 90% of PCW members must accept Lloyd's settlement by May 30 for it to be approved, although Lloyd's can extend the deadline to June 17.

PCW members would have to contribute 34 million pounds ($57.1 million) to the settlement, but they would not be responsible for any further losses incurred by the PCW non-marine syndicates if they agree to the settlement.

As a result of the provision for PCW losses, Minet's shareholders' profit, equivalent to net income in the United States, dropped 46.3% to 8.7 million pounds ($12.9 million) in 1986 from 16.2 million pounds ($23.3 million) in 1985, at corresponding year-end exchange rates.

However, Minet's aftertax earnings before extraordinary items increased 29% to 20.9 million pounds ($30.9 million) in 1986 from 16.2 million pounds ($23.5 million) in 1985. And, pretax profits increased 21% to 36.2 million pounds ($53.6 million) from 33.1 million pounds ($48 million) in 1985.

Revenues, including net investment income and associated companies' profits, increased 24% to 113.7 million pounds ($168.3 million) from 92 million pounds ($132.5 million).

Since 1982 when Lloyd's and the Department of Trade and Industry first began investigating the alleged misappropriation of millions of pounds from PCW syndicates, Minet has reserved about 30 million pounds ($50.4 million) for PCW problems, said Brian Chapple, deputy chairman and group financial director of Minet.

S.W. Taylor sale

For the second time in less than a month, Lloyd's of London broker S.W. Taylor & Co. Ltd., which specializes in sport-related insurance, is changing hands.

S.W. Taylor last week was sold to Lloyd's brokering group Windsor Securities for around 5.5 million pounds ($9.2 million), confirmed Windsor Executive Chairman John Carr.

In mid-April, 60% of S.W. Taylor's shares had been sold to four London investment houses and Ian Henderson, formerly finance director of Lloyd's broker C.T. Bowring & Co. (Insurance) Ltd., for an undisclosed sum.

The four investment houses, each with a 12% stake in Taylor, were Charterhouse Development Capital Ltd.; Noble Grossart Investments Ltd.; Electra Investment Trust P.L.C.; and Murray Ventures P.L.C.

The four investment houses each will own 6% of Windsor Securities in exchange for their shares in S.W. Taylor, Mr. Carr said.

Other significant shareholders of Windsor, such as the Water Authorities Superannuation Fund, which is a 12% shareholder, remain.

S.W. Taylor will keep its name. Mr. Henderson will become deputy chairman and group chief executive of Windsor, while Mr. Carr continues as executive chairman.

In addition, Richard Wells, formerly managing director of Lloyd's brokering group Seascope Holdings, is the new managing director of Windsor Securities.

S.W. Taylor is "enormously compatible" with Windsor Securities, Mr. Carr said.

While Taylor specializes in international reinsurance, non-marine insurance, including sports-related coverages, and life insurance, Windsor Securities is a specialist in aviation reinsurance and North American business.

Windsor Securities formerly was Brentnall Beard, the Lloyd's broker that was involved in ceding U.S. business to the now-defunct Lloyd's of London Sasse syndicate in the 1970s.

"There is no relationship between Brentnall Beard and the company today," said Mr. Carr. "That was a sad time in the history of the company. There is nothing hung over from that time."

Windsor Securities, which after changing its name fell nearly dormant, was purchased in June 1985 by Lander Investments, of which Mr. Carr was chairman.

At the time he said that he hoped the company would increase its brokerage to 5 million pounds. With the purchase of S.W. Taylor following the acquisition of several other brokers, Mr. Carr says he will reach his goal.

Other brokers purchased by Windsor Securities were:

- From Lloyd's broker Lyon Traill Attenborough Ltd. in July 1986: Lynn Jago Webb; and Lyon, Law (Life & Pensions) Ltd.
- Keith Harris & Co., which specializes in North American business, and Reade & Davis Insurance Services, which specializes in commercial lines in the middle of England, in January.

Windsor also will purchase Needler Heath (U.K.) Ltd., the U.K. division of Lloyd's broker Needler Heath Ltd., said Mr. Carr, who hopes the transaction will be completed at the same time as S.W. Taylor. Originally, Windsor had intended to buy all of Needler Heath.

On Sept. 30, 1986, Windsor's revenues, including brokerage and other income, totaled about 3.3 million pounds ($4.8 million), with a pretax profit of 162,000 pounds ($234,900).

Catastrophe reserve

For the first time in the company's history, Mercantile & General Reinsurance Co. P.L.C. has set up a "catastrophe reserve" to cover a shortage of retrocession cover.

M&G announced last week in its 1986 annual report that 20 million pounds ($33.6 million) had been transferred from retained earnings to create the new self-insured catastrophe reserve.

The need for the reserve was recognized by M&G when the retrocessional market collapsed in 1984, said M&G general manager John Lock. Only now, however, did it seem feasible to do so, he said.

In addition, M&G transferred 15 million pounds ($25.2 million) from its retained earnings to its general business account as a provision for possible asbestos and pollution losses.

Nonetheless, M&G, one of the largest international reinsurers, nearly doubled its profits after taxation to 26.1 million pounds ($38.6 million) in 1986 from 13.4 million pounds ($19.4 million) in 1985. Net premium income grew to 799.8 million pounds ($1.2 billion) in 1986 from 452.9 million pounds ($656.7 million) in 1985.

About 18.4% of M&G's net premium income is derived in the United States, where the Mercantile and General Reinsurance Co. of America increased its net income before tax to $10.1 million from a loss in 1985 of $100,000. ■

pmsi

The nation's
leading supplier
of drugs, medical supplies, DME and TENS
to the long-term
Workers' Compensation
claimant.

PHARMACY MANAGEMENT SERVICES, INC.

4224 Henderson Boulevard ☐ P.O. Box 320178
Tampa, Florida 33679
1-800-237-7676 (Continental U.S.A) ☐ 1-800-282-7676 (Florida only)

Serving The Insurance Industry Since 1976

First Boston Corp. conference

Experts disagree on length of cycle

By JUDY GREENWALD

NEW YORK—The property/casualty industry is not on the verge of a major downturn and the rest of this year and 1988 should be good years for insurers, predicts the president of American International Group Inc.

"I just don't see it in the cards to have a very deep cycle," said AIG President and Chief Executive Officer Maurice R. Greenberg, at a conference in New York late last month sponsored by First Boston Corp.


Mr. Greenberg

But Richard M. Page, chairman and chief executive officer of broker Fred S. James & Co. Inc., disagreed with Mr. Greenberg's analysis, saying the market is now softening.

Carel M. Mosselmans, chairman and chief executive officer of Sedgwick Group P.L.C., James' parent company, noted there has been little overall movement in the world reinsurance market to date.

Thus, the hard market will last longer for reinsurers than for primary insurers, concurred James F. Dowd, president and chief executive officer of Skandia America Group and Skandia American Reinsurance Corp. in New York, and Donald E. Chisholm, president and chief executive officer of Re Capital Corp. in Stamford, Conn.

Mr. Greenberg asserted that despite the circulation of horror stories "here and there" about inadequately priced business, the belief that the market is now "suddenly heading downhill" is inaccurate.

Factors now inhibiting a market downturn, he said, are that loss reserves and reinsurance recoverables remain a problem, while foreign reinsurers, including those based in London, have "no great desire" to increase their U.S.-based liability portfolios.

While changes are occurring in the industry, Mr. Greenberg said they are discouraging a return to a soft market.

For example, many primary insurers are retaining more risk than they did in the beginning of the 1980s, which has led to better pricing discipline, he said.

Major insurers are retaining as much as $10 million per risk, which could amount to as much as double what they had previously retained. "There's some reluctance to be too foolish with that kind of retention," he noted.

"The industry is better able to monitor (the relationship between) price to exposure than they did in earlier days," Mr. Greenberg said, commenting that this is true not only of the industry in general, but of AIG specifically.

AIG will withdraw from a line of coverage if prices reach an undesirable level, he said.

"We simply wouldn't hesitate to do so."

Mr. Greenberg also observed that because current interest rates are so much lower than they were during the days of cash-flow underwriting, "the incentive to engage in that doesn't make any sense."

And, while some states have approved tort reform measures, their impact "won't be known for many years," and no insurer at this point is willing to cut prices because of tort reforms.

"The residue of the last cycle is fresh in everyone's memory," said Mr. Greenberg. Insurance companies are reluctant to "climb back into the morass they've just climbed out of."

However, this doesn't mean that there won't be any competition, Mr. Greenberg said. With thousands of property/casualty companies in the United States, "there'll always be a certain amount of fluctuation in the marketplace."

Once property/casualty rates become adequate relative to their exposure, the marketplace will respond with a return to intense competition, he said.

But, Mr. Greenberg added, for now, rates for many liability insurance lines are firm and capacity remains tight.

When intense competition does return, it will first appear in the lines of business where the price-to-exposure relationship can be determined more easily, where there is relatively more reinsurance capacity and where there is a "great deal of comfort in the class of business," predicted Mr. Greenberg.

But James' Mr. Page said the U.S. market is softening, particularly for property and marine business and in certain liability lines.


Mr. Page

Property rates for smaller risks are being cut 10% to 15%, he said, while rate cuts for larger property accounts can be as big as 25% to 50%, particularly for those "cream puff" pieces of business with low loss ratios.

"I can't share Hank's optimism, or pessimism, depending on how you look at it," commented Mr. Page.

He agreed, however, with Mr. Greenberg's observation that the market remains hard for excess liability, directors and officers liability and environmental liability insurance.

Mr. Page said part of the problem is caused by local offices that are required to meet their home offices' premium goals, and therefore would prefer cutting the premium 10% on a piece of business rather than risk losing the account altogether.

This happened in the last soft market, and is now recurring in this market as well, said Mr. Page.

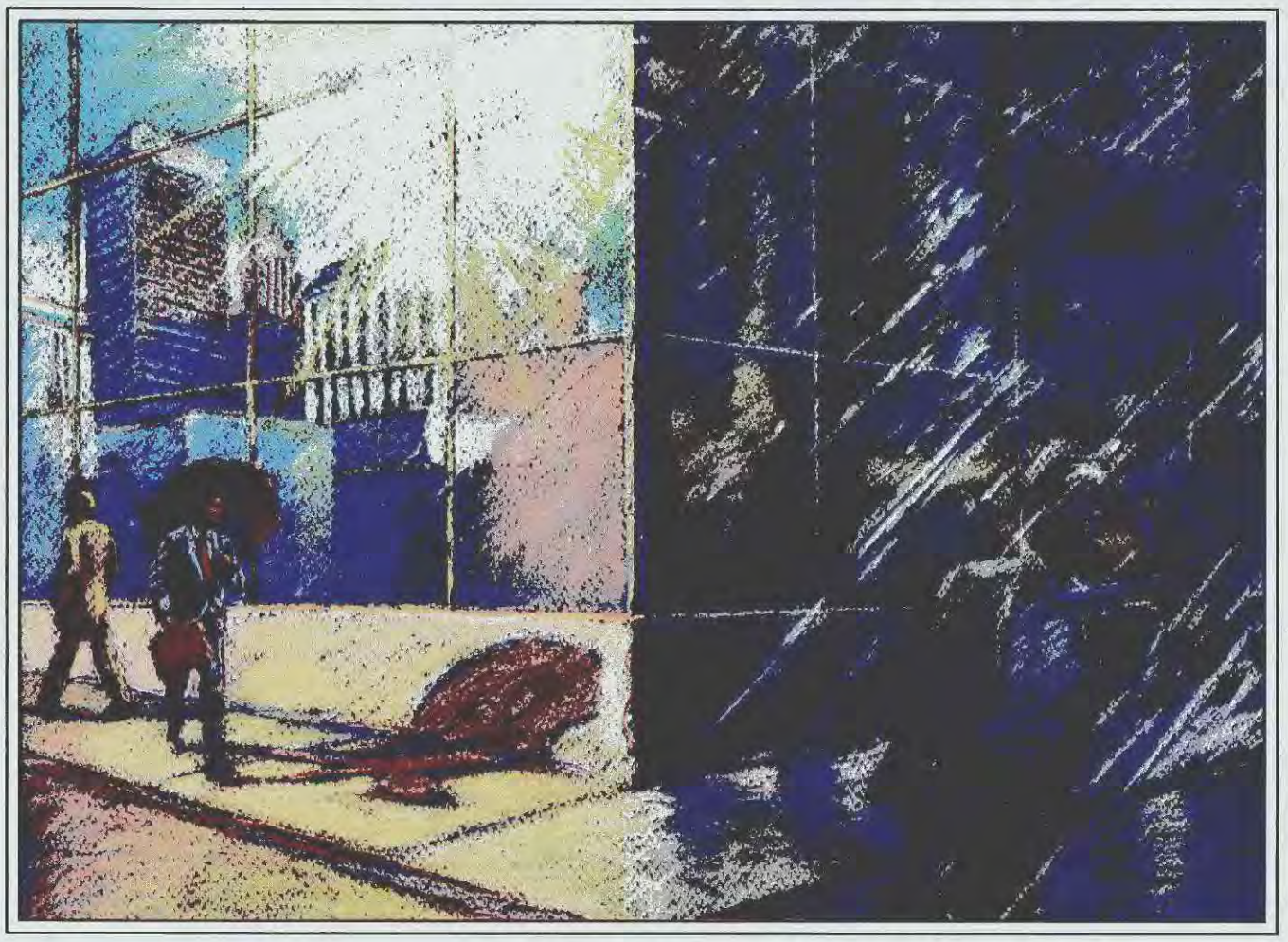
Another element, said Mr. Page, is the fight for market share, which "major companies are not about to lose."

Because of the softening market, he said, James' "growth is just not going to be at the same explosive rate it's been over the past two years.

Mr. Mosselmans said Sedgwick also has perceived a "flattening" in certain segments in the marketplace, particularly in property insurance lines. He added, however, that since hardening in 1985, the worldwide and London reinsurance markets have "not really moved very much."

Continued on next page

F·O·R·E·S·I·G·H·T



ONLY BY FORECASTING CHANGES IN HEALTH CARE CAN YOU PROPERLY MANAGE THEM.

Although no one can accurately predict the future, we've worked hard at it. And with satisfying results for our clients:

☐ State-of-the-art, computerized clinical algorithms, incorporating quality of care assessment, for medical decision support.

☐ Proven Medical Case Management protocols for over 100 major types of catastrophic/chronic illnesses.

☐ *Quick*Admit, a fully integrated utilization management program for inpatient and outpatient services, including home care and hospice.

☐ Expert utilization management systems for psychiatric care and chemical dependency.

Our foresight has led to client-reported reductions of over 25% in utilization. Case management savings averaging 6:1. And a large list of satisfied clients representing over 500,000 plan participants.

In a health care world that's constantly changing, being reactive is not enough. U.S. Corporate Health Management. In the business of finding tomorrow's solutions...today.

Foresight. Our most valuable product.

U.S. Corporate Health Management

2825 Santa Monica Blvd., Suite 210 · Santa Monica, CA 90404 · 213 453-2022

Insurance cycle

Continued from previous page

While there is more capacity for property business, additional capacity is still needed for liability lines, he said.

Skandia's Mr. Dowd said while property rates in the primary market are beginning to fall, liability insurance rates will remain high for 18 months or so. The beginnings of a cyclical downturn, followed by an impact on earnings, will become visible in 1988, he predicted.

Mr. Dowd added, however, that it will be different for the reinsurance industry. Current management has been "more or less forged" over the past three years as they have seen other companies' "blood spilled," he said.

"I don't think reinsurers are going to follow that quickly," he said, predicting they will resist being caught in another downward cycle until at least 1991. He acknowledged, however, that new players in the market could have some impact on this scenario.

Mr. Chisholm agreed that the hard market will last longer for reinsurers. The "time line" between the trough and peak of the property/casualty cycle is longer for reinsurers than it is for primary insurers, he said. "I think the peak is significantly further off" for reinsurers.

Mr. Chisholm also said because a reinsurer experiences a greater lag between the time a loss occurs and when it is settled, it is hit harder by inflation. "There's a whole inventory of losses out there that have not come to the reinsurer."

One factor that will protect reinsurers from a return to competition is that despite the increase in capacity, the number of players is down "significantly," said Mr. Chisholm. And those that are entering the business with new capital are better managed companies, he said. ■

Health care delivery market in flux, PPO operator says

By JUDY GREENWALD

NEW YORK—The current turmoil in the health care delivery system is caused by its evolution from a reimbursement system based on cost to a market-driven system, according to one industry participant.

"There is an enormous market that is still very much in transition," said Harold Waltman, chairman and chief executive officer of Sanus Corp. Health Systems in New York, a privately held operator of preferred provider networks.

"Nobody can be sanguine about what's going on," he added.

Mr. Waltman was among the speakers at an insurance conference sponsored by First Boston Corp. in New York late last month.

'There are really more doctors in the U.S. than we have business for,' says Harold Waltman.

Mr. Waltman noted that until 1982, the health care industry—which accounts for about 10% of the gross national product—was a "cost-plus" industry, with providers charging users based on whatever their service cost them, plus a profit margin.

"Everybody was happy, and everybody was fat," Mr. Waltman said.

Employers, for the most part, were "uninformed and indifferent" consumers, while insurers processed claims, "and everybody made out OK," Mr. Waltman explained.

Then, in 1982 and 1983, "a number of events converged, and we began an extraordinary period of time in our history," during which a market-driven economy replaced the cost-plus environment for the health care industry, Mr. Waltman observed.

As a result, "fee-for-service medicine in the U.S. has seen its heyday," Mr. Waltman asserted, defining the fee-for-service system as patients paying for medical services based on whatever services are rendered.

For example, earlier in the decade, 90% to 92% of health care was delivered on a fee-for-service basis, while today the percentage has been cut to 60% to 70% and is heading downward, Mr. Waltman said.

He outlined the four factors that brought about this change:

- "We began in the U.S. to see an oversupply of doctors. There are really more doctors in the U.S. than we have business for."
- It became "manifestly clear" there was an oversupply of hospital beds, and "there were not enough people to put in the beds."

Both non-profit and for-profit hospitals are "under enormous pressure," Mr. Waltman pointed out. "They're selling their beds," because there are not enough people to put in them, he said.

- "The federal government began looking at Medicare in earnest," and it realized that with people living longer, at some point it would run out of money. The government then introduced diagnosis-related groups in an attempt to fix the price of care for the aged in a hospital."
- "Corporate America got fed up" and started to look at what it was spending for health care. Companies began cutting back on what they would pay health care providers and provide in benefits.

Employers are cutting back their health care costs "and are starting to buy health care in the same way they're buying other services," Mr. Waltman said.

"The insurance companies and the Blues are no longer able to write the traditional kinds of general health insurance, process the paper and hope to adjust their premiums next year to make up for underwriting losses," he observed.

Alternative health care systems, such as PPOs and health maintenance organizations, are competing with insurers and Blue Cross/Blue Shield plans on the basis of price and service. These alternatives "really took off" in 1982 and 1983, Mr. Waltman noted. "They're going in, and they're doing business, and they're capturing market share."

Until these alternatives took off, "nobody who was paying for health care was intervening in the process," Mr. Waltman said.

When buyers began intervening, they did so by managing costs, he said.

For instance, employers went to hospitals and negotiated costs using their enormous buying power for leverage. They said, in effect, "look fellas, I'm spending $100 million in this business and I want something back," Mr. Waltman said.

Continued on next page

THE NUMBERS DON'T LIE...
General American Insurance Company's group universal life is the superior payroll deduction life plan.

See for yourself. The numbers will prove it to you.

General American Insurance Company's voluntary payroll deduction life plan is the superior group universal life plan available today.

Fill in this comparative chart with the best figures you've received on competitive universal life or voluntary payroll deduction plans. You'll see that General American's GULP is the product you want to sell.

To find out more about General American Insurance Company's group universal life plan, mail in the coupon below or call Sharon Baysinger, Vice President, or the National Marketing Director, at 800-231-4545 (at tone dial 2211). They will work with you to develop a plan that will sell your specific client.

General American Insurance Company is a wholly-owned subsidiary of General American Life, a company with $90 billion of insurance in force, $3.8 billion in assets and an A+ (Superior) Best's rating.

UNIVERSAL LIFE PRODUCT COMPARISON

Policy Elements Affecting the Cost of the Insurance Policy	Comparable Individual Policy Charges From Other Quality Carriers	General American's Mass Marketed Universal Life Policy	Your Best Plan
Current Monthly Cost of Insurance Rates (per thousand)			
Age 25	$ .09 to .17	$ .073	
35	.15 to .21	.089	
45	.33 to .41	.230	
55	.71 to .92	.585	
65	1.46 to 2.22	1.481	
	(Male and Female Standard Rates)	(will be lower if female ratio is higher)*	
Premium Loads (Front End Loads)	6% to 8%	0*	
Surrender Costs (Back End Loads)	100% of first-year target premium level for first 5 years and grades down over 10 years.	70% of first-year target premium, graded down equally over 10 years.*	
Administration Fee	$4.00 a month	$2.00 a month*	
Cash Accumulation Corridor	$0 to $1,000	First Dollar	
Guaranteed Interest Rate	4% to 5.5%	5.5%	
Current Interest Rate	7% to 10.5%	9%	

In making product comparison, it's important to review all elements of a universal life product and not to base any purchase decision on a singular element.

*Assumes case size of 2,500 employees; blended unisex rates based on 50% male, 50% female, first-year commission of 35%.

Please send me more information about General American Insurance Company's GULP.

NAME _____ PHONE _____

ADDRESS _____

CITY _____ STATE _____ ZIP _____

MAIL TO:

National Marketing Director
Employer Sponsored Mass Marketing
General American Insurance Company
101 S. Hanley, Suite 1740
St. Louis, MO 63105-3411

Continued from previous page

They also introduced the concept of risk sharing to providers, telling them, in effect, "we'll send you business, but we want you to participate in the risk."

A third approach taken was to control utilization, he noted. This included "obvious kinds of things," such as trimming the allowable length of hospital stay.

Alternative health care delivery systems act as a "classic middleman," taking buying power and negotiating a series of arrangements with doctors, Mr. Waltman said. "They need the business—period," he said of the doctors.

These alternatives have grown rapidly for a variety of reasons, including price competition and because consumers are making more informed choices, he said. "We grew at the expense of group health care insurance."

In response, traditional insurers began either one of two strategies or both, with mixed results:

- "They attempted business as usual," Mr. Waltman said. Some insurance companies are competing with alternative health care systems essentially based on the rates they charge, he added.
- They became involved in alternative health care systems themselves, attempting to bring in-house the managed care approach used by PPOs and HMOs.

Mr. Waltman said that despite the changes in the health care delivery system, there are still elusive problems that must be solved. Drug costs, for instance, are very hard to control. "This is one that we've still got to get our hands on," he warned.

The high cost of treating AIDS patients is another problem, he said, adding that early intervention and provisions for home care will help control these costs.

Neo-natal births, which can cost $100,000 each, are yet another problem that early intervention can help in keeping costs down.

"It's a time of enormous opportunity, (but) it's a time of enormous risk," he said, noting the health care market's rapid evolution. ■

No-fault system necessary: Greene

By JUDY GREENWALD

NEW YORK—A no-fault compensation system should be constructed to settle civil disputes now decided by the "unworkable" tort system, says a prominent insurance attorney.

Donald J. Greene, an attorney with New York-based LeBoeuf, Lamb, Leiby & MacRae, which represents Lloyd's of London in the United States, said a no-fault social compensation program should be used to benefit people "who would otherwise be burdens to their families and society at large."

Mr. Greene, speaking at conference sponsored last month by First Boston Corp., was highly critical of the current tort system.

The system's "one, overriding, primary economic purpose," he said, is to "move society's wealth into the hands of lawyers."

"You cannot trust the lawyers to change this bad system," said Mr. Greene, adding that he was not criticizing plaintiffs' attorneys in particular, either. "I'm criticizing the entire corrupt system."

Plaintiffs who win awards under the current system, he said, are not necessarily the most deserving, but are the most successful in winning an emotional response from juries.



Mr. Greene

"The system is out of balance, whirling wildly about us," said Mr. Greene.

Using a no-fault system to largely eliminate the contest between plaintiff and defendant could double the flow of wealth to the injured, he predicted.

And, he added, if the system had "some boundaries of predictability," there would be more capital available for the insurance industry and more premium stability because premiums "wouldn't rocket up and down" to meet loss expenses, said Mr. Greene. "Commerce generally would benefit from that."

Because settlements would be predictable, he said, there would be more reliability in pricing insurance and "the insurance mechanism would serve the community better."

"As it is now, insurers are looked on as villains," said Mr. Greene. On the one hand, those paying premiums feel they are paying too much, while on the other, those filing claims feel they are not getting as much as they should, he said.

Mr. Greene said he would like to develop support for the concept of a no-fault system whose purpose is not to reduce the cost to insurers, but to "find a better way to move your premium and mine."

Another benefit of such a system, he quipped, would be that "several hundred thousand" lawyers would be available to fill jobs at corporations as administrators, executives and advisers.

EMPLOYEES WITH BENEFIT QUESTIONS CAN NOW BUZZ THE METLIFE SHOWCASE BENEPHONE.



METLIFE Showcase®

MetLife SHOWCASE just got better. Because now, BenePhone is here to answer personal benefit questions. In fact, companies can choose to offer BenePhone by itself, or with the MetLife SHOWCASE Benefit Centers.

People can call MetLife SHOWCASE BenePhone anytime, 24 hours daily, from any touch-tone phone. They just punch in their ID numbers, and they can find out about their employer-sponsored financial accounts, retirement benefits, and insurance coverages. Right over the phone.

To help employees get in touch with their benefits, benefit managers should get in touch with us. Call 1-800-847-8285.

GET MET. IT PAYS.

Metropolitan Life
AND AFFILIATED COMPANIES

© 1987 Metropolitan Life Insurance Company, NY, NY

SNOOPY: ©1958 United Feature Syndicate, Inc.

From The Reprint Department Of:

business insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with $3.50 per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.

Transamerica realigns top management

comings & goings: industry

Richard W. Wratten has been named president of Transamerica Insurance Group's commercial insurance division in Los Angeles.

Mr. Wratten joined Transamerica in 1984 as executive vp, in charge of creating the commercial insurance division as a separate profit center.


Mr. Wratten

Prior to joining Transamerica, Mr. Wratten had been executive vp of field operations for Fireman's Fund Insurance Cos. in San Francisco.

Also at Transamerica Insurance Group, **William Palgutt** named president of the recently formed specialty insurance services division. Mr. Palgutt joined Transamerica in 1984 as chairman and chief executive officer of Transamerica Premier Insurance Co. Previously, Mr. Palgutt had been a senior officer with Balboa Insurance Group in Orange County, Calif.


Mr. Palgutt

In addition, **F. Michael Armstrong**, formerly executive vp-group corporate activities, was named chief administrative officer of Transamerica Insurance Group. Previously, Mr. Armstrong was vp-planning and development in the property/casualty division.

In addition to their division titles, the three will continue as executive vps of Transamerica Insurance Co., the group's lead insurer.


Mr. Armstrong

Also, **David C. Scholl** named vp and actuary at Transamerica Insurance Group, responsible for commercial insurance pricing and analysis. He was previously assistant vp and actuary at a Crum & Forster Corp. unit in Basking Ridge, N.J.

In other insurer changes:

At Blue Cross of Greater Philadelphia, **Thomas A. Dzuryachko** appointed senior vp-chief actuary from senior vp-marketing.

Anthony F. Colao joined Old Republic International Corp. in New York as senior vp. In this new position, Mr. Colao will manage the company's reinsurance and specialty operations. Prior to joining the company, Mr. Colao had been chairman of the national insurance industry practice for Coopers & Lybrand.

Carl Peterson and **David Notestein** appointed vps-group product managers at Transport Insurance Co. in Dallas. Previously, Mr. Peterson managed the local/intermediate haul trucking insurance at Progressive Insurance Co. in Mayfield Village, Ohio. Mr. Notestein had been director of corporate planning for Zale Corp.

Agents/brokers

Peter A. Malito and **John P. Hickey** joined Oland International Brokers Inc. in New York as senior vps. Mr. Malito was previously a senior vp at Corroon & Black of New York Inc. Mr. Hickey, who was vp-technical services at Bayly, Martin & Fay International Inc. in New York, will serve as engineering manager.

J.B. Andrews Jr. and **Thomas H. Etling** named senior vps of the St. Louis office of Marsh & McLennan Inc. Previously, both were senior vps with Lawton-Byrne-Bruner in St. Louis before LBB merged with Marsh & McLennan.

Terry G. Brown joined Bayly, Martin & Fay of Washington Inc. in Seattle as vp responsible for market coordination of the Alaska and Washington offices. Most recently, Mr. Brown was branch manager of Sayre & Toso Inc.

At BMF in Atlanta, **Scott K. Johnson** joined as vp and employee benefits manager. Most recently, Mr. Johnson was assistant vp with Johnson & Higgins of Georgia.

Also, **Harry D. Johnson** joined BMF in Dallas as vp. Most recently, Mr. Johnson served as vp-risk management/loss prevention with Zale Corp.


Mr. Keckeisen

William J. Keckeisen named senior vp and manager of the Miami office of Johnson & Higgins. He had been senior vp and sales manager in J&H's Houston office. Mr. Keckeisen joined J&H in 1971 as an account executive.

Reinsurance

At Intere Intermediaries Inc. in New York, **Robert L. Mendes** promoted to vp-administrative services and general counsel and **Charles M. Caporale** promoted to vp-financial services. Also, **Larry M. Cantwell** joined Intere as vp; **Daniel J. Newsome** and **Linda J. Ragan** promoted to vps from assistant vps.

At Intere's marine/aviation overseas branch, **John W. Demeusy** and **Roger P. Roberts** promoted to vps from assistant vps, and **Peter M. Graetzer** joined Intere as a vp.

Geoffrey H. Ashworth promoted to vp at General Reinsurance Corp. in Dallas.

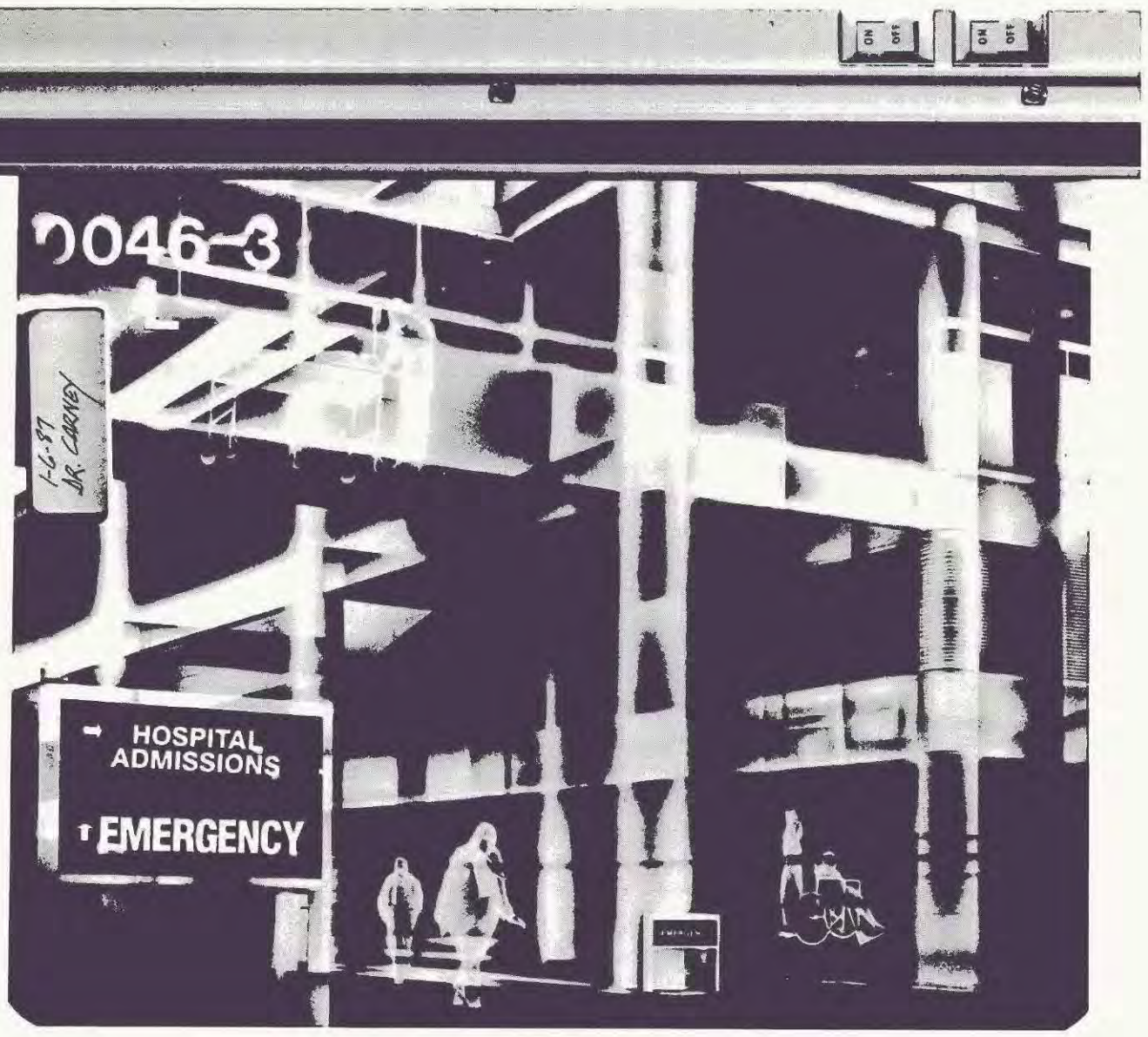
Excess/surplus

Jeremy D. Cooke named president of Stewart Smith East Inc. in New York. As president, Mr. Cooke will direct the activities of Stewart Smith East with its branch offices in Boston, Philadelphia, Pittsburgh, and Edison, N.J. He also will continue as president and chief executive officer of Major Surplus Holdings Inc.


Mr. Cooke

In addition, **Michael Georgaros** and **Howard Kupferberg** appointed executive vps of Major Surplus Holdings.

Continued on next page



If it's true most health insurance suffers from high premiums, we know where to find a cure.

Our efforts to remedy costly health care led us to examine the medical institutions people trust most.

As part of Private Health Care Systems Ltd., a partnership of concerned insurance carriers, we thoroughly examined the quality and cost efficiency of hospitals and other providers before including them in our preferred provider network.

The result is our new Washington National Health Care ADVANTAGE℠, a PPO option that's bringing down medical costs without bringing down people's confidence in their medical care.

Washington National's Health Care ADVANTAGE, which will be available in 40 major metropolitan areas, includes a choice of conveniently located hospitals in each city. And unlike HMOs, coverage extends beyond the preferred provider network.

Plus, the plan comes backed by Washington National, a company that's held an A+/Superior rating from A.M. Best Company for over 40 years.

For more information, call 800/334-9038 or contact your nearest Washington National Group Office.

Washington National's Health Care ADVANTAGE. Now the best health care is affordable as well.

Washington National® INSURANCE COMPANY

Evanston, Illinois 60201 ■ A Washington National Corporation Financial Service Company

Continued from previous page

William A. Barnes promoted to chief executive officer of RIC Insurance General Agency Inc. in Anaheim, Calif., a surplus lines brokerage.

Other suppliers

Keith Swenson has been named director of the Actuarial, Benefits and Compensation consulting operations of Touche Ross & Co. in Chicago. Mr. Swenson, who previously served as national director of Touche Ross' flexible benefits practice, will oversee the management and marketing activities of the ABC practice.

Also at Touche Ross, **Timothy R. Garmager** named national director of flexible benefits for the Actuarial, Benefits and Compensation consulting practice. He will be responsible for marketing and directing Touche Ross' national flexible benefits practice in addition to his current role as national director of health care cost management consulting services.

Richard A. Ensbury named president and chief executive officer of Industrial Claims Service Inc. in San Francisco. Previously, Mr. Ensbury was senior vp of Beaver Pacific Corp.

Also at Industrial Claims Service, **Stephen F. Anderson** named senior vp. Previously, Mr. Anderson was vp at Beaver Pacific Corp.

Arthur F. Farwell joined The Johnson Cos., a benefit consultant in Langhorne, Pa., as senior consultant and vp of compensation services. Previously, he held positions with both A.S. Hansen and Sibson & Co. He also served as regional practice consultant for Towers, Perrin, Forster & Crosby.

Stephen J. Nelson joined Yaffe & Co. Inc. in Baltimore as an actuary in the firm's actuarial department. Previously, Mr. Nelson was an associate actuary with The Wyatt Co. and a senior consultant with Touche Ross & Co. ■

Self-insurance accounting under review

STAMFORD, Conn.—A task force to establish financial accounting and reporting standards for public entity self-insurance programs is meeting for the first time in Chicago this week.

The 11-member group of accounting and public entity professionals and consultants, an arm of the Governmental Accounting Standards Board in Stamford, Conn., was established in late 1986 to re-examine and expand previous guidelines. Those guidelines had been adopted by an organization that no longer exists, said Harriet Commons, GASB project manager.

The project is an outgrowth of the insurance crisis, which made commercial liability insurance unavailable or unaffordable for many public entities. As a result, many public entities turned to self-insurance programs, either individually or pooled with other public entities, Ms. Commons said.

"There is not a lot of consistency" in the procedures public entities use to account for and report self-insurance funding, she pointed out. For example, there are questions whether the same type of accounting guidelines should be used for three types of public entity self-insurance programs:

- Programs that are currently funding incurred claims.
- Those that are accumulating funds to create general reserves for claims expected in the future.
- Those that have incurred claims but are not funding them until they must pay them.

The guidelines will apply to entities that self-insure individually and to group self-insurance pools.

Concern about self-insurer solvency is "a related side issue," Ms. Common said.

Spokesmen for the Public Risk & Insurance Management Assn., an organization represented on the task force, emphasize that since the inception of the first municipal insurance pool in 1974, no public entity pool has failed or stopped providing coverage for members.

In addition, PRIMA contends the more than 200 public entity pools are a viable alternative to a commercial insurance market, which the spokesmen described as unpredictable and unreliable.

The task force is expected to present a draft of its proposed guidelines for public comment by the end of 1987 or in early 1988, Ms. Common said.

The GASB guidelines are expected to apply to a wide range of public entities, including municipalities, schools, special districts and states. ■

business insurance DIRECTORY
of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

COST EFFECTIVE BECAUSE IT's TIME EFFICIENT

More cost effective than ever before. The Business Insurance Directory gives you instant access to major buyers in the commercial insurance market.

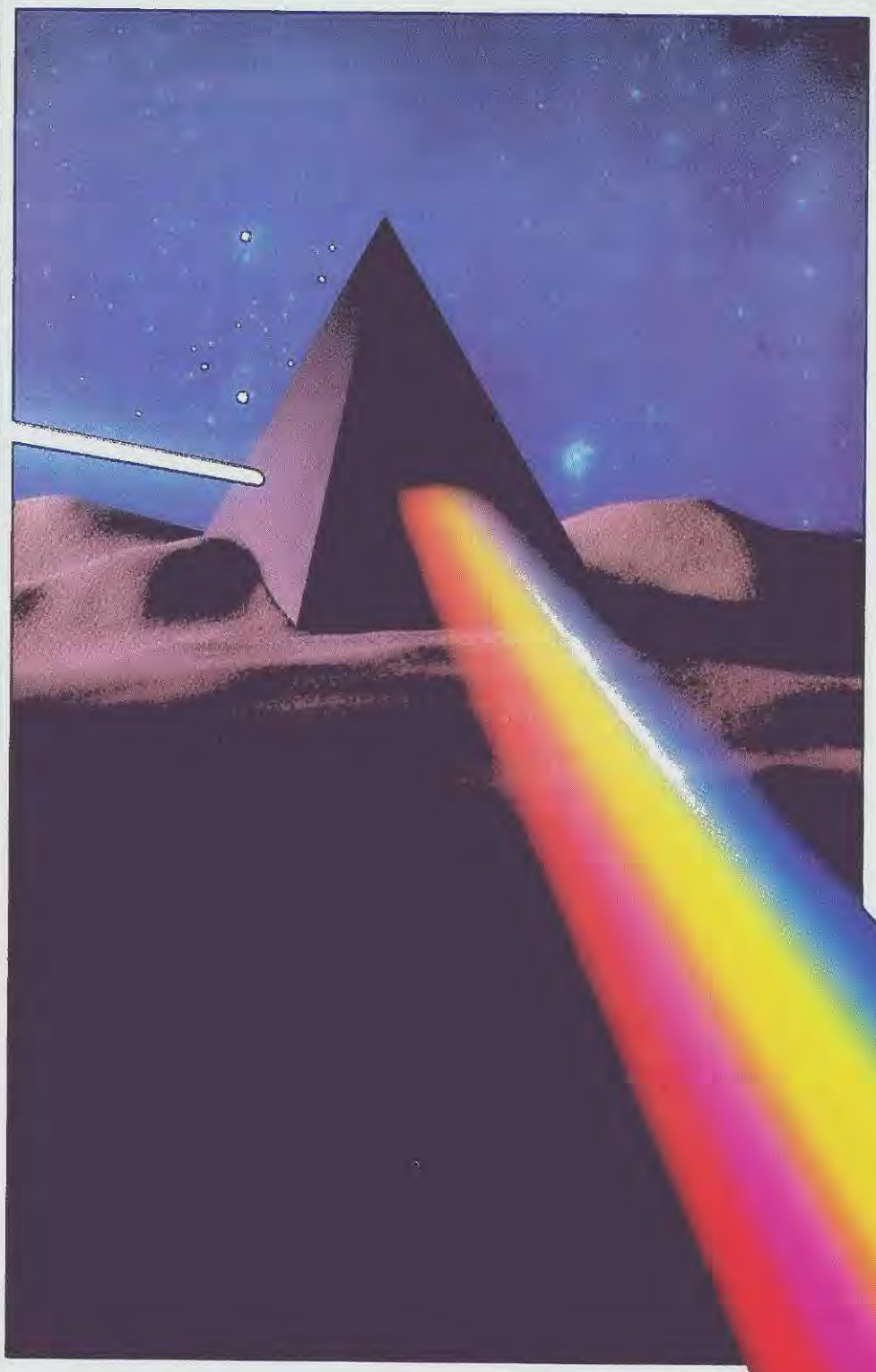
The BI Directory gives you vital information on more than 2,000 U.S. corporations–instantly. It lists companies alphabetically and contains both a geographical index and index ranking companies by employee population.

Whether you want to identify your corporate counterparts or reach buyers in your industry, the BI Directory is effective and efficient.

ORDER NOW

Business Insurance Directory
Single Copy Sales, 740 Rush St., Chicago, IL 60611
Please send me _____ copies of the *Business Insurance Directory*
$50 each; $40 each for 5 or more
All orders must be prepaid.
Make checks payable to:
Business Insurance Directory
☐ Visa ☐ Mastercard ☐ Check Enclosed

Account # Exp. Date
Signature
Name
Title Phone
Company
Address
City State Zip BID 5/11



Get the full spectrum of benefit administration capabilities from CGData

Whether you are a Third-Party Administrator, a PPO or HMO, or a corporation that insures its own employees, you can meet all your information processing needs with systems and support from CGData Corp.

The most powerful applications.
The FACTS® system gives you the most powerful and flexible claims processing and benefit administration capabilities available today. It works the way you do—making it easy to process data and generate reports.

The broadest range of hardware.
You can run the FACTS system on a wide range of hardware—from IBM mainframes such as the 4300, 30XX and new 9370, to the Digital VAX™ and MicroVax II,™ to Honeywell superminis—all enhanced by a powerful operating system from The Ultimate Corp. You can even run FACTS on an IBM PC.

The broadest range of applications.
CGData meets all your claims administration needs, whether you want a complete management system, or are looking specifically for a Workers' Compensation or Section 125 system.

Support you can rely on.
CGData has a dedicated service department, and a recognized history of high-quality support. Starting with the initial needs-assessment stage, we're the company you can rely on all the way down the line.

Come to the leader in claims processing and benefit administration. Come to CGData Corp. for all your information processing needs.

CGData

CGData Corp.
8685 N.W. 53rd Terrace
Miami, Florida 33166
305-593-1881

- *Claims Processing*
- *Workers' Comp*
- *Section 125*
- *Pre-Certification &*
- *PC To Mainframe*
- *Service & Support*
- *Commitment*

FACTS is a registered trademark of CGData Corp. IBM is a registered trademark of International Business Machines Corporation. Digital, VAX and MicroVAX II are trademarks of Digital Equipment Corporation.

Kemper's first-quarter income surges

Kemper Corp. of Long Grove, Ill., reported net income ballooned 118.4% in the first quarter to $81.3 million from $37.2 million in last year's first quarter.

The company reported aftertax operating earnings of $55.8 million for the first quarter of 1987, or double the $27.9 million operating earnings in the first quarter of 1986.

Realized capital gains totaled $25.5 million in the first three months of 1987, a 172% rise from $9.4 million in the first three months of 1986.

Due to the 1986 Tax Reform Act's "fresh start" provision, Kemper's earnings were boosted by a $7.4 million tax benefit.

Kemper continues to benefit from improved rates and stricter underwriting, said Joseph E. Luecke, chairman, president and chief executive officer. "The lack of catastrophic weather-related losses and continued expense control also helped results," he added.

Kemper's property/casualty operating earnings rose 213% to $16.3 million from $5.2 million and reinsurance produced earnings of $12.9 million compared with $1.2 million.

Travelers Corp.

Travelers Corp. of Hartford, Conn., reported net income, including realized capital gains, rose 17% in the first quarter of 1987 to $142.5 million from $121.4 million in the first quarter of 1986.

Travelers' operating income rose 38% to $108.8 million from $79.0 million in the first quarter of 1986.

financial briefs

"First-quarter results reflect strong performance in both the commercial and personal property/casualty businesses," said Edward H. Budd, chairman and chief executive officer. "In the commercial property/casualty business, price increases, results of underwriting programs and retention of quality business are continuing in line with our expectations."

First-quarter operating earnings include a tax benefit of $10.4 million due to the "fresh start" provision in the Tax Reform Act.

Premiums written totaled $4.2 billion in the first quarter of 1987, up 27% from $3.3 billion in the year-earlier quarter.

Commercial property/casualty operations generated $57.8 million in operating income in the first quarter, up 162% from $22.1 million last year.

Its commercial property/casualty combined ratio improved to 103.1% in the first quarter, compared with 106.9% in the first quarter last year.

SAFECO Corp.

A small property/casualty underwriting profit helped Seattle-based SAFECO Corp. report improved first-quarter earnings.

But, according to Bruce Maines, SAFECO's president and chief executive officer, liability insurance losses continue to hamper profits.

Net income totaled $91.8 million, a 64.4% hike from $55 million in the year-earlier quarter.

The company reported operating income in the first quarter of 1987 of $54.2 million, up 49% from $36.3 million in the first quarter of 1986.

Property/casualty operations produced an underwriting profit of $4.1 million in the first quarter, compared with an underwriting loss of $21 million a year earlier. The combined ratio improved to 98.8% from 107.0%.

Pre-tax income from life and health insurance operations, however, fell to $13.1 million from $19.7 million last year, mostly due to group insurance results. "Competitive pressure remains intense in this market while health care cost inflation continues to rise," Mr. Maines said.

Frank B. Hall & Co.

Moody's Investors Service Inc. has lowered the rating on the subordinated notes of Briarcliff Manor, N.Y.-based Frank B. Hall & Co. Inc. to B2 from B1.

Moody's attributed the rating change to the "continuing deterioration in the company's operating margins, the emergence of large contingent liabilities and high debt."

N.Y. exchange

New capital and surplus totaling $13.9 million has been added to three syndicates managed by Pan American Re Inc. on the New York Insurance Exchange.

Pan Atlantic Investors Ltd. received a $3 million contribution, bringing its capital and surplus to $10.1 million.

GoldStreet Syndicate Corp. received a $5 million contribution, bringing capital and surplus to $11.6 million. And, Galleon Syndicate Corp. received a $5.9 million contribution, bringing capital and surplus to $10.1 million.

Capital and surplus for all the syndicates managed by Pan Atlantic now totals $31.8 million.

"We have increased our capital commitment at this time in order to further expand our underwritings—principally in the property lines for treaty, facultative and direct markets," said Lionel Goetz, chairman of Pan Atlantic Re Inc.

Reliance Insurance

Philadelphia-based Reliance Insurance Co. reported net income for 1987's first quarter of $43.2 million, up 246% from $12.5 million in the first quarter of 1986.

Improved results in Reliance's property/casualty operations were responsible for the earnings increase, the company said.

Reliance's operating income jumped to $37.1 million in the first quarter of 1987, compared with only $2.1 million in the first quarter of 1986.

First-quarter earned premiums rose to $698.7 million, up 34.5% from $519.6 million in the year-earlier period.

American Indemnity

American Indemnity Financial Corp. of Galveston, Texas, reported a decline in net income in the first quarter of 1987.

Net income dropped to $687,372 from $1 million in the first quarter of 1986, and the company reported an operating loss, before investment transactions and extraordinary items, of $2 million compared with a $853,156 gain in the first quarter of 1986.

Net premiums written in the first quarter were down slightly to $23.2 million, compared with $22.6 million in the year-earlier quarter.

Investment income remained the same at $1.5 million.

The Home Group Inc.

The Home Group Inc. of New York reported a large gain in operating earnings.

Operating income jumped to $31.4 million from $500,000 in the first quarter of 1986. This year's results included a $13.2 million benefit from the "fresh start" provision in the Tax Reform Act of 1986.

Revenues rose 15.5% in the first quarter of 1987 to $596.3 from $516.3 in the year-earlier quarter.

Net premiums written increased 13.5% to $537.6 million from $473.7 million.

Net income fell 23% to $74.1 million from $96.2 million, but the 1986 figure was inflated by a $32.3 million benefit from a change in pension accounting and a 23.1 million credit attributable to the use of tax-loss carry-forwards.

"The first-quarter results demonstrate that the restructuring through which we have gone is starting to be reflected on the bottom line," said Marshall Manley, president and chief executive officer.

The Home reported a $58.3 million loss on property/casualty underwriting, down from a $72.6 million loss in the first quarter of 1986. Its combined ratio improved to 111.9% from 117.1%.

Canadian insurers

Property/casualty insurance premiums written in Canada increased 20% to $9.74 billion Canadian ($7.23 billion U.S.) during 1986, according to provisional figures released by Robert Hammond, the federal superintendent of insurance.

Canadian companies wrote $6.65 billion Canadian ($4.93 billion) in premiums in 1986, up 20%, while British companies wrote $738 million Canadian ($548 million) in premiums in 1986, up 17%.

Other foreign companies, mostly U.S. and European insurers, wrote $2.35 billion ($1.75 billion) in premiums in 1986, up 18%.

Liability insurance premiums increased more than any other line, jumping 53%.

Oil Insurance Ltd.

Oil Insurance Ltd. of Hamilton, Bermuda, reported record results for 1986.

Premiums written in 1986 by the oil industry mutual insurer more than doubled to $293.8 million from $132.3 million in 1985.

Investment income in 1986 rose 160% to $213.4 million from $82 million in 1985.

OIL reported underwriting income of $313.3 million last year. In 1985, the company reported an underwriting loss of $115.4 million.

OIL reported a gain of $19.5 million from losses and loss expenses, citing reserve adjustments, subrogation recoveries and minimal new claims.

Net operating income and investment earnings together produced profits of $525.7 million. These earnings have contributed to the company's surplus, which now stands at $879.3 million.

But, OIL President and Chief Executive Officer Charles Bailey warns in his annual report that the insurer does not expect to repeat its 1986 performance this year.

"It would be unrealistic to assume that bond and equity markets will continue to perform as they have for the past two years," he wrote. "Our expectation of more modest investment yields is tempered by the much larger base of assets available to invest, and we do expect investment income to continue as the primary source of growth for the company, albeit at a slower rate."

New shareholders joining the mutual last year included BP North America Inc., Burlington Northern Inc., Husky Oil Ltd., Sabinal Insurance Co. Ltd., Soberbio Inc. and Valero Energy Corp.

The report added that Freeport-McMoRon Inc. joined the mutual earlier this year, bringing the num-

Continued on next page

IMPROVE YOUR CORPORATE VISION



Bring your employee benefit package into sharp focus with National Vision Services, Inc., (NVS). NVS' unique alternative delivery system offers the highest quality service at the lowest possible price.

Wouldn't you like to increase the value of your current vision benefit? Without changing your existing plan, NVS can easily be included as an option in a vision indemnity schedule. There will be no increase in claims costs – there may be a decrease. The out-of-pocket expenses to covered families may be substantially reduced.

Doesn't a vision plan deserve more than a casual glance? Over 70% of the working population require corrective lenses. The cost per family to cover vision examinations and eyewear, including NVS administration, can be as low as $2.00 per month. A plan can be designed to meet any group's needs.

Find out how you can improve your corporate vision – call or write NVS today.

NVS NATIONAL VISION SERVICES, INC.

P.O. Box 15600 Dept. BI
Phoenix, AZ 85060
(602) 956-7287

The time is *now*



Now, more than ever, you need a micro software system that helps you handle defined contribution plans expertly.

Now, you've got it! Autofax/MPR is an allocation software package that gives you total control.

It's cost-effective, easy to use, current with the laws, written and supported by employee benefit specialists.

Autofax/MPR features include:
- plan proposal design
- 401(k) anti-discrimination and top-heavy testing
- participant eligibility
- a variety of formulas for contributions, forfeitures, and earnings.

Let us tell you about this system that's available now to *trust departments, plan administrators and sponsors.*

AUTOFAX DIVISION
4822 Albemarle Road
Charlotte, NC 28205
(704) 568-5180

SUNGARD TRUST SYSTEMS INC.

Insurer profits lag other industries': ISO

By ALISON KITTRELL

The U.S. property/casualty insurance industry has been less profitable and more risky on average over a 16-year period than other U.S. industries, despite a marked improvement in 1986, according to a new report by the Insurance Services Office.

"In 1986, property/casualty insurance companies in the United States experienced a significant improvement in profitability over 1985. However, the industry's returns over the long run have been below the average for other industries," ISO concludes in the report, "Insurer Profitability: A Long-Term Perspective."

The report uses various methods to compare the profitability and the degree of risk assumed by the U.S. property/casualty insurance industry with the profitability and degree of risk assumed by an aggregate of 89 other non-insurance industry groups.

The study covers the years 1970-1985, which includes two complete underwriting cycles. "The existence of cycles in underwriting profitability implies that insurers' average rate of return will be biased if the interval over which it is calculated contains parts of cycles, as opposed to full or complete cycles," the report says in explaining why ISO chose the 16-year time frame.

During that period, all other industries realized an aggregate return on net worth of 11.8%, while the property/casualty industry realized a return of 10.1%, the report says. The figures exclude unrealized capital gains, which are increases in the market value of securities that the investor continues to hold.

"These 'paper profits' are relatively minor items for most non-insurance industries but may significantly alter insurers' results over the short term because of the size of insurers' stock portfolios," ISO noted, explaining why most actuaries, accountants and regulators oppose including unrealized capital gains in insurer results.

But, even including unrealized capital gains in insurer results, the property/casualty insurance industry realized a return on net worth of only 10.3%, ISO reports.

In fact, the report notes that over the entire period covered, the insurance industry ranked 68th of the 90 industries studied in terms of profitability, excluding unrealized capital gains. Including unrealized capital gains, it ranked 62nd, the report says.

The report also extrapolated the financial results for the insurance industry during the high and low portions of the two underwriting cycles covered by the study and compared them with the results for the other industries.

During the "lean" parts of the cycles—1974 to 1976 and 1981 to 1985—insurer returns on net worth excluding unrealized capital gains were much worse than the average for other industries, the study reports.

Insurer returns were 6.2% for the period in the 1970s and 6.5% for the period in the 1980s, compared with average returns for the non-insurance industries during the same periods of 12.2% and 10.3%, respectively.

But, insurer results were not correspondingly higher than those of the other industries during the more prosperous parts of the underwriting cycles. Insurers' returns on net worth excluding unrealized capital gains averaged 11.6% for the years 1970 to 1973 and 14.9% for the years 1976 to 1980. This was only slightly higher than the returns of 11% and 14.2%, respectively, reported for other industries.

Including unrealized capital gains in insurer results makes the peaks and valleys of the underwriting cycle even more extreme.

For example, including unrealized capital gains, insurers had a return on net worth of 11% from 1970 to 1973 and 17.6% from 1976 to 1980—the prosperous parts of the cycle. But the average return on net worth was 4.7% from 1974 to 1976 and 7% from 1981 to 1985.

"Insurer profitability has generally been less than average regardless of whether or not unrealized gains are included in insurers' earnings," ISO says. The report "also demonstrates that including unrealized capital gains adds substantial volatility or risk to insurers' profitability.

"Recognizing this volatility is important when determining whether insurers have earned profits disproportionate to the business risks to which they have been exposed," ISO says.

According to the data cited in the report, the property/casualty industry was more risky than most of the other industries studied.

When the 90 industries were ranked from most risky to least risky, using the standard deviations of the returns on net worth as the measure of risk, the property/casualty industry ranked 36th, excluding unrealized capital gains.

Including unrealized capital gains, the industry's ranking climbed even higher, to 14th.

The study also says that 49 industries were found to be more profitable as well as less risky than the insurance industry during the 16-year period studied. Among those industries were financial services and commercial banks.

Only 17 industries were found to be less profitable and more risky than property/casualty insurance. These industries included manufacturers of trucks, tractors and trailers, and blast furnaces and steel works.

The remaining 23 industries fell into neither category. For example, they were less profitable but less risky, or more profitable but more risky.

The ISO report acknowledges that insurers' return on net worth improved considerably in 1986, the year following the final year of the study. Insurers posted an average 13.1% return on net worth last year.

This probably will be above the average for all non-insurance industries, although these figures are not yet available for 1986 for the 90 non-insurance industries covered in the study.

But, the report noted that 13.1% return for 1986 followed a return of 3.9% in 1985 and a dismal 1.8% in 1984. So again, the cyclical nature of the insurance industry works to temper good results like those posted in 1986.

And, ISO also cautions that industrywide studies, such as ISO's own study, still may not give a full picture.

"The use of industrywide data obscures the greater variability in results for individual companies," the report says.

"Industrywide averages smooth out the variability in profitability by blending companies that have seen sharp deterioration in profitability with those that have experienced notable improvement. . . .

"The extreme variability in individual company results is clearly demonstrated by recent experience," the report concludes. "Despite the improvement in financial results for the entire insurance industry in 1986, 110 insurers showed negative returns on net worth. In addition, there were 15 insolvencies covered by state guaranty funds last year."

•

Copies of the report, "Insurer Profitability: A Long-Term Perspective," are available for $4 each from the Insurance Services Office, Corporate Communications Division, 160 Water St., New York, N.Y. 10038.

Continued from previous page

ber of shareholders to 46.

In the notes to its financial statements, OIL said it loaned $50 million last year to Oil Casualty Insurance Ltd., a Bermuda company started on June 1, 1986, to provide excess general liability and directors and officers liability insurance. OCIL, which is half-owned by OIL's shareholders, provides general liability coverage of $100 million excess of $20 million and D&O coverage of $50 million excess of $20 million.

The loan is secured by a subordinated note issued by OCIL and repayable by June 30, 1996. An agreement between the two companies gives OIL the option to purchase common stock in OCIL equal to 15% of OCIL's common shares outstanding at June 30, 1987, at a price of $100,000 per share. The option may be exercised during the period of Jan. 1, 1997, to June 30, 1997, at twice the option price.

USLIFE Corp.

USLIFE Corp. of New York reported decreased earnings in the first quarter.

Net income in the initial quarter of 1987 dropped to $22.9 million, down 15.5% from $27.1 million in 1986. Realized capital gains dropped to $6.5 million from $10.2 million in 1986.

First-quarter revenues inched up to $291.5 million from $277.4 million in the first quarter of 1986.

Hartford Fire

Hartford Fire Insurance Co. has filed a shelf registration statement under Securities and Exchange Commission Rule 415 covering $210 million of preferred stock to be issued from time to time in varying amounts.

The issue, which is underwritten by First Boston Corp. and Merrill Lynch Capital Markets, is rated high-grade "aa3" by Moody's Investors Service Inc.

Hartford, a subsidiary of ITT Corp., intends to apply the net proceeds from any sale of the preferred stock to the redemption of its Class A preferred stock.

Cincinnati Financial

Cincinnati Financial Corp. reported that a sharp increase in first-quarter sales and investment income bolstered revenues 17.7% to $210.4 million from $178.7 million in the year-earlier quarter.

Net income after realized capital gains was $32.6 million in the first quarter of 1987, up 29.4% from $25.2 million in first-quarter 1986.

Investment income increased 20.7% to $25.3 million from $20.9 million in the year-earlier quarter.

The company reported a combined ratio of 95.7%, compared with 100.2% in the initial quarter of 1986.

UniCARE Financial

UniCARE Financial Corp. of Irvine, Calif., reported dramatically improved earnings for the first-quarter of 1987.

Net income leaped to $1 million from $65,000 in the year-earlier quarter. Premiums earned in the first quarter of 1987 rose 64% to $10.9 million from $6.7 million in the first quarter of 1986.

Farmers Group

The Farmers Group Inc. of Los Angeles reported net income of $56.9 million in the first quarter of 1987, up 11.3% from $51.1 million in the first quarter of 1986.

"Property and casualty results for the first quarter of 1987 reflect continued revenue growth generated from higher average premium levels, partly offset by higher operating expenses," said Leo E. Denlea Jr., chairman and chief executive officer.

First-quarter revenues in 1987 were $295.9 million, up 8.7% from $272.2 million. ■

Now with Custom Letter

Our new software has the same effect on COBRA compliance problems.



Now you can take the bite out of COBRA compliance. With the Benefit Continuation Management System. An exclusive software program designed to automatically manage COBRA compliance.

Our new system helps eliminate employer burden of COBRA compliance by automatically sending out required notices; maintaining a complete audit trail of all transactions; and by providing premium, coverage and termination reports for all carriers.

This comprehensive system also has an unlimited carrier, coverage and premium database; premium collection and accounting capabilities; as well as system prompts for seven personalized letters.

What's more, our new system is menu driven, so it's easy to use. And it requires minimal operator training. Plus it runs on all IBM XTs, ATs and compatibles.

For more information, call Lawrence E. Traynor at (401) 438-7100. Or mail in the coupon. Do it today. Before COBRA compliance problems strike.

I want to take the bite out of COBRA compliance. Send me more information about BCMS. BI 5/11

Name _____

Company _____

Address _____

City _____

State _____ Zip _____

Telephone _____

Mail to: Benefit Concepts Systems, Inc.
396 Wampanoag Trail
East Providence, RI 02915

bcsi

Benefit Concepts Systems, Inc.

Nurse practitioners lose liability cover

The critical shortage of nurse practitioner liability insurance just became fatal.

Apprehensive about being the sole underwriter in an unknown line of business, the Chicago Insurance Co., a subsidiary of Interstate Insurance Group, a unit of Fireman's Fund Insurance Cos., and the main underwriter of nurse practitioner liability insurance, has stopped writing new policies.

In addition, the company has hiked renewal premiums for nurse practitioners to more than 25 times the previous price.

Chicago Insurance did not return numerous phone calls.

"To the best of our knowledge, Chicago Insurance was the last underwriter to write policies for nurse practitioners," said Dave Fellers, director of marketing and public affairs for the American Nurses' Assn.

According to Mr. Fellers, Chicago Insurance stopped writing new policies not because it found nurse practitioner liability insurance unprofitable, but because they were uneasy about being the only insurers in this line.

"It is not an enviable position," he said. "It made them nervous."

The uneasiness is compounded by the fact that there is very little claims-based data available on nurse-practitioners, he noted.

In fact, in the last four years, only 21 claims have been filed by nurse practitioners, and the average claim was only $39,000, according to ANA statistics.

In most states, an independent nurse practitioner cannot and would not practice without insurance.

Liability insurance is a condition for employment for many nurse practitioners, he noted. Therefore, only those nurse practitioners who work in an ambulatory care setting —such as a health maintenance organization—where liability insurance is provided by the employer will be able to continue working, Mr. Fellers said. Only 64% of the 30,000 nurse practitioners fit this category.

The other 10,000 nurse practitioners—most of whom work in rural areas or with indigents—will be forced to stop working, he said.

The ANA has formed a coalition to lobby state insurance commissioners to create a consortium of insurers to write the coverage.

Nurse practitioners covered by Chicago Insurance will be able to renew their occurrence-based policies for one year at $1,500. Previously, the nurse practitioners paid only $58 for a $1 million per occurrence and $1 million aggregate policy.

Other nurses renewing their policies with Chicago Insurance also will see premium increases due to the implementation of experience rating by Chicago Insurance, ANA says. There is a wide discrepancy in the claims experience for specialty nurses and nurse practitioners versus other nurses, ANA says.

In addition, these nurses no longer will receive $1 million per-incident and $3 million aggregate coverage, because Chicago Insurance has determined that nurses have never experienced claims necessary to justify such high limits, ANA says.

These nurses now will be offered the choice of limits of $200,000 per incident and $600,000 aggregate for between $57 and $399 annually; $500,000 per incident and $1 million aggregate for between $63 and $476; or $1 million per incident and $1 million aggregate for between $79 and $553.

Previously, these nurses also paid a flat premium of $58.

markets

RRG manager

A veteran consultant and former insurance regulator has established a Vermont company specializing in the management of risk retention groups.

"There will be a lot of activity in the risk retention group field, and there is a need for a management company to provide services to the groups," said Vincent J. Bell, president of Risk Retention Groups Management Co. in Burlington, Vt.

The company can help a risk retention group develop a business plan to enable it to be licensed, as well as provide a full range of management and financial services, Mr. Bell said.

In addition, the company will help risk retention groups prepare and file annual financial statements required by the groups' chartering domicile and other states where the groups operate.

Mr. Bell previously was a vp with American Risk Management Inc., where he ran ARM's Burlington captive management office.

He also worked for 12 years with the New Hampshire Insurance Department.

Risk Retention Groups Management Co. is located at 7 Burlington Square, P.O. Box 528, Burlington, Vt. 05402-528; 802-865-2200.

New consultant

Sharon Graugnard has resigned as executive director of the American Assn. of Preferred Provider Organizations to begin her own consulting firm, Preferred Health Management, in Arlington, Va.

Ms. Graugnard, well-known for her work with managed care system development, will work with health care purchasers in assessing their provider needs and in evaluating PPO options.

Prior to joining the AAPPO in Washington, Ms. Graugnard had been a legislative aide on health and aging issues for U.S. Rep. Ron Wyden, D-Ore.

Preferred Health Management is located at 4614-C 28th Road S., Arlington, Va., 22206; 703-931-0244.

Pacific Mutual grows

Pacific Mutual Life Insurance Co. has expanded its national network of preferred provider organizations into Houston and Tampa Bay, Fla.

In Houston, the Pacific Mutual provider network includes 780 physicians and five hospitals, serving 32 surrounding cities. In Tampa Bay, the Pacific Mutual provider network includes 453 physicians and one hospital, Tampa General Hospital, serving 16 surrounding cities.

These two PPOs increase Pacific Mutual's provider network to more than 25,000 physicians and 150 hospitals in eight states.

The Newport Beach, Calif., insurer expects to expand into six more states.

For more information, contact James Crump, regional sales manager, 5757 Alpha Road, Suite 500, Alpha Tower, Dallas, Texas 75240; 214-387-1138.

Phoenix PPO

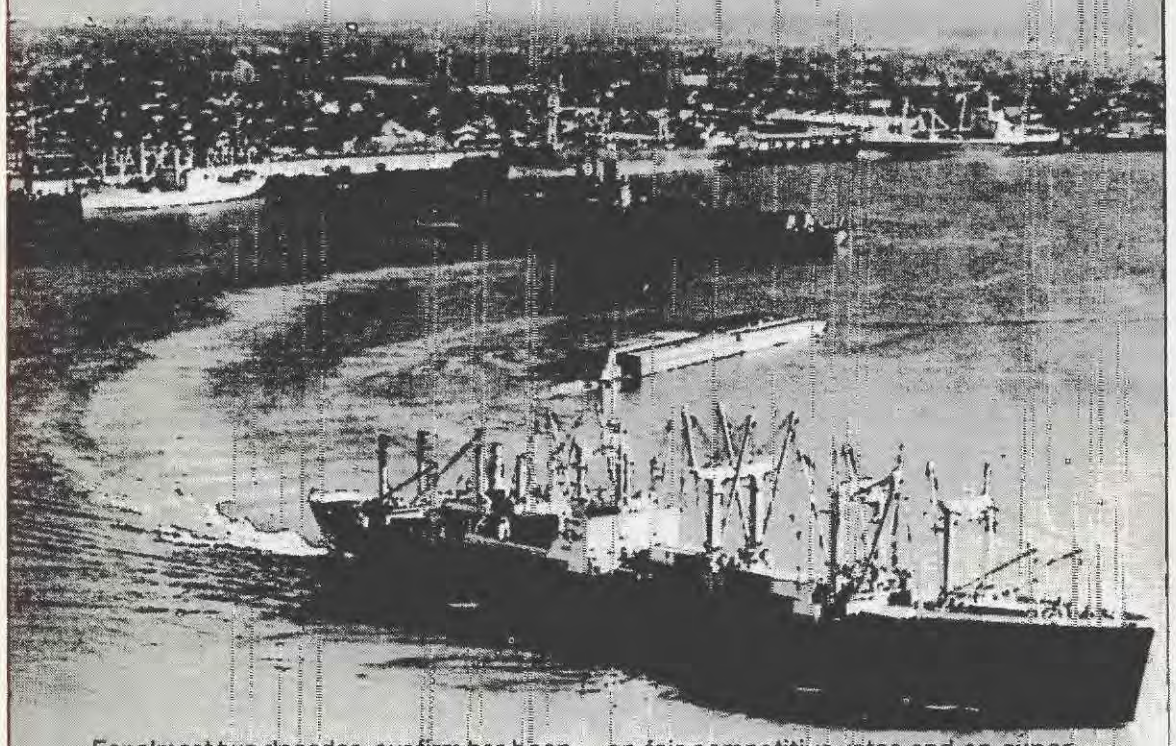
The Med Network health care preferred provider organization has expanded into Phoenix, Ariz.

Med Network in Phoenix has 500 doctors and 15 hospitals in its provider network.

The company is located at 8502 E. Via de Ventura, Suite 140, Scottsdale, Ariz. 85258; 602-948-1430. ■

Continental Underwriters, Ltd.

SEASONED SPECIALISTS IN MARINE INSURANCE



For almost two decades, our firm has been serving a clientele that ranges from multinational corporations to fishing boat operators to provide security for marine related risks. The extent and quality of our services are equally broad. As our clients will attest, we have built a reputation based on fair competitive rates and on experience and professionalism in the development of terms, conditions and special clauses for coverage of complex, unusual marine risks. And our claims department is one of the most efficient in the business. Problem solving is our specialty.

Quality With Consistency

Continental Underwriters, Ltd.

419 Decatur St. New Orleans, Louisiana 70130
Telephone (504) 581-7493
Telex: 754622 CULTD UD • Telefax (504) 581-7497
"Lloyd's, London, Correspondents"

ex·per·tise

Know-how: the experience gained from more than 50 years of service in the reinsurance market —professional skills put to work for the benefit of our clients

RECO

THE REINSURANCE CORPORATION OF NEW YORK 50 years 1936-1986

Expertise • Stability • Service

THE REINSURANCE CORPORATION OF NEW YORK

80 MAIDEN LANE, NEW YORK, N.Y. 10038 • (212) 363-4440

Chicago • Los Angeles • London

Two insurers drop 7,500 Florida doctors

By MICHAEL BRADFORD

The withdrawal of two insurers from the medical malpractice market in Florida means more than 7,500 doctors in the state will not have their professional liability coverage renewed after July 1.

St. Paul Fire & Marine Insurance Co. of St. Paul, Minn., said last month that it would not renew the medical malpractice coverage of 5,300 Florida doctors and is withdrawing completely from the Florida physicians and surgeons professional liability market.

St. Paul, which is the largest medical malpractice insurer in the state, will continue to write malpractice coverage for other health care providers and 25 Florida hospitals.

However, St. Paul also said that if a proposed state mandatory pool to insure the state's doctors and hospitals is not functioning by July 1, it will renew policies for one more term at higher rates.

CIGNA Corp. of Philadelphia announced earlier this year that it would not renew the 1,800 policies it has written for physicians and associations that overall cover between 2,200 and 2,500 doctors in the state.

CIGNA does not write professional liability insurance for hospitals in Florida.

Neither insurer blamed its withdrawal on the passage of the state's Tort Reform & Insurance Act of 1986, which the Florida Supreme Court has upheld as constitutional.

St. Paul President Joseph B. Nardi said in a statement released last month that the insurer's decision to leave the Florida malpractice market was based on indications from the state Insurance Department that it would not grant the insurer an additional rate increase to compensate for significant losses in the state.

"The Florida Insurance Department has told us that if we file a rate increase, it will not be approved. While the department did not dispute our need for a rate increase, its staff said that premiums based on the proposed rate would be unaffordable to the state's doctors," Mr. Nardi said.

An Insurance Department spokeswoman said the insurer was granted a 35% increase in its medical malpractice rates in January, after requesting a 60% hike.

St. Paul was considering filing for an additional 29.8% increase but said talks with the Insurance Department indicated the request would be rejected.

"Our ability to pay future losses for our policyholders is threatened" without the additional increase, Mr. Nardi said. "Further, we cannot expect policyholders elsewhere in the country to subsidize rates for Florida doctors. Our only choice was to non-renew our Florida policies."

While complete information on St. Paul's losses in 1986 was not available, a spokeswoman said that the average physician's medical malpractice claim paid by the insurer in Florida last year was $103,100. St. Paul's average medical malpractice claim nationwide was $75,000 last year.

St. Paul saw 26 claims per 100 doctors in Florida last year, compared with 17 per 100 physicians nationwide.

St. Paul collected $74 million in premiums from Florida doctors in 1986.

A spokesman for CIGNA pointed out that CIGNA held less than 2% of the medical malpractice insurance market in Florida.

The capacity CIGNA used to provide medical malpractice coverage in Florida will be used to increase the amount of directors and officers liability insurance written nationwide.

"D&O fits a lot closer with the mainstream core business we write," the spokesman said.

In response to rising rates and reduced capacity for medical malpractice coverage in the state, the Florida Insurance Department has asked the Legislature to create a mandatory pool to write the insurance for doctors and hospitals.

The Florida Hospital and Physician Liability Assn. would provide claims-made coverage to all practicing physicians and the more than 200 hospitals in the state.

Mr. Nardi noted that St. Paul is ready with a "safety net" if the pool is not formed or is not in place by July 1.

He explained that the insurer would establish a 29.8% rate increase under the use-and-file provision of the Florida Insurance Code.

"This provision allows us to implement the rate and follow it by a filing within 30 days for review by the Insurance Department," he explained. "As a result, should the Legislature be unable to agree on the implementation of an alternative insurance mechanism during the current legislative session, we would agree to write policies for at least one more term using the 29.8% rate increase." ■

'We cannot expect policyholders elsewhere in the country to subsidize rates for Florida doctors,' explains St. Paul President Joseph Nardi. 'Our only choice was to non-renew our Florida policies.'



THE LAST MORNING IN A GERMAN PORT
ANNO 1866

Early German settlers set sail for North America in search of a new land requiring their skills and talents. They knew a hard life lay ahead but they accepted the risks involved. We, too, came to North America many years ago in search of new markets requiring our skills and talents. We knew that many years of hard work lay ahead and we accepted the risks involved. We persevered and succeeded as they did.

HANNOVER Re: your partner for the future.
Rated 'AAA' by Standard & Poor's.

HANNOVER RE
Karl-Wiechert-Allee 50 · D-3000 Hannover 61 · West Germany
Telephone 011-49-511-5604-0 · Telex 841-922599 (hanr)

ConServCo offers new data analysis

ConServCo is offering a new diagnostic tool that employers, property/casualty insurers and health insurers can use to evaluate medical claims and high cost areas.

Health Data Analysis "goes beyond most other systems we've seen because it not only analyzes customer data, but can compare their claims experience to industry norms," said Bob Marquess, ConServCo vp.

HDA is available as either a stand-alone product or as part of a total managed health care system including hospital review, bill audit, chiropractic management, psychiatric review, vocational rehabilitation, inpatient medical care review, medical case management and computerized medical bill review.

ConServCo charges on a capitated basis for the service, with discounts based on volume. And, HDA will evaluate as much historic data as the client wants to provide for no additional fee, said a ConServCo spokeswoman.

For more information about Health Data Analysis, contact ConServCo at 10004 N. Dale Mabry Blvd., Suite 104, Tampa, Fla. 33618; 813-969-0701 in Florida, 800-525-5590 elsewhere.

products & services

Asbestos programs

Industrial Training Systems Corp. has released a new, two-part training program designed to inform employees of the hazards of small-scale, short-duration activities involving asbestos.

"Small Scale, Short Duration Operations" provides step-by-step instruction on jobs involving asbestos during pipe, gasket and pump packaging operations, according to the Marlton, N.J.-based industrial training company.

The program also identifies proper preparatory techniques, cleaning operations and the appropriate work and protective equipment necessary for each job.

This two-part program has been designed to be used in conjunction with "Asbestos: Understanding the Hazards," an audiovisual program. When used together, the two programs assist employers in complying with the Occupational Safety & Health Administration's employee training requirements.

The 22-minute companion audiovisual program provides information on the permissible exposure limits and action level of airborne concentrations of asbestos, as stated in OSHA's Final Standard.

"Asbestos: Understanding the Hazards" also discusses the common routes of entry of asbestos and describes how asbestos fibers can harm tissue and cause tumors and other disabling diseases.

"Small Scale, Short Duration Operations" has been divided into one 18-minute and one 11-minute segment to allow time for retention of the information and discussion.

In addition, the program is accompanied by a comprehensive leader's guide with review topics and reproducible quiz.

"Small Scale, Short Duration Operations" is priced at $575 and is available in any video format.

"Asbestos: Understanding the Hazards," which comes with a leader's guide that contains review topics and a reproducible quiz, costs $425.

For more information, or to order, contact: Angele Loundes, Industrial Training Systems Corp., 20 W. Stow Road, Marlton, N.J. 08053; 609-983-7300.

Game of risk

A game of risk geared to illustrating the importance of loss control is being offered by Factory Mutual Engineering.

The Risk Management Game presents real-life scenarios encountered by the fictitious Easy Byte Corp. Participants negotiate and make loss control decisions to protect corporate assets.

The game is available to Factory Mutual System policyholders for $75 each and to non-policyholders for $95 apiece.

Orders may be placed with Factory Mutual Engineering, Attention: Publications Order Processing, Training Resource Center, P.O. Box 9102, Norwood, Mass. 02062; 617-762-4300, ext. 2152.

Insurance buyer help

The 1987 edition of "The Insurance Buyer's Guide to the New Insurance Market" is now available to "John Liner Letter" subscribers at a special discount.

The guide, revised and updated for 1987, gives insurance buyers a thorough rundown on the most important issues currently affecting the property/casualty insurance market, its publisher says.

The guide, prepared by the editorial staff of "The John Liner Letter," includes:

- Liner's annual "state of the market" report for 1987, an overview of today's changing market and advice on how to make the most of it.
- Tips on how to improve business auto coverage, the effects of the Insurance Services Office's business auto policy revisions and steps to assure that coverage remains broad using the new forms.
- An in-depth discussion of traditional and non-traditional alternatives to insurance.
- Suggestions on how to obtain and evaluate competitive insurance bids.
- A complete analysis of the new commercial general liability policies.

The 80-page guide also provides advice on how to analyze an insurer's financial stability.

The guide, which regularly sells for $38, is available to "John Liner Letter" subscribers for $28.50 apiece. In addition, the publisher is offering quantity discounts of $23.75 each for two to four copies; $19.50 each for five to nine copies; $15.20 each for 10 to 24 copies; and $11.40 each for 25-49 copies. The price for orders of 50 or more copies is negotiable.

In addition, the publisher offers a satisfaction guarantee: Anyone dissatisfied with the guide may return it, in salable condition, for a full refund.

To order "The Insurance Buyer's Guide to the New Insurance Market" by credit card, call 1-800-682-5759. Inside Massachusetts, call 617-423-0978.

Or, write for an order form from Shelby Publishing Corp., 210 Lincoln St., Suite 700, Boston, Mass. 02111-2491. ■

Is This How You're Fighting The Risk Management Information Battle?



Get RISKTRAC® And Take Full Control Of Your Insurance Program With Your Own Two Hands.

Risk managers can't afford to be roped into an information system that doesn't give them full control of all their insurance data.

That's why you should know about RISKTRAC.

RISKTRAC is a stand-alone computer software system that consolidates your insurance program under your personal command. It runs on your equipment. In your office. At your convenience. And answers come lightning fast. All of which helps you make more informed decisions.

With RISKTRAC, you'll enjoy timely, flexible access to accurate information for all lines of insurance. So you can control your costs more effectively.

For further information, call Helmsman Management Services* at 603-431-1181. Or mail in the coupon.

RISKTRAC. In the risk management information battle, you couldn't ask for a better ally.

☐ Please send me more information on RISKTRAC®
HELMSMAN MANAGEMENT SERVICES, INC.
225 Borthwick Avenue
Portsmouth, NH 03801 BI-4

Name_____
Company_____
Address_____
City_____ State_____ Zip_____
Business Phone_____

RISKTRAC

*RISKTRAC is a product of Helmsman Management Services, Inc., a member of the Liberty Mutual Insurance Group.

comings & goings: buyers

Mayflower elevates risk manager's post

Paul J. West, 33, has been named assistant vp/risk manager for Mayflower Group Inc. in Indianapolis. In this newly created position, he will oversee all risk management functions for Mayflower Group—an interstate transport holding company—including operation of an in-house insurance agency and a Bermuda-domiciled captive insurer. He reports to Ron Martin, vp-finance. Mr. West, who joined Mayflower Group in 1977, most recently served as insurance manager. He holds a bachelor of arts degree in marketing from University of Notre Dame in Notre Dame, Ind., and is working toward the Chartered Property & Casualty Underwriter designation.

* * *

Sandra C. Chroman, 33, has been promoted to vp-human resources at ICOT Corp. in San Jose, Calif. In this position, she will manage human resource functions at the ICOT, including employee benefits, as well as risk management programs, including property/casualty insurance. She assumed risk management duties from **Doug Freeman**, who left ICOT, and reports to Arnold Silverman, ICOT's chairman and chief executive officer. Ms. Chroman most recently served as director of human resources. Prior to joining ICOT, which is a manufacturer of communication processors, terminals and networks, she was director of human resources for Eaton Corp.'s Semiconductor Equipment Group in San Jose. Prior to that, she was director of personnel at the international manufacturing division of National Semiconductor in Santa Clara, Calif. Ms. Chroman holds a bachelor of arts degree in English from the University of California at Berkeley and a master of business administration degree from the University of Denver. Ms. Chroman is a member of the American Society of Personnel Administrators and the American Society for Training & Development. In addition, she is a deputy member of the Risk & Insurance Management Society.



Ms. Chroman

* * *

Joel P.A. Thompson, 30, has been named manager-benefits programs at UCCEL Corp. in Dallas. He will oversee the company's flexible benefits program—UCCELECT—which includes group insurance, savings and pensions plans. He replaces **Tom Goss**, who left the company, and reports to Stewart N. Gill, director of corporate human resource programs. Mr. Thompson previously was a benefits analyst at Congoleum Corp. in Portsmouth, N.H. He holds a bachelor of arts degree in foreign service from Georgetown University in Washington and a master's degree in international business studies from the University of South Carolina in Columbia.

* * *

Paula G. Hawthorne, 27, has been named employee benefits insurance administrator at Estes Insurance Services Inc. in Tucson, Ariz. In this newly created position, she is responsible for departmental needs assessments and benefits administration. She reports to Richard L. Casey, corporate risk manager. Previously Ms. Hawthorne served as administrator assistant at Roberts, Rainey & Associates in Tucson. Ms. Hawthorne is a member of the International Foundation of Employee Benefit Plans and the State & Local Government Benefits Assn.

•

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Paul Winston, assistant copy editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photograph, too.

Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon,
why not have your own personal subscription?
Use the card in this issue or the coupon to
SUBCRIBE TODAY.
Business Insurance
Circulation Dept. 965 E. Jefferson Detroit, MI 48207



Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)	Surface Mail	By Air
USA	☐ $68	☐ $116
Canada	☐ $84	☐ $116
Bermuda (air only)		☐ $115
British Isles		☐ $115 or £82
Europe/Middle East		☐ $115
All other foreign		Rates on request

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207 IBCB7

J&H INFOLINE

INFORMATION AND IDEAS ON EMPLOYEE BENEFITS FROM JOHNSON & HIGGINS NO. 25

Promoting Alternative Health Care Service Use:

Incentive/penalty strategies mark employer plans.

One key indication of how employers rate alternative health care services for cost-savings potential is the extent to which employers offer use-incentives. The 1986 Johnson & Higgins HealthGroup survey of benefit plans at 1,466 corporations in 36 states found that employers stress the following programs:

Program	% Offering Coverage	% Offering Incentives	Program	% Offering Coverage	% Offering Incentives
Drug, Alcohol Rehab., Counsel	87	21	Home Health Care	79	45
Ambulatory Surgery Centers	86	66	Extended Care Facilities	76	28
Freestanding Emergency Clinics	82	32	Birthing Centers	56	26

Although incentives are common, many plans also levy penalties for inpatient services deemed unnecessary. For example, 42 percent of employers reimburse outpatient surgery at higher rates while 34 percent impose penalties for certain inpatient procedures.

The J&H HealthGroup survey also found employer uncertainty about the cost effectiveness of several traditional programs such as the Second Surgical Opinion (SSO). Of employers providing SSO coverage (83 percent), 40 percent offer a use-incentive while 59 percent impose a penalty for non-use. However, nearly three-quarters of these employers were unable to judge whether the SSO program produced a saving. Of employers who could, 52 percent claimed no saving, while the remainder estimated savings ranging from one to six percent.

When considering plan incentives and penalties note these guidelines:

- All plan provision modifications should be analyzed through claims data.
- Incentives/penalties may be introduced simultaneously, depending on goal.
- Incentives or penalties must be of sufficient magnitude to induce desired employee behavior.
- Effective communication of incentive/penalty provisions is necessary to avoid employee-relations problems.
- Results of incentive/penalty provisions must be measured over time—even if modifications are aimed at resolving short-term utilization problems.

For a copy of the survey, call a Benefits Consultant at your J&H office. Or call Alan Richman of the J&H HealthGroup, (609) 520-2656.

© 1987, Johnson & Higgins

Florida threatens to seize ailing HMO

By MEG FLETCHER

MIAMI, Fla.—International Medical Center Inc., one of the country's largest health maintenance organizations, has less than three weeks to find a buyer or show why Florida's Insurance Department should not seize it for rehabilitation or liquidation.

The department last week obtained a Leon County Circuit Court order to that effect.

Miami-based IMC was $3.8 million short of its required $5 million statutory surplus requirement as of Dec. 31, 1986, according to spokesmen with the Florida Insurance Department.

Statutory asset and liability figures were not available. However, according to the HMO's annual audit, conducted by Touche Ross & Co., IMC had $4.9 million in surplus under generally accepted accounting principles. The HMO had $106.7 million in assets and $101 million in liabilities at year-end 1986, according to Touche Ross.

IMC is the largest HMO in Florida and the largest Medicare HMO in the country. It serves more than 170,000 members in south Florida, including 137,000 Medicare recipients and about 38,000 who purchase individual coverage.

In addition, the federal Health Care Financing Administration notified IMC earlier this month that it plans to terminate on July 31 its $30 million-per-month Medicare contract.

Dr. William L. Roper, HCFA administrator, said IMC has failed to comply with HCFA regulations and cited IMC management and financial problems.

As part of the Leon County Circuit Court order, IMC agreed to let the department supervise its assets and operations during the period which ends May 26, according to a spokeswoman for Florida Insurance Commissioner Bill Gunter.

However, if IMC shows it is making progress in lining up a buyer, the department said it may grant the HMO a nine-day extension.

Earlier this month, the insurance department also ordered IMC to stop accepting new members. The action came on the heels of departmental administrative complaints charging IMC with "23 counts of dishonest and/or fraudulent enrollment practices."

IMC had been under investigation by various Florida and federal agencies during 1986 (*BI*, Sept. 8, 1986).

IMC Vp Peter Bernal said talks are under way with potential buyers, although he declined to identify them.

Humana Inc., which last year signed a letter of intent to acquire IMC's assets pending mutual examination of operations, has terminated all negotiations, said a spokesman at Humana's Louisville, Ky. headquarters.

In addition, Mr. Bernal said that some employees, who may have been responsible for problem enrollments, had been discharged.

Mr. Bernal also said the HMO "has made every effort to comply" with federal regulations. Company officials had not decided whether to seek a hearing on HCFA's contract termination.

The federally qualified HMO was founded in 1972 and acquired in 1977 by Miguel G. Recarey Jr., IMC's president until he resigned May 2.

New management was one of Dr. Roper's requirements in an April 14 warning letter to IMC that also called for an $8 million infusion of capital and an end to enrollment abuses, according to Jon Barganier, deputy director of the federal Office of Prepaid Health Care.

However, the $8 million figure was based on IMC financial information available to the agency before the HMO's annual audit report.

Mr. Recarey's resignation came shortly after he was indicted by a federal grand jury in Miami for conspiracy and bribery as part of an alleged effort to secure a health care contract with the South Florida Hotel & Culinary Employees' welfare fund.

He was replaced by John Ward, according to Mr. Barganier.

IMC began providing services to Medicare recipients through a pilot program after it signed a 1982 agreement with HCFA.

HCFA's main criticism of IMC is that it failed to make progress in meeting a "50-50" requirement after an initial waiver expired. That requirement means that most federally qualified Medicare HMOs must have an equal ratio of Medicare enrollees to "commercial" enrollees in an effort to ensure program quality.

IMC's Medicare enrollment swelled to 79% of all HMO members, and it was not making sufficient progress in meeting the requirement, Mr. Barganier said.

Rapid growth as a result of that early waiver helped cause IMC's problems, said Ruth Stack, executive director of the National Assn. of Employers on Health Care Alternatives, a Key Biscayne, Fla.-based employer group.

While HMO spokespersons said it is too early to determine the impact of IMC's troubles on the HMO market, adverse publicity typically has a negative impact on the way persons view alternative health care systems like HMOs.

IMC's Medicare enrollees may transfer to traditional fee-for-service Medicare coverage at any time during a 90-day transition period, and HCFA will provide special assistance in assuring them medical care and coverage. ■

Pinnacle loses action on procedural issue

By ROGER SCOTTON

HAMILTON, Bermuda—Bermuda-based Pinnacle Reinsurance Co. Ltd. fell foul of "fatal" procedural difficulties in its action against the liquidators of Mentor Insurance Ltd., according to the Bermuda Supreme Court judge who ruled against Pinnacle earlier this month.

The 16-page verdict by Bermuda Supreme Court Judge Gerald Collett sets out the reasons why Mentor liquidators Charles Kempe and Michael Arnold won the first round of their legal battle with Pinnacle—one of 11 defendants named by the liquidators in a civil suit filed in March 1986, in U.S. District Court for the Eastern District of Louisiana (*BI*, May 4).

The liquidators charge Pinnacle, Ocean Drilling & Exploration Co., Mentor's parent, and certain ODECO officers with fraud involving the terms of reinsurance Pinnacle sold to Mentor (*BI*, March 24, 1986).

Pinnacle asked the Bermuda court in January to declare that the liquidators had acted in abuse of the powers conferred on them by Bermuda's Companies Act in suing Pinnacle.

However, Judge Collett said Pinnacle's action fell foul of procedural difficulties under a section of Bermuda's Companies Act governing winding-up procedures.

In upholding the liquidators' motion to strike out the Pinnacle action, Judge Collett ruled that the declaratory relief sought by Pinnacle was not available under the specific winding-up section of the Companies Act chosen by Pinnacle "for reasons of its own."

Pinnacle did not seek the appropriate injunctive relief because it had told the federal judge in New Orleans it would not do so without giving seven days notice, Judge Collett noted.

Judge Collett made it clear, however, that the liquidators' victory was not won on the principal argument advanced by their counsel, Michael Crystal.

Mr. Crystal had repeatedly argued that Pinnacle could not legally claim to be aggrieved by the liquidators' decisions and therefore should not be allowed to interfere in the winding up of Mentor.

Judge Collett ruled that Pinnacle's course of action was the only one available for obtaining redress from its court of domicile.

However, Judge Collett also ruled that the act's winding-up provisions require that the court must find a liquidator's suit to have been unreasonable or absurd before it can overrule him.

"I have no doubt that if a defendant in the position of Pinnacle could demonstrate to this court's satisfaction that a set of foreign proceedings commenced against it by a Bermuda court-appointed liquidator were frivolous and vexatious and bound to fail, this court would reach a conclusion that the liquidator's conduct was perverse and unreasonable in bringing or continuing those proceedings," Judge Collett wrote.

"But in order to make out a case for involving this court's jurisdiction on that basis, such a defendant would have to establish by unchallengeable evidence of the state of the relevant foreign law, that those proceedings would be bound to fail. Then, and only then, could this court properly intervene to overrule the liquidator's exercise of his discretion for the purpose of preserving the remaining assets of the company."

Judge Collett said it would be a "bold Bermuda judge indeed" who held that either Pinnacle or the liquidators were bound to succeed in the action in federal court in New Orleans.

Nor did Judge Collett accept Pinnacle's argument that the liquidators had started their suit in New Orleans in their own names and not Mentor's name, as is required of them under the act. He said that this was a question to be decided by the procedural law of the U.S. District Court.

Judge Collett also rejected Pinnacle's submission that the alleged damage to Mentor was really damage to Mentor's creditors.

He said it was arguable that the liquidators' actions were intended to enhance the estate of Mentor—a course that he said the court itself was obliged to ensure under Bermuda law.

Pinnacle was expected late last week to seek permission to appeal the decision. ■

TAKE CONTROL!

SW MD SYSTEMS INCORPORATED

S.W. Medical Data Systems, Inc. provides the most complete Health Care Administration System in a stand-alone or time sharing environment.

Managing Health Care Cost Through Information

Systems For:
- PPOs
- IPAs
- HMOs
- Multiple Employer Trusts
- Third Party Administrators
- Self-Insured Organizations
- Hospital and Medical Clinics
- Insurance Companies
- Medical Review Companies
- Taft Hartley Groups
- ReInsurers

System Highlights:
- Medical, Dental, Vision Claims
- PPO/HMO Patient Billing
- Triple Option Capabilities
- Underwriting
- Actuarial Reporting
- Custom Reporting
- DBMS Ad-Hoc Reporting
- Marketing Support System
- Premium Billing
- Pre-Certification
- Second Opinion
- Utilization Review
- Cost Containment Reporting

FOR MORE INFORMATION, CONTACT:

SW MEDICAL DATA SYSTEMS, INC.
302 W. Carrillo Street
Santa Barbara, CA 93101
(805) 963-5959

Name:_____
Organization:_____
Address:_____
City:_____
State/Zip:_____
Phone:_____
Mail to: SWMD, 302 W. Carrillo St., Santa Barbara, CA 93101 BI 5/87

NCSI conference

Regulator tells firms: get politically active

By MICHAEL BRADFORD

PALM BEACH, Fla.—Employers have to become involved with shaping legislation that creates or modifies guaranty funds that pay the workers compensation claims of bankrupt self-insured companies, according to an Arkansas workers comp commissioner.

"If you're not involved, you can't be critical of any legislation that is passed in your state," said Allyn Tatum of the Arkansas Workers Compensation Commission during a session at the annual meeting of the The National Council of Self-Insurers last week.

Mr. Tatum told his audience it "can't overlook the importance of being politically active."

Mr. Tatum's remarks were part of a panel discussion on guaranty funds established to pay workers comp claims of bankrupt self-insured employers. Currently, 21 states have such funds, and Maryland is expected to begin operating one on June 1.

Mr. Tatum told attendees that in states with no guaranty funds for self-insured business, "perhaps things have been all right up until now."



But he warned that "if you wait until a large employer goes bankrupt," and if the security the state requires the self-insurer to post to pay workers comp claims turns out to be "grossly inadequate, then you've got a real problem."

Employers then may find legislators too eager to pass laws to prevent workers from being shortchanged by another bankruptcy, and that could pose a problem for self-insured employers, Mr. Tatum said.

"Your company may be called on to fund a program to literally pay for the sins of the past," Mr. Tatum noted.

He explained that legislators may pass retroactive provisions in a guaranty fund law that would mean businesses would be responsible for funding the workers comp payments of companies that went bankrupt before the legislation was passed.

"That, as I understand it, may be the effect of the Illinois guaranty fund law, because it is retroactive," Mr. Tatum pointed out.

"So, existing employers in Illinois may be called on to pay for numerous sins of the past," he theorized.

Mr. Tatum pointed to another situation in some states that could become expensive for businesses that self-insure.

Some states have "lumped together uninsured employer funds with a guaranty fund for self-insureds," he said.

"Now, if that becomes a national trend and more and more states do that, it's going to become a very expensive proposition for you and your company.

"If you're asked to pay not only for a self-insured guaranty fund, but also to pay the social cost of uninsured employers, then it's going to be extremely expensive," he observed.

"Your company should not be asked to pay the social cost of the uninsured employer," Mr. Tatum asserted.

"You and your company must be in the forefront" in helping shape legislation that does not place an undue financial burden on the self-insured employer, he stressed.

"You must be involved in the legislation that is going to affect your company. If you aren't involved in helping draft and pass legislation, you're going to find that many legislators will get involved in a bit of overkill."

Mr. Tatum said that while many companies will complain that it is too expensive to become politically involved in every state where they are self insured, "I want to suggest to you that in this day and time, you cannot afford not to get in-

Continued on next page

Update

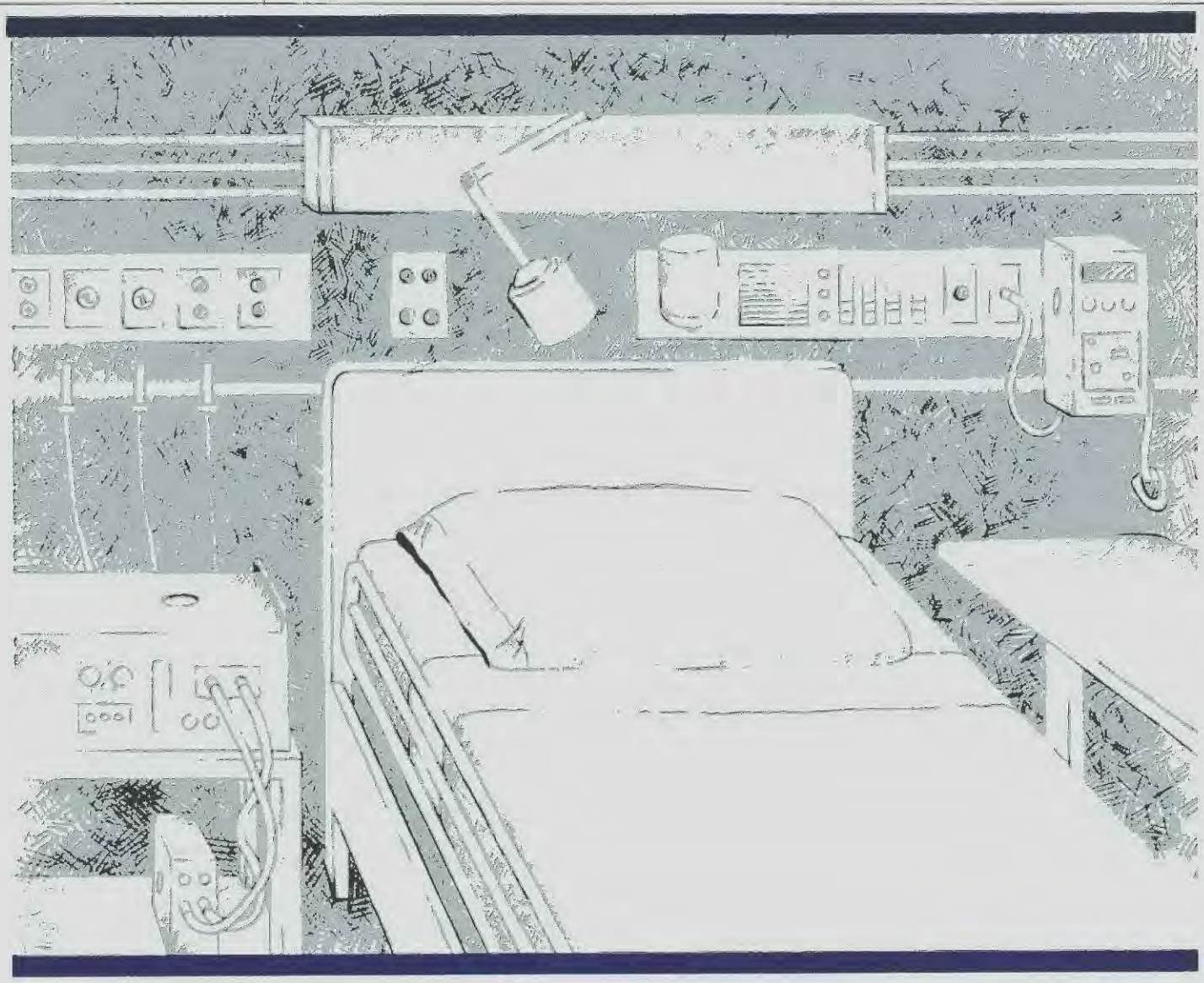
NEW YORK:
220 EAST 42ND STREET/NY 10017/(212) 210-0133
CHICAGO:
740 RUSH STREET/IL 60611/(312) 649-5276
LOS ANGELES:
6404 WILSHIRE BOULEVARD/CA 90048/(213) 651-3710

business insurance Update

Specialty Risks
Property Loss Control Directory

Market response to changing and unusual insurance needs — update on financial guarantee products — and BI's new directory of property loss control consultants and engineers.

publishing: June 1
ad closing: May 19



Now even a confirmed second opinion doesn't have to end up here.

Fifteen years ago the Health Benefits Research Center of New York Hospital/Cornell Medical Center established the nation's first second opinion network. Today our **National Second Opinion Program** has the most extensive second opinion panel of over 28,000 board certified surgeons serving 3100 businesses in all fifty states.

Our ongoing research has now enabled us to introduce yet another pioneer approach to improve quality of care *and* contain surgical costs. Results of over a quarter of a million second opinion consultations have shown 21% of confirmed surgeries can safely be performed on an outpatient basis. Our new **Ambulatory Surgery Program** allows employers to take advantage of the savings generated from this outpatient shift.

By working together with an established second opinion program, each patient receives a thorough examination by a board certified surgeon. When the appropriateness of outpatient surgery is established, such cases are required to be performed on an ambulatory basis. If an ambulatory facility or physician capable of performing the operation out-of-hospital is still needed, we will offer each patient a *choice* of physicians and facilities.

To find out more about how second opinions can now mean double savings, please contact:
Eugene McCarthy, M.D., M.P.H., Director
Health Benefits Research Center
235 East 67th Street, New York, NY 10021
In NY State: 800-631-1220
Outside NY State: 800-522-0036

Second Opinion
AMBULATORY SURGERY PROGRAM

The 1986 Risk Management Information Systems Survey

The **1986 Risk Management Information Systems (RMIS) Survey** is now available. Edited by James D. Blinn, this fifth survey of RMIS reflects the consolidation of improvements that have taken place in these systems over the past four years.

The **1986 RMIS Survey** contains 79 systems in three categories: multiple-user claims information systems, personal or micro computer claims information systems, and software systems focusing on automation of clerical or analytical activities. Each category is organized into seven exhibits:



- Presentation of vendors and their systems
- Basis objectives and costs of the systems
- Input characteristics
- Key output
- Hardware and software
- Special capabilities
- Systems evaluation.

The 1986 Risk Management Information Systems Survey

Name/Title: _____

Company: _____

Address: _____

City/State/Zip: _____

The single-copy price of the Jan/Feb issue of ***Risk Management Reports*** containing the Survey is $50. To order, please mail to Tillinghast Publications, 722 Post Road, Darien, CT 06820 (203) 655-9791.

Courtesy cuts litigation: Study

By MICHAEL BRADFORD

PALM BEACH, Fla.—Human relations could go a long way toward reducing the number of workers compensation cases in litigation, according to an official of a California research group.

A survey commissioned by the California Workers Compensation Institute showed that a worker is much less likely to litigate a workers comp claim if he is helped through the complex claims process, noted Allan Tebb, general manager of the institute.

Mr. Tebb and other speakers commented on workers comp claim litigation at the meeting of The National Council of Self-Insurers in Palm Beach, Fla. last week.

Mr. Tebb said the CWCI study revealed that "if the employer expressed some concern, particularly in the first week after injury, then the probability of litigation was reduced 40%."

And, if the claims administrator working for the insurer or employer "told the employee what was going to happen and continued to keep the employee informed during every step in the process, then the probability of litigation was cut by 50%."

The CWCI study involved 304 residents of Los Angeles or Orange County who were injured in 1971 and had completed litigation on a workers comp claim.

Mr. Tebb told conference attendees that although the study involved workers employed at businesses with insurance in the commercial marketplace, its findings are valuable for self-insured employers.

Less than 25% of the 304 respondents reacted favorably about the way their employers helped them through the workers comp system, according to Mr. Tebb. About 40% were "positively hostile."

And panelist Curt Bender, chairman of the Oregon Labor/Management Study Group, contended that workers often are not treated well when filing claims.

An injured worker often gets a letter from the state's workers comp administrative department saying, "if you don't know what to do from this letter, you can go get an attorney," he said.

Employers face a rising incidence and cost of claims litigation, which prompted the CWCI study, Mr. Tebb noted. In 1971, only about 5% of the California claims were litigated, he said. But by 1976, that figure had risen to more than 8%, and last year 11.2% of all workers comp claims in California were litigated. "That's every ninth claim," he added.

The cost of litigating those claims has risen sharply too, he added. "Frictional costs" of litigating a single claim have jumped to $5,078 last year from $1,666 in 1976, according to Mr. Tebb.

Those costs include attorneys fees, charges for medical testimony, and salaries for workers compensation judges and other personnel.

"You're talking about a total direct, out-of-pocket expense of litigation in California's no-fault compensation system that exceeds $800 million," Mr. Tebb observed.

Also on the panel was Richard B. Victor, executive director of the Workers Compensation Research Institute in Cambridge, Mass. The discussion was moderated by Kenneth L. Gipson, manager of statutory benefits at Weyerhaeuser Co. in Tacoma, Wash. ■

Guaranty funds

Continued from previous page

volved in every state where you are self-insured."

NCSI members who take Mr. Tatum's advice will have a new tool in their efforts to modify existing guaranty fund laws or help create new legislation.

An NCSI committee in April completed a six-month study on the 21 state guaranty funds and how bankruptcies of self-insured businesses impact the funds.

In the study, the committee unanimously agreed that a guaranty fund "is not a cure-all for the problems connected with a self-insured bankruptcy," said committee Chairman Alan H. Strohmaier, workers compensation director for General Motors Corp.

Rather, a fund "should be viewed as a protection of last resort," and seldom, if ever should be triggered, the committee said in the study.

One of the conclusions reached by the committee is that guaranty fund legislation should require employers to post sizable amounts of security, such as bonds or other funds, that would be used to pay workers comp claims first if the business became bankrupt.

The committee's study led to several recommendations that those lobbying for legislation to change or create a guaranty fund should keep in mind.

Some recommendations are:

- A guaranty fund cap annual assessments to give employers "some certainty of their costs."

All existing funds do have an annual limit on assessments, Mr. Strohmaier said.

- A fund's assessments be used to cover administrative costs.
- Employers that decide to no longer self-insure their workers comp risks be required to continue fund contributions.
- A fund should be able to buy excess insurance.
- Guaranty funds be allowed to handle claims in-house or through a third party.
- A fund be immune from lawsuits.
- Benefits provided by a fund be limited to employees of only self-insured businesses that are declared to be bankrupt or insolvent and not apply to employees of insolvent uninsured companies.
- Groups and public bodies that are self-insured have a fund separate from one created for individual businesses.

Also on the panel was Thomas W. Stahl, general counsel to the Florida Self-Insurers Guaranty Fund, and Ronald J. Wilson, senior vp of Maryland Insurance Management Services Inc. ■

For employers considering self-administration:

consider the one employee health claims administration system that gives you more value than any other

Genelco's field-proven Health Benefit Management System . . .

- provides on-line, real-time processing of medical, disability, dental, vision and prescription drug claims; in 1986, this system processed over 3 million medical claims.
- integrates alternate delivery arrangements such as PPOs and HMOs.
- delivers an extraordinary depth of useful information to assist you in measuring the effectiveness of your cost containment procedures; gives you a consistent, reliable data base regardless of the funding methods being used.
- answers such questions as: Where are my benefit dollars being spent? To which providers? And for what services? Have I incurred any large or unusual claims that require specialized handling? Are cost-saving alternatives being under-utilized?
- requires no specialized staffing or extensive training; the system is simple to install and operate, with Genelco providing all the technical support you need.
- gives you better, faster service—because you're in control.

. . . all this at a price less than you'd pay for systems offering less capability. If you prefer, you can pay claims on a time-sharing basis using Genelco's remote computing services . . . or have us pay claims for you with no obligation to purchase our system.

For additional details and free literature, call Larry Amundsen, toll-free at

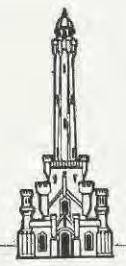
1-800-325-3018

(in Missouri 1-800-392-3488 or call collect: 314-962-2040)

Genelco

1600 S. Brentwood Blvd., Suite 500
St. Louis, MO 63144

©1987, Genelco, Inc.



PROPERTY AND CASUALTY BROKERS FOR EXCESS AND SURPLUS INSURANCE

TRAVIS·PEDERSEN
and Associates, inc.

100 South Wacker Drive
Suite 1925
Chicago, Illinois 60606
Phone 312/372-3393
Telex 28-0436

Comp claim strategy urged

By MICHAEL BRADFORD

PALM BEACH, Fla.—An employer preparing to contest a workers compensation claim must keep a lid on information gathered while developing its case, according to an attorney who represents employers in such cases.

R. Kenney Roberts, an attorney with Roberts, Reinisch & Klor in Portland, Ore., urges employers involved in litigating a workers comp claim not to "tell everything you know to the other side."

"It is extremely frustrating to us to start to talk to a claimant's lawyer and have him tell us more about our case than we know," Mr. Roberts told the annual meeting of the National Council of Self-Insurers last week in Palm Beach, Fla.

Too often, he said, a claims representative working for a self-insured employer or insurance company tells the claimant's attorney "everything they know, trying to convince them that they ought to dismiss the case."

"When was the last time you ever got a claimant's lawyer to dismiss a case because you were extremely persuasive in convincing him that his client is a crook, a liar, a cheat and a bandit?" Mr. Roberts asked.

"It just doesn't happen. So that's just not the best approach in the defense of your case."

Instead, "the best defense is a good ambush" with information that may not be known to the claimant's attorney, he said.

Mr. Roberts described a case in which a company placed under surveillance a worker who had been off the job for five months claiming a back injury.

"They found him hauling a load of 3.9 tons of rock in the back of a pickup truck," Mr. Roberts said. "He took it to a store, he sold it to them," and for an hour and a half, the worker was filmed unloading the truck by himself.

The company that was preparing its case, "bless their heart, immediately shipped the film off" to the worker's treating physician, said Mr. Roberts. "The treating physician took a look at the film and said, 'Well, he's having a good day.' "

The employer's actions accomplished two things, Mr. Roberts noted. The treating physician's testimony was "extremely damaging" and, secondly, "the other side now knows what my ambush is. And you can bet when the claimant comes in, he will be prepared to give the kind of testimony he needs," he said.

In response, Mr. Roberts used the testimony of a respected neurosurgeon to which the treating physician had referred the claimant. The neurosurgeon testified that it was almost "anatomically impossible" for the claimant to have unloaded the truck with a low back strain that was in any way disabling.

"And so they ended up not prevailing in that case," said Mr. Roberts, although it was not because of the employer's efforts to convince the treating physician that the claimant was not disabled.

Mr. Roberts suggested to employers that they "realize that it's going to do very little good to go to the treating physician with movies showing his patient."

An employer or his attorney has to prepare a case against a claimant carefully, stressed Mr. Roberts, because the cards are stacked against the employer.

"The burden of persuasion to convince the administrators that the claim should not be compensable or that the benefits should not be provided. . .is going to rest upon the employer," he said.

And that burden is especially heavy because even though many employers believe they are on equal footing in a workers comp case, they aren't, he said.

"The law is liberally construed in favor of the injured worker. The law is lopsided. The law will look to his side of the case and it will be looked at in terms of providing benefits," he said.

"If you start out in the preparation of cases or analysis of cases thinking that the claimant has the burden of proof and that it's going to be a fair shake for the employer, then you'll be starting out already in a hole," he warned. ■

COBRA

Federal Law Mandates COBRA Compliance

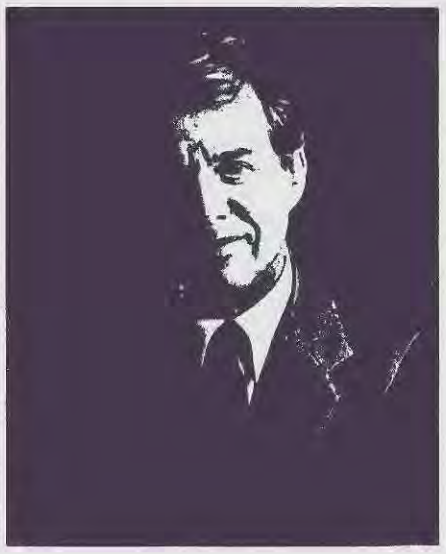
The Cobra Manager Software System was developed by professionals for the non-data processing administrator. Organizing and managing the flow of insurance transactions is time consuming and costly. The Cobra Manager is the solution. Does not require Lotus, Rbase, Dbase, or other software. Operational within minutes. Quickly and efficiently The Cobra Manager reduces your record keeping responsibilities, allowing you instant access to any participant's data. Input screens are menu driven and easy to read. Built in help and error messages insure accuracy of data. All information can be viewed on the screen or printed in reports. IBM PC compatible, 256k memory, hard disk or floppy disk, MS-DOS 2.10 or later.

Cost: $995 $100 Non-refundable fee charged for complete system trial use. This fee will be deducted from the total cost when purchased.

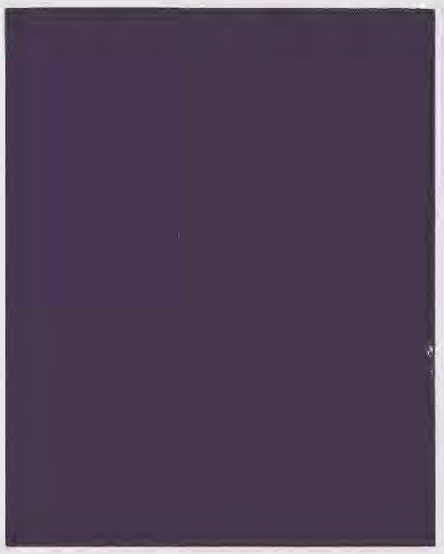
SOFTWORKS, INC.
John W. Hill - President
23010 Lake Forest Dr., Ste. 290 (714) 640-7403
Laguna Hills, CA 92653 (714) 830-5084

HERE TODAY.





HERE TOMORROW.



At Hilb, Rogal and Hamilton, we believe that a good insurance sales executive is persistent before the sale—but a great one is persistent afterwards. Most of our executives have been with us between 10 and 20 years, making new sales...and keeping the good clients we have. So, when an HRH executive sells you a program—he may be the last insurance agent you'll see. But you won't have seen the last of him.

Hilb, Rogal and Hamilton Company

HRH INSURANCE

Atlanta GA; Birmingham, AL; Charlottesville, VA; Chesapeake, VA; Dayton, OH; Daytona Beach, FL; Ft. Myers, FL; Goldsboro, NC; Jackson, MI; Manchester, CT; Mobile, AL; New Orleans, LA; Orlando, FL; Pittsburgh, PA; Richmond, VA; San Diego, CA; Tampa, FL

Mission American

Continued from page 2

lationship with National American companies.

To ensure a "prompt and effective" renewal process, National American has been given immediate access to Mission American's computer and data processing system—for a $250,000 fee, to be paid in six installments.

The agreement also gives National American the opportunity to recruit desired employees from the insolvent Mission American subsidiary Mission Insurance Co. before they move on to other jobs; since all MIC employees cannot be put to use in that company's liquidation, many will be let go soon.

The interim agreement cites other advantages in commencing work before terms are consummated, such as:

- Ensuring the continued availability of insurance coverage to "a substantial proportion" of Mission American and Compac policyholders.
- Maintaining business relationships between Mission American and its policyholders and agents. Goodwill likely would dissipate if current relationships were allowed to dissolve because renewal solicitations were not made.
- Shifting to National American as soon as possible some of Mission American's costs in administering its existing business.

'It'll keep it out of liquidation. If some arrangement had not been made with someone, eventually there'd be nothing left here,' says William S. Price.

The interim agreement remains in effect through Oct. 31, 1988, ensuring two renewal periods and, therefore, two rounds of commissions for Mission American.

The 20-page document was signed by Mr. Price, Mr. Kramer, MIG Vp Lawrence G. Becker, and Compac Senior Vp Geoffrey Nicholls. Also taking part in negotiations has been New York investor and Kramer Capital ally Martin J. Whitman, chair of a recently-formed committee of creditors of Mission Insurance Group, the ultimate parent of the Mission companies, which is in bankruptcy proceedings.

National American was previously part of H.F. Ahmanson & Co., which withdrew from the property/liability insurance market in late 1985 in all states except Nebraska (*BI*, Sept. 2, 1985). ■

MIC, Unigard nearing $34 million settlement

By STEVE TARAVELLA

The $34 million—plus up to $25,000 in legal costs—would be put in a trust fund for MIC's estate.

LOS ANGELES—While Mission American Insurance Co. readies for rehabilitation, its insolvent subsidiary Mission Insurance Co. is preparing to receive more than $34 million from Unigard Security Insurance Co.

The money, which Unigard is paying to settle reinsurance claims filed by MIC and its affiliates, is the culmination of more than a year of negotiations with representatives of MIC and California's Insurance Department (*BI*, April 27).

Los Angeles County Superior Court on April 24 approved the process used to arrive at the settlement.

The only other hurdle to the settlement has been securing approval from two other states that regulate MIC units in liquidation, Texas and Missouri.

Texas regulators concurred with the terms of the settlement on May 4. A nod of approval from Missouri regulators is expected "momentarily," reports William S. Price, special deputy commissioner in charge of Mission American's conservation and the liquidation of MIC.

The $34 million—plus up to $25,000 in legal costs—would be put in a trust fund for MIC's estate. The money would be administered by Gerald Remedios, chief financial officer for both MIC and Mission American.

The settlement is the largest reached so far, but Mr. Price and others continue to pursue amounts allegedly unpaid by scores of other reinsurers. To that end, the department last December sued more than 140 reinsurers of MIC and its four subsidiaries now in liquidation.

Alleging the reinsurers acted in bad faith, the department is seeking more than $500 million in punitive damages, in addition to $200 million for claims MIC already has paid, $500 million for case reserves MIC has established and an unspecified amount for incurred-but-not-reported losses (*BI*, Dec. 29, 1986).

However, in response to a demurrer filed by defendant Republic Insurance Co., Los Angeles County Superior Court recently excised the bad faith charge and the $500 million punitive damage claim from the action.

In its demurrer, Republic maintained that the department's suit lacked numerous and significant pieces of information necessary to even respond to such charges, let alone to permit the charges to be raised legally.

These omissions, which Republic says render the suit "hopelessly deficient," include:

- No inception or expiration dates for any of the relevant contracts.
- No mention of specific bad faith conduct on the part of any defendant company.
- No indication of whether the Mission companies are collectively or individually party to any or all of the reinsurance agreements.

Because the funds sought by the department involve contracts entered into in the early 1970s, Republic also claimed that some of the charges are barred by California's four-year statute of limitations.

Although the ruling immediately affects only Republic, "it's a pretty fair indication of what the court will do if faced with the same motion from other defendants," says Patrick M. Kelley, an attorney with Wilson, Elser, Moskowitz, Edelman & Dicker, Republic's Los Angeles counsel. The insurer is a Dallas affiliate of Winterthur Swiss Group.

The law firm intends to have the same charges dropped against more than 70 other defendants it represents in the case, Mr. Kelley says. The other charges—for declaratory relief and for suit on contract—remain pending against all defendants. ■

WE'RE KNOWN BY THE COMPANY WE KEEP...

- The companies we number as our commercial clients—over 150,000 of them.
- The insurance companies we represent—annually writing $2 billion in property and casualty premiums for our clients alone.
- The companies who are partners in Assurex International—33 of the leading independent agencies in North America.

We're known by the companies we keep...and are proud of it.

Assurex INTERNATIONAL
100 East Campus View Blvd.
Columbus, Ohio 43085

ALABAMA
McGRIFF SEIBELS & WILLIAMS INC
THAMES BATRE MATTEI
ALASKA
HOMESTATE INSURANCE BROKERS OF ALASKA INC
ALBERTA, CANADA
ROY HENRY INSURANCE LTD
ARIZONA
DEAN S DAVIDSON INSURANCE AGENCY INC
ARKANSAS
REBSAMEN INSURANCE
BRITISH COLUMBIA, CANADA
MOINTRA GROUP OF COMPANIES
CALIFORNIA
BARNEY & BARNEY
BOLTON AND COMPANY
WOODRUFF-SAWYER & CO
COLORADO
DAY, WEBB AND TAYLOR
CONNECTICUT
ARTHUR A WATSON & CO INC
FLORIDA
J ROLFE DAVIS INSURANCE AGENCY INC
SEITLIN & COMPANY
GEORGIA
HAMILTON-DORSEY-ALSTON COMPANY
PALMER & CAY CARSWELL INC
HAWAII
AMERICAN MUTUAL UNDERWRITERS LIMITED
ILLINOIS
MACK AND PARKER INC
INDIANA
INSURANCE & RISK MANAGEMENT
IOWA
COTTINGHAM & BUTLER INC
LaMAIR-MULOCK CONDON CO
KANSAS
INSURANCE MANAGEMENT ASSOCIATES INC
KENTUCKY
POWELL-WALTON-MILWARD INC
LOUISIANA
GILLIS KELLY & BAKER INC
MAINE
MORSE, PAYSON & NOYES INSURANCE
MANITOBA, CANADA
RYAN AGENCY LIMITED
MARYLAND
EARLY, CASSIDY & SCHILLING INC
RIGGS, COUNSELMAN, MICHAELS & DOWNES INC
MASSACHUSETTS
FRED C CHURCH INC
MICHIGAN
GENERAL UNDERWRITERS INC
MINNESOTA
BRANDOW, HOWARD, KOELLER & ROSENBLOOM INC
MISSISSIPPI
FOX-EVERETT INC
MISSOURI
THE DANIEL & HENRY CO
GILBERT-MAGILL COMPANY
NEBRASKA
THE HARRY A KOCH CO
NEW HAMPSHIRE
KENDALL INSURANCE INC
NEW JERSEY
NATIONAL INSURANCE ASSOCIATES
NEW MEXICO
BUNDY, SELIGMAN & THOMAS
NEW YORK
HATCH, LEONARD, MARKIN, SHAW INC
ADAMS & PORTER INC
NORTH CAROLINA
COLLIER, COBB & ASSOCIATES INC
OHIO
THE McELROY-MINISTER COMPANY
THE JAMES B OSWALD COMPANY
PICTON CAVANAUGH INC
SCHIEL, KRUDELER, SHELL INC
OKLAHOMA
McELDOWNEY, McWILLIAMS, DEARDORFF & JOURNEY INC
ONTARIO, CANADA
TOWER-CHISHOLM FERGUSON LIMITED
OREGON
JEWETT, BARTON, LEAVY & KERN INC
PENNSYLVANIA
THE FRANKLIN COMPANY
H C KNIGHT & CO
QUEBEC, CANADA
P BRUNET ASSURANCE INC
RHODE ISLAND
STARKWEATHER & SHEPLEY INC
SOUTH CAROLINA
BOYLE-VAUGHAN ASSOCIATES, INC
TEXAS
ORDWAY-SAUNDERS COMPANY
ROACH, HOWARD, SMITH & HUNTER
JOHN L WORTHAM & SON
UTAH
FRED A MORETON & COMPANY
VERMONT
KINNEY, PIKE, BELL & CONNER INC
VIRGINIA
DeJARNETTE & PAUL INC
HENDERSON & PHILLIPS INC
WASHINGTON
PARKER, SMITH & FEEK INC
WEST VIRGINIA
McDONOUGH CAPERTON INSURANCE GROUP
WISCONSIN
LAUB GROUP INC
PLUS INTERNATIONAL ASSOCIATES



Photo: Index/Stone International, Inc.

POSITIONING

From start to finish, gaining a clear-cut position is as crucial a skill in business as it is in racing. Exploding from the gate with one thing in mind ... getting ahead and staying ahead.

Business Insurance newsmagazine maintains a clear-cut, highly-defined position within the commercial insurance marketplace. By serving corporate consumers of insurance, benefits and related services, *BI* is the only newsmagazine edited solely for this specific echelon.

Each week, more than 136,500 executives rely on *BI* to provide a precise, distinct editorial package. They expect in-depth, incisive news coverage as stories evolve, they anticipate reports on market trends and they depend on *BI's* analysis and forecast of happenings that will affect the marketplace. All of this properly positions *BI*.

Advertising in the industry's leading newsmagazine lets you post your products and services within this authoritative editorial framework. *BI* offers you a clear-cut choice. Tailor your message and place your advertising in a vehicle which will lead you to the right people ... our readers ... your customers and prospects.

After all, in this very competitive race of commercial insurance, jockeying for position among the buyers is no easy task. When the stakes are high place your advertising in a sure winner ... ***Business Insurance.***

business insurance

A publication of Crain Communications Inc.

The game plan that works.

New York: 220 East 42nd Street, NY 10017 (212)210-0133 **Chicago:** 740 Rush Street, IL 60611 (312)649-5276 **Los Angeles:** 6404 Wilshire Blvd., CA 90048 (213)651-3710

Pergament ruling

Continued from page 1

In other rulings on the issue of an umbrella or excess liability insurers' liability when a primary insurer becomes insolvent, courts have ruled differently, according to briefs filed in the Pergament litigation.

The Fourth and Fifth Circuit U.S. Courts of Appeals and a U.S. District Court in Illinois have ruled that umbrella insurers are not liable for claims against an insolvent primary insurer.

However, an Illinois appellate court and the California Supreme Court have ruled that certain policy language makes excess or umbrella insurers liable for claims against an insolvent primary insurer.

The appellate division of the state Supreme Court decision turned on the definition of "covered" and "not covered" claim in the Old Republic umbrella policy.

The Old Republic policy provided the insurer would only be liable for Pergament's ultimate net loss excess of either:

- The limits of the underlying insurance ($1 million); or
- The amount of the deductible in the Old Republic policy ($10,000) in respect of each occurrence "not covered" by underlying insurance.

Pergament argued that the terms "covered" and "not covered" contained in the provision were ambiguous and could be interpreted to mean that the excess insurer is responsible for the ultimate net loss in excess of the deductible, depending on the amounts paid by the underlying insurer.

"We disagree," the court said. "There is only one reasonable interpretation of the preceding terms. When used in this context, the terms 'covered' and 'not covered' refer to whether the policy insures against a certain risk, not whether the insured can collect on an underlying policy."

Ambassador, which wrote on a surplus lines basis in New York, was declared insolvent by a Vermont superior court in 1984.

Pergament had three separate $1 million primary general liability policies with Ambassador: from April 1, 1981, until April 1, 1982; April 1, 1982, until April 1, 1983; and April 1, 1983, until April 1, 1984.

Old Republic wrote a $10 million umbrella liability policy above the 1981-1982 policy, Twin City a $10 million policy above the 1982-1983 policy, and Mission National Insurance Co., a $10 million policy above the 1983-1984 policy.

A similar lawsuit against Mission National was been stayed after the insurer, a subsidiary of Mission Insurance Co., was put into conservatorship. The insurer now is in liquidation in California (*BI*, April 27).

The 1981 Ambassador primary policy had a $5,000 deductible and the Old Republic umbrella policy had a $10,000 deductible.

Since November 1983, when a receiver was appointed for Ambassador, Ambassador has refused to pay any claims it settled on behalf of Pergament or its affiliate policyholders that it had agreed to pay prior to the appointment of the receiver, Pergament says in a brief filed with the appellate court.

Pergament estimates that the 91 claims against Ambassador policies—spanning the three years 1981-1984—total about $1 million.

The claims against Pergament, which operates retail stores in New York, New Jersey and Connecticut, involve minor personal injury claims such as slip-and-fall claims.

Of the 91 claims, the largest settlement has been $50,000, which Pergament has paid, said Pergament's attorney Jessel Rothman with the Mineola, N.Y., firm of the same name.

Pergament can't recover claims against Ambassador from the New York Property/Casualty Security Fund, the state's guaranty fund, because the fund does not cover claims against surplus lines insurers.

And, the New Jersey Surplus Lines Guaranty Fund, the only guaranty fund in the country formed to cover claims against insolvent surplus lines insurers, has denied Pergament's claims contending the company's principal office is in Suffolk County, N.Y.

Pergament is suing the New Jersey Surplus Lines Guaranty Fund for coverage, arguing that it has corporate offices in New Jersey and had filed a certificate of authority in the state.

If there is no access to the New Jersey surplus lines guaranty fund, "Pergament must foot the bill," for the defense of claims and any claims it must pay, said Mr. Rothman.

However, Pergament also is suing its broker for the Ambassador policies, Alexander & Alexander Inc., in state court in New York to recover the Ambassador claims. Among Pergament's contentions is that an A&A representation had advised Pergament that if Ambassador became insolvent, Old Republic's coverage would drop down and pay claims and that A&A failed to warn of the possible consequences of buying insurance from a surplus lines insurer.

Pergament also has asked the appellate division of the state Supreme Court for permission to appeal its decisions in the Old Republic and Twin City cases to the Court of Appeals, which is the state's highest court, Mr. Rothman said.

Pergament first sued Old Republic, Twin City and Mission National in early 1985 in declaratory judgment actions seeking that the umbrella insurers be forced to pay claims against Ambassador.

In one of the suits, Pergament had demanded that Old Republic defend, dispose or settle all outstanding claims formerly covered by Ambassador, but the insurer refused.

Pergament had sought a court order to force Old Republic to:

- Defend and indemnify Pergament for claims brought during the 1981-1982 policy period when the Ambassador policy was in effect.
- Reimburse Pergament for money paid in judgments, settlement of claims or expenses incurred in the defense of lawsuits that Ambassador was obligated to defend.
- Declare that Old Republic pay all liability claims in excess of a $10,000 deductible.

In February 1986, the trial court judge held for Pergament, ruling that if Pergament pays a $10,000 deductible, Old Republic should pay all amounts exceeding $10,000—the deductible in its umbrella policy.

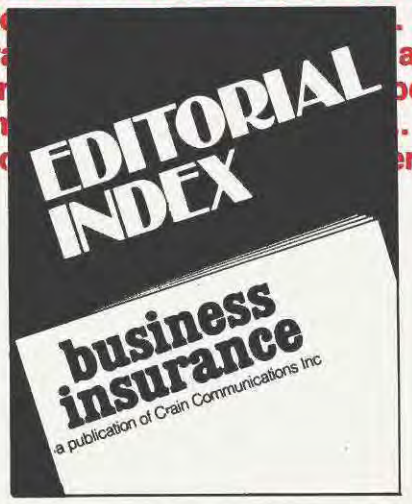
Old Republic disputed the trial court order in its brief, arguing "Old Republic is compelled to act as the guarantor of the solvency of Ambassador. This result is not provided for in the Old Republic policy and not charged for in the premium."

The court's order constituted "an unacceptable judicial re-writing of the Old Republic excess policy that flies in the face of the express and unequivocal terms of the policy," Old Republic added. Moreover, Old Republic argued, the "order entirely ignores the established New York law which clearly holds that an excess insurer such as Old Republic is not obligated to drop-down and assume the obligations of an insolvent underlying primary insurer."

The appellate division of the Supreme Court handed down its ruling reversing the decision in the Old Republic case March 23 and cited that decision in its ruling for Twin City, a subsidiary of The Hartford Insurance Group. ■

bankruptcy ... bombing ... taxation ... legislation ... war risk ... dental coverage ... terrorism ... associations ... superbowl ... HMOs ... PPOs ... TPAs ... satellites ... chemical ... renewal ... retirement ... pollution ...agent orange ... liability ... drug ... asbestos ... employee ... employer ... reinsurance ... marine ... maternity ... maritime ... nuclear ... aviation ... politicians ... corporate leaders ... insurers ... civil justice ... child care ... tort reform ... fraud ... investment ... fire ... London ... Zurich ... Monte Carlo ... Bermuda ... Yuba County ... bankruptcy ... bombing ... taxation ... legislation ... war risk ... dental coverage ... terrorism ... associations ... superbowl ... HMOs ... PPOs ... TPAs ... satellites ... chemical ... renewal ... retirement ... pollution ...agent orange ... liability ... drug ... asbestos ... employee ... employer ... reinsurance ... marine ... maternity ... maritime ... nuclear ... aviation ... politicians ... corporate leaders ... insurers ... civil justice ... child care ... tort reform ... fraud ... investment ... fire ... London ... Zurich ... Monte Carlo ... Bermuda ... Yuba County ... bankruptcy ... bombing ... taxation ... legislation ... war risk ... dental coverage ... terrorism ... associations ... superbowl ... HMOs ... PPOs ... TPAs ... satellites ... chemical ... renewal ... retirement ... pollution ...agent orange ... liability ... drug ... asbestos ... employee ... employer ... reinsurance ... marine ... maternity ... maritime ... nuclear ... aviation ... politicians ... corporate leaders ... insurers ... civil justice ... child care ... tort reform ... fraud ... investment ... fire ... London ... Zurich ... Monte Carlo ... bankruptcy ... bombing ... taxation ... legislation ... war risk ... dental coverage ... terrorism ... associations ... superbowl ... HMOs ... PPOs ... TPAs ... satellites ... chemical ... renewal ... retirement ... pollution ...agent orange ... liability ... drug ... asbestos ... employee ... marine ... maternity ... maritime ... nuclear ... aviation ... politicians ... corporate leaders ... insurers ... civil justice ... child care ... tort

GET TO THE SOURCE



Need the facts fast? Order BI's Editorial Index now.

Find crucial facts to guide you in your decision making quickly and easily.

Uncover the issues. Track the trends. Follow the changes and developments in risk management, employee benefits and the commercial insurance industry.

In a matter of seconds BI's Editorial Index can pinpoint the cause, effect and outcome in labor negotiations, claims settlements, worldwide losses, financial developments, market trends, corporate maneuvers, government road blocks and so much more.

Get to the source.

Let the past point you to the future.

- all news reports and feature articles published
- indexed alphabetically and chronologically
- indexed by names of people, companies mentioned and general subjects addressed
- indexed geographically (country, state, county and city where applicable)
- continuous access - 3 quarterly reports and a cumulative annual edition
- phone access to BI's Info Centers between publication of quarterly reports

Whatever your needs, interests, or curiosities, Business Insurance provides a wealth of news and information. Let BI's Editorial Index take you there in seconds.

business insurance a publication of Crain Communications Inc

Business Insurance Editorial Index — 220 East 42nd Street, New York, NY 10017

Please send me the following Index(es):

Annual Index (hardcover) $150* each: ☐ 1981 ☐ 1982 ☐ 1984 ☐ 1985

Annual Index (softcover) $100*: ☐ 1986

Full Index Service at $100*: ☐ 1987

*Foreign Postage Additional

PAYMENT MUST ACCOMPANY ORDER — ☐ Visa ☐ Mastercard ☐ Check Enclosed

Account # _____ Exp. Date _____

Signature _____

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone Number _____

BI 5/11

N.J. liquor liability market

Continued from page 2

curity Indemnity argues that the Insurance Department should have required it to have the same $1.5 million minimum capitalization required of stock insurers.

Surplus contributions from LBIE members have boosted the reciprocal's capital and surplus to more than $1.5 million since Jan. 30, when it received its certificate of authority from the Insurance Department and began issuing policies, according to Richard C. McDonough, president of Professional Property & Casualty Underwriters Inc. (PROPAC) of Princeton, N.J., LBIE's attorney-in-fact.

Security Indemnity also objected to other elements of LBIE's operations, including the marketing of its claims-made coverage: Security Indemnity charges that LBIE is not fully explaining the limitations of the claims-made form to potential policyholders.

The New Jersey department has not replied to the Security Indemnity letter. However, a spokesman said the department staff felt the complaints are "without merit."

Herbert C. Klein, a Clifton, N.J., lawyer representing Security Indemnity, declined to comment on the Insurance Department spokesman's description of the complaints.

LBIE organizers also maintain that the complaints are groundless and suggest that Security Indemnity's action has been motivated mainly by competitive forces.

"I think it's business competition. We are out in the market and are satisfying that market," said James J. Sheeran, executive vp and general counsel of PROPAC Underwriters.

"Their expectations were that they would walk into the market and simply capture it," Mr. Sheeran said of Security Indemnity, which received its certificate of authority in May 1986, but started writing business in February 1987, about the same time as LBIE.

"The reciprocal just seemed to come out of nowhere, and suddenly we were competing with something that I think is not equal to a licensed company," said Barry Moffett, Security Indemnity's president.

'It's not really sour grapes on our part,' Mr. Moffet says. 'I think (LBIE) should be making everybody fully aware of what they are getting involved in.'

"It's not really sour grapes on our part," he added. "It's that I think (LBIE) should be making everybody fully aware of what they are getting involved in."

LBIE offers monoline liquor liability coverage with an aggregate limit of $300,000.

In a Feb. 14 letter to New Jersey Insurance Commissioner Kenneth D. Merin, Security Indemnity raised several complaints about LBIE, including:

- The Insurance Department "has relaxed its policy requirement that newly organized insurers offering liquor law liability coverage" have at least $1.5 million in capital and surplus.

However, Mr. McDonough said—and the New Jersey department spokesman confirmed—that state law requires the reciprocal to have only $300,000 in initial capital and commitments from 200 potential policyholders to be licensed.

The department and LBIE's organizers agreed that the reciprocal would raise $1.5 million in surplus contributions from its policyholders during its first six months of operation, a goal that was met after only three months, Mr. McDonough noted.

- The department gave LBIE a two-year dispensation from compliance with its "rigorous policy regarding retention ratios." If the department applied its "customary 2.5% formula"—meaning that LBIE's net retention on a single risk could not exceed 2.5% of its surplus—the reciprocal would have to maintain a much higher surplus than it now has.

But Mr. McDonough and the Insurance Department spokesman also agreed that the 2.5% retention ratio is not a requirement of insurance law, but only a proposed guideline that the department need not necessarily impose.

State law requires a 10% retention ratio for stock insurance companies, Mr. McDonough noted.

- LBIE does not have the capital and surplus required by New Jersey insurance law to write non-assessable policies.

But Mr. McDonough said that state law allows LBIE to issue non-assessable policies on condition that the reciprocal collects from policyholders surplus contributions that are not refundable if policyholders withdraw from the facility.

- LBIE representatives are not informing potential policyholders that the Insurance Department "has relaxed its minimum capital requirements" with respect to LBIE, or that LBIE's claims-made policies will not cover claims filed after expiration of the policy.

Mr. McDonough contends that LBIE representatives have clearly explained to potential policyholders the conditions of the reciprocal's claims-made coverage and an optional two-year extended reporting endorsement.

LBIE was organized by Mr. McDonough and Mr. Sheeran, both former New Jersey insurance commissioners, after they were approached last year by the New Jersey Licensed Beverage Assn. to find a solution to the insurance availability problem facing bars and restaurants in the state.

Mr. McDonough estimates that 50% to 60% of the state's 12,000 liquor license holders were without liquor liability coverage last year because of the commercial liability insurance crunch.

Recreational Coverage Assn., a Nutley, N.J., agency acting as LBIE's managing general agent, previously had offered liquor liability coverage as part of a package program underwritten by Occidental Fire & Casualty Co. of North Carolina, according to James Henry, RCA's president.

However, Occidental—which still writes package policies in New Jersey—now excludes liquor liability coverage.

To fill the void left by Occidental's withdrawal, the principals of RCA last year formed a new stock insurer in New Jersey, First Jersey Casualty Insurance Co. Inc., to write liquor liability coverages.

RCA's plan to use First Jersey Casualty to write the coverage on a direct basis was abandoned, however, after the Insurance Department objected to the company's proposed reinsurer: Fielding Reinsurance Ltd., a Turks and Caicos-domiciled unit of Kensu Holdings Inc. of Kansas City, Mo.

Kensu, Fielding and other Kensu subsidiaries, including Royal American Managers Inc., were sued last April by Omaha Indemnity Co. over Royal American Managers' handling of business it wrote as an MGA for Omaha (*BI*, April 28, 1986).

Among other allegations, Omaha charged that Royal American Managers—which placed portions of Omaha's reinsurance with Fielding—wrote and ceded amounts of business it knew were far in excess of the reinsuring capacity of Fielding and other reinsurers.

Kensu officials have denied the allegations, and the case is currently in arbitration.

Occidental Fire & Casualty also was reinsured by Fielding on business produced by RCA, according to Jon M. Livers, Occidental's president. He added that Occidental never had any problems with Fielding and that Fielding honored the insurer's claims.

When LBIE was in formation, Mr. McDonough approached RCA to act as the reciprocal's underwriting manager, according to Mr. Henry.

LBIE's reinsurance was subsequently placed with First Jersey Casualty and Ohio General Insurance Co. of Columbus, Ohio, another Kensu subsidiary.

LBIE retains the first $100,000 of each risk, along with 25% of the $200,000 excess of the $100,000 layer, according to Mr. McDonough. First Jersey Casualty and Ohio General equally split the remaining 75% of the excess layer, he said.

Mr. McDonough said that because of Kensu's Omaha Indemnity-related problems, LBIE and the New Jersey department checked Ohio General's financial condition carefully before accepting it as a reinsurer.

The New Jersey department spokesman confirmed that department officials contacted the Ohio Insurance Department concerning Ohio General and received a positive report on its financial status.

"We are satisfied that it is a reliable, solvent company," the spokesman said.

As of April 30, LBIE had bound coverage for about 900 policyholders and written about $3 million in gross premiums, according to Mr. McDonough.

Upon joining LBIE, policyholders are required to make a one-time surplus contribution equal to 50% of their first year's premium. As of April 30, surplus stood at about $1.5 million, Mr. McDonough said.

In its first year of operation, LBIE expects to write gross premiums of $7.5 million and generate surplus contributions of $3.75 million.

While the reciprocal currently provides a $300,000 limit, LBIE managers hope to increase the limit to $500,000 by obtaining additional reinsurance support, according to Mr. McDonough, who would not identify the potential additional reinsurers.

LBIE also has applied to the New Jersey department for authority to write general liability as well as liquor liability coverage, he added. The application is pending, he noted.

Security Indemnity was incorporated in 1985, with capital and surplus paid in during 1986 of $1.2 million. Though Mr. Moffett initially was the sole shareholder, Security Indemnity issued new shares last year to raise its capital and surplus to $4.1 million.

Security Indemnity writes package policies with limits of $500,000 per occurrence for property risks and $300,000 per occurrence for liability risks, with a $300,000 aggregate limit for liquor liability, according to Mr. Moffett. Liability coverage is on an occurrence form, he noted.

A Point Pleasant, N.J., agency headed by Mr. Moffett, Specialty Insurance, also provides package policies including liquor liability for restaurants that is underwritten by Royal Insurance Group, he added.

Security Indemnity retains the first $100,000 of its liability risks and cedes the remainder to Aneco Reinsurance Underwriting Ltd. of Bermuda, Mr. Moffett says. Currently, Security Indemnity has about 200 policyholders—70% to 80% of which buy liquor liability coverage—and has written about $1.7 million in gross premiums, according to Mr. Moffett, who previously produced business as an agent for the RCA/Occidental Fire & Marine program. ■

update

DuPont guilty in asbestos case

Continued from page 2

The six workers, who were employed as pipefitters and maintenance workers in two DuPont plants in New Jersey, filed suit against the company following a 1985 New Jersey Supreme Court decision allowing workers to sue their employers for personal injuries under certain circumstances (*BI*, Dec. 16, 1985).

Damages were not awarded; arguments in the damages phase of the trial were expected to be completed last Friday.

"We certainly intend to appeal the decision," a DuPont spokesman said. "It's ridiculous to say that we would knowingly endanger the health or safety of any of our employees."

James A. Mitchell Jr., DuPont's manager of insurance, declined to comment on the company's insurance coverage.

Florida insurers want rehearing

TALLAHASSEE, Fla.—Commercial insurers will ask the Florida Supreme Court to rehear their challenges to insurance regulatory aspects of the state's Tort Reform & Insurance Act of 1986, most of which was upheld as constitutional last month (*BI*, May 4).

The American Insurance Assn., the National Assn. of Independent Insurers, and the Alliance of American Insurers gave attorneys the go-ahead to file the motions last week. Separate motions on behalf of the Florida Medical Assn., and State Farm Group also were scheduled to be filed last Friday.

In its decision, the Supreme Court struck down a $450,000 cap on non-economic damages and ordered that premium rebates could only be ordered on liability coverage written after July 1, 1986.

The court is not expected to respond until June 1.

Transit allowed to amend suit

DALLAS—Transit Casualty Co.'s liquidator will be allowed to file a second amended complaint in U.S. District Court for the Northern District of Texas against former Transit managing general agents Miro & Associates Risk Management Inc. and Donald F. Muldoon & Co. Inc.

U.S. Magistrate William F. Sanderson Jr. last Thursday allowed the amended complaint, which also names Carlos I. Miro; Gerald Murphy, a former Miro employee; and Donald F. Muldoon (*BI*, April 20).

Separately, Peter W. Bates, superintendent of insurance for the Cayman Islands, said last week that Lafayette Reinsurance Co. Ltd.—a Transit reinsurer identified in court papers as a Cayman-based company—was never domiciled in Cayman.

Lafayette "is not and never has been incorporated or licensed in Grand Cayman," according to Mr. Bates.

J. Albert Kroemer, an attorney for Mr. Miro, said Lafayette was a Bermuda-domiciled company.

Conrail, Amtrak must litigate

WASHINGTON—Conrail will appeal a federal judge's decision that it must litigate—rather than arbitrate—the validity of its indemnity agreement with Amtrak that could make Amtrak liable for most passenger claims arising from the Jan. 4 collision of two trains near Chase, Md., that killed 16 people and injured about 170.

Conrail sought to arbitrate the dispute over the indemnification agreement. Amtrak filed suit arguing that the agreement would be unenforceable if Conrail was found by another court to be guilty of gross negligence in the accident (*BI*, April 6). Last month, the U.S. District Court for the District of Columbia ruled that a judge should interpret the agreement and decide if it is enforceable.

Meanwhile, a Baltimore County grand jury in Towson, Md., indicted Conrail locomotive engineer Ricky Gates of Essex, Md., on 16 counts of misdemeanor vehicular manslaughter last week in connection with the 16 deaths. He faces a maximum penalty of five years in prison and/or a $1,000 fine for each count.

Conrail has $190 million in liability coverage, excess of a $10 million self-insured retention, which is underwritten by Lloyd's of London syndicates, California Union Insurance Co. of Los Angeles, Railroad Assn. Insurance Ltd. and A.C.E. Insurance Co. Ltd. Amtrak self-insured the first $50 million in liability losses, but also has coverage with RAIL for $50 million excess of $50 million.

Briefly noted

The Bermuda Supreme Court on Thursday granted **Pinnacle Reinsurance Co. Ltd.** permission to appeal the court's decision dismissing its action against the liquidators of Mentor Insurance Ltd. to the Appeal Court in Bermuda (see story, page 82). And, last Wednesday, U.S. District Court Judge Marcel Livaudais issued a temporary injunction at the request of the liquidators restraining Pinnacle from impeding the prosecution of the liquidators' lawsuit in New Orleans, except the Pinnacle appeal. . . .The federal district court in Chicago last week set up a briefing schedule for a class action suit recently filed by shareholders of **Allegis Corp., formerly UAL Inc.** The suit seeks to invalidate the golden parachute and enjoin the operation of a "poison pill" adopted by directors of Allegis, the parent of United Air Lines. . . .**Merrill Lynch & Co.** plans to appeal a federal jury verdict in Sioux Falls, N.D., that found the firm guilty of unauthorized trading and ordered $2.25 million in punitive damages and $20,000 in compensatory damages be paid to the estate of a former client, a spokesman said. The Merrill Lynch spokesman said the brokerage had insurance to cover the loss should it lose its appeal . . .Jane J. Smith, the widow of space shuttle **Challenger** pilot Michael J. Smith has filed a $1.5 billion lawsuit in U.S. District Court in Orlando, Fla., against Morton Thiokol Inc., the federal government and the former director of the shuttle's solid rocket booster program. . .A federal bankruptcy judge has given more than 150,000 women a second chance to reactivate **Dalkon Shield-related claims** against A.H. Robins Co.

insurance services guide

GREENE & ASSOCIATES, INC.
Consulting Engineering Services
Related to Energy and Chemicals
- Facilities Appraisals
- Loss Settlement Assistance: Claim Preparation and Analysis, PD & BI
- Accident Investigation
- Expert Testimony and Representation

1130 One Energy Square, Dallas, TX. 75206
214/691-3500

DENTAL CLAIMS MANUAL
All-Inclusive 402 Page Manual
Featuring All Major Specialties
(213) 681-3300
J.P. Kennedy Publishing Co.
776 E. Green Street
Pasadena, CA 91101

CASUALTY ACTUARIES, INC.
Robert F. Lowe F.C.A.S., M.A.A.A., F.C.A
• Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
• Statutory letters of opinion on loss and loss expense reserves.
12115 Lackland Road, Suite 370
St. Louis, Missouri 63146-4012
(314) 878-5002

ENVIRONMENTAL CLAIM AUDITS & RISK ASSESSMENTS
ACTUARIAL CONSULTING
Financial Evaluation of Environmental Losses
TILLER CONSULTING GROUP, INC.
509-B Goldenrod Ave. / Corona del Mar, CA 92625 714/673-7089

The Risk Manager's #1 Reference
Practical Risk Management
"The Professional's Handbook"
Send $275 ($10 more if we bill; add postage overseas)
To: **Practical Risk Management**
P.O. Box 10093
Oakland, CA 94610
Telephone (415) 653-3687
A Warren, McVeigh & Griffin publication

PC CONSULTING & TRAINING
GENERAL INSURANCE
RISK MANAGEMENT
AGENCIES
NICHE SYSTEMS, INC.
274 Madison Ave., NY, NY 10016
(212) 686-4408

Use the Insurance Services Guide to reach your best prospects.

ESTIMATING SOFTWARE FOR SALE
Computerized Estimating Software now being used by major companies is available for license to those Insurance Companies who desire to set up a nationwide in-house Computerized Property Damage Estimating System with the ability to maintain and regulate database. This Software is available for a one-time license fee of less than $100,000.
For Additional Information
contact Stephen J. Vedder
Allen Dahle & Co. 914 694-1222
65 West Red Oak Ln. 212 994-9400
White Plains, NY 10604 203 869-5566

PTS Comp-Pac
Workers' Compensation Claims Software
Full Function Yet Flexible
Single or Multi-User
Pacific Technical Services
2974 Montevideo Dr.
San Ramon, CA 94583
(415) 895-0832
Easy-Link 5101008113
Stop by booth 25 At PRIMA.
Seattle, WA. on May 18 and 19.

RISKMASTER SOFTWARE
GENERAL CLAIMS
WORKER'S COMP
VEHICLE ACCIDENTS
CHECK WRITING
FOR: PC/MINI/MAINF
(313) 261-4440
ONSITE TRAINING
ONGOING SUPPORT
Tillinghast
INSTALLED IN OVER 32 STATES & CANADA

HEALTH CLAIMS COMPUTER SYSTEM FOR IBM PC XT/ AT
Eligibility & Benefits Calc., Checks, EOB's, Correspondence, Provider Utilization Reviews, & More. Ideal For Self Insured's & TPA's. Single and Multi-User Versions Available
INSTALLATIONS COAST TO COAST
ALL FUNCTIONS AND STATE FORMS
Insurance Software Packages, Inc.
5118 NORTH 56TH STREET
TAMPA, FLORIDA 33610
(813) 621-6069 (FL)
(800) 237-8133 (U.S.)

TEMPORARY CLAIMS ADJUSTING SERVICES
Servicing Claims Nationwide In:
Workers' Compensation
Longshore and Harbor Workers' Act
Property/Casualty
Inside and Field Adjusters
Claim Net is not an employment agency, so there is NO FEE FOR PERMANENT HIRING.
Claim Net 4330 Barranca Pkwy., Suite 220, Irvine, CA 92714
(800) 55 -CLAIM (IN CA) • (800) 99 CLAIM (OUTSIDE CA)

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 N. Rush Street, Chicago, Illinois 60611
Telephone (312) 649-5340

Tort reform study

Continued from page 1

eral source rule; and a cap of $250,000 on non-economic damage awards.

Together, these reforms could reduce the indemnity payment in the deep-pocket claim in each of the 24 studied states from 48% to 83%, depending on the state.

And, these reforms would reduce the indemnity payment in other types of claims much more often and by a greater percentage than recent tort law changes.

The "Claim Evaluation Project," which cost more than $1 million, "provides the first documented evidence of the probable relative effects. . .of enacting certain simply stated tort law changes in the nation as a whole," the report says.

However, the report stresses that it measures "not primarily the effect of tort law change on verdicts per se, but the more subtle and less easily traceable impact of the changes in the law on a settlement process."

This is because "the overwhelming majority of claims are voluntarily settled well before going to trial, and the settlement negotiating process. . . is conducted in the shadow of, but is not directly controlled by, the governing law," the report says.

Also, obviously concerned that these findings of indemnity payment reductions in the wake of tort law changes will be cited by those advocating that insurance rate reductions be mandated when tort reforms are enacted, ISO President Daniel J. McNamara says in an introduction to the report that "neither the design of the study nor its results are directly relevant to issue of insurance pricing."

It takes years to build data based on actual claims experience under a new tort law environment, he explains, and the six claims chosen are not representative of any portion of an insurer's claim portfolio or the industry as a whole.

"Nevertheless, it is clear from the study that meaningful tort reform will have a favorable, prospective impact on loss severity and frequency, variable by risk, by state, by lines of insurance, which in time will be reflected in a state's and individual insurer's loss experience," Mr. McNamara adds.

The study, conducted by the public policy and management consulting firm of Hamilton, Rabinovitz & Alschuler Inc., entailed presenting six detailed simulated claim files to 1,262 senior claim professionals drawn from nine property/casualty insurance companies and two large independent claims adjusting firms in 24 states. They were convened in 81 locations across the country on Jan. 15.

Fifteen of the states had enacted tort law changes in 1986, while nine had not (see map, page 1).

The claim professionals were asked to estimate the indemnity payment—compensation for economic and non-economic losses—required to resolve each claim in their state under the law prior to any tort law change during 1986.

(The study analyzes the impact of tort law changes only on the amount of the bodily injury claim payment and does not deal with the cost of legal defense or other settlement costs.)

In each of the 15 states that had enacted tort law changes, the claim professionals also estimated the probable indemnity payment in each of the six claim situations in light of the tort reforms singly and taken as a package.

In the nine states that had not enacted tort law changes, the claim professionals evaluated tort law changes that had been under discussion by January.

And, in each of the 24 states, the claim professionals estimated the effect on the cost of each of the six claims of the three selected tort law revisions.

The six claim situations evaluated were all bodily injury claims filed against businesses. The claims were larger in dollar value than most claims, the report says, and involved defendants who bore most or all of the fault.

Two claims were single-defendant cases: a supermarket slip-and-fall and a stairway slip-and-fall, both involving substantial private collateral benefits other than workers compensation.

The third claim was a complex, multidefendant construction site claim involving the deep-pocket phenomenon; the fourth, a truck-car collision, which includes the issue of wrongful death; the fifth, a punch-press accident, which involves an industrial product liability claim; and the sixth, a chair failure, which represents a consumer product liability claim that does not involve the issues of a deep-pocket or collateral benefits.

Continued on next page

Sir Peter censured

Continued from page 1

Aside from the fines and legal expenses, totaling 79,500 ($133,560), Sir Peter has offered to return $182,160 to Janson Green syndicate members—the amount that Lloyd's has calculated is Sir Peter's total benefit relating to the policy in question.

Although Sir Peter admits that he may have been negligent in conducting Lloyd's members' affairs, he does not believe his actions were "discreditable."

Sir Peter says the word implies that his actions were dishonest, reckless, disgraceful or shameful "so that the person is no longer trustworthy and was not the sort of person with whom one should do business."

He says his view is colored by his definition of the word, developed when, in 1982, he became the first Lloyd's chairman to expel a Lloyd's member (Christopher Moran) for discreditable conduct (*BI*, Nov. 1, 1982).

In fact, Lloyd's points out that Sir Peter acted with the "sole interest of protecting names" and without any suggestion or evidence that he "acted dishonestly or with intent to make any personal gain," said Sir Peter's letter to Janson Green syndicate members last week.

Sir Peter appealed the use of this word, but Lord Wilberforce said that the word had a less serious meaning and applied to Sir Peter's conduct.

"It is easy to criticize someone after the event; but the goalposts have been moved," said William W. Maitland, chairman of Janson Green Management Ltd., in a letter to members.

"Has he (Sir Peter) not been made a scapegoat of the New Lloyd's Image and punished as such?" Mr. Maitland questions in the letter. "I firmly believe that the findings of 'discreditable' in Peter's case are too severe."

Last week, Janson Green's board of directors passed a "resolution of total confidence" in Sir Peter and Peter Valentine, managing director of Janson Green, who has been fined 5,000 pounds ($8,400) by Lloyd's for his failure to disclose his 0.5% share of Imperial, and for distributing a letter by Sir Peter in 1983 that contained an error regarding Imperial.

Sir Peter will continue as chairman of Janson Green and its members' agency subsidiary.

Sir Peter, a Lloyd's member since 1947, served both as the chairman of Janson Green Ltd. and, until 1984, as an active underwriter for the Lloyd's syndicates that Janson Green manages.

He served on the Committee of Lloyd's from 1974 to 1977. He became Lloyd's deputy chairman in 1979 and Lloyd's chairman in 1980, serving in that capacity until 1983.

As Lloyd's chairman, Sir Peter was the "prime mover" in securing parliamentary passage of the Lloyd's Act 1982, according to Lloyd's disciplinary report. He also played "the major part" in planning and supervising the construction of Lloyd's new building.

Imperial was set up in the Bahamas in 1959 by Teddy Hogg of Lloyd's broker Hogg Robinson Group P.L.C., parent of Janson Green Ltd. until this year; Toby Green, Sir Peter's father; and representatives of the American Railroads Assn.

Imperial was managed by BITCO, a management company owned by several banks. Sir Peter eventually owned 7.6% of Imperial, and his brother John owned 2.5%.

Sir Peter became a director of Imperial, which moved to the Cayman Islands in 1972, and took over his father's role as underwriting adviser in 1966. He continued in those positions and as a director until he left the company at the end of 1982.

In 1970, Sir Peter decided to cede to Imperial a roll-over policy in connection with the syndicates' participation on the London Market Master Drilling Rig insurance contract, the report said. A roll-over policy provides that if premiums exceeded claims in any one year, the premiums are "rolled" forward as an additional premium for the next year, which increases the policy limit by the amount rolled over.

Lloyd's broker Derek Steel of Steel Burrill Jones Ltd. offered to place the "oil rig" reinsurance policy with Montagu Insurance & Reinsurance Co. Ltd. in Bermuda, which had been set up to provide roll-over policies as a service to Lloyd's syndicates and insurance companies. But, Sir Peter preferred to place it with Imperial.

"I thought the security was unquestionable," Sir Peter told *Business Insurance*. "I knew the company. I knew what the business was. If I am going to place a policy for my names, I am going to place a policy with a company that is 100% secure."

Sir Peter stresses in his letter to Janson Green members that the policy was only meant to protect the syndicate "against both catastrophe losses and more importantly against unadvised and therefore unreserved losses arising on policies underwritten many years before the first advice."

The roll-over policy ran until 1982, when adverse publicity about roll-overs began, and Mr. Valentine suggested to Sir Peter that they cancel it. A little more than $10.6 million that had accumulated on the policy was returned to the members of Sir Peter's syndicate.

Sir Peter also transferred his interest in Imperial—valued at $358,370—to a charitable trust in 1982.

Lloyd's committee said that Sir Peter's duties to his names and his duties to and interest in Imperial were a clear conflict, with obvious dangers to him and his names. "He failed to make any arrangements to ensure that the oil rig policy terms were reviewed at least annually, and during the times where he was busy on behalf of the Society he failed to delegate his duty to his names to somebody else," Lloyd's committee said.

Sir Peter's failure to ensure that the 1978 renewal terms were reviewed and improved at the end of 1977 "was seriously negligent," the committee said. "By 1978, the size of the fund and level of interest rates in general were such that the benefit to Imperial was obviously excessive. . . .His repeated failure to perform his duty to his names was such serious or gross negligence as to constitute discreditable conduct." ■

Continued from previous page

"As a group, these situations constitute an excellent analytic prism through which to examine the relative effects of generic changes in tort law," according to the report.

The median view of the claim professionals on the impact of the tort law changes was reported.

The type of claim most frequently affected by an enacted tort law change, according to the claim professionals, was the deep-pocket claim scenario when joint and several liability was abolished.

In the three study states that completely abolished joint and several liability, the indemnity value of the deep-pocket claim was projected to decrease 63% in Wyoming, 73% in Colorado and 82% in Utah.

In seven other states that modified joint and several liability, the projected impact ranged from 13% in Connecticut, where the rule was abolished with apportionment of an orphan's share of damages, to 71% in Washington, where it was abolished except when the plaintiff is fault-free (and where the claim fact was altered to include 10% liability by the plaintiff).

In two other states that modified joint and several liability, New York and New Hampshire, no change on the value of the claim was expected.

The impact of changing joint and several liability in any of the 12 states was hardly meaningful in the fatal truck-car crush or the chair failure. And it was meaningful in the punch press accident only in the three states where the rule was abolished.

Relaxation of the collateral source rule, enacted in various forms in eight of the 15 states, is expected to have its greatest impact on the supermarket slip-and-fall and stairway fall claims, ranging from a 13% reduction in Colorado to a 30% reduction in Minnesota for the supermarket fall, and from a 4% reduction in Colorado to a 25% reduction in Florida for the stairway fall.

However, ceilings on non-economic damages as enacted in seven of the 15 states—from flat caps to flexible and partial caps—were not projected in the median view to have any effect on five of the six claims tested.

Only in the deep-pocket claim was the flexible cap enacted in Washington expected to have any effect: a 19% reduction. The flat cap of $250,000 in Colorado was projected to reduce the same claim payment 5%.

The other five states in which no change was projected due to new caps were Florida, Maryland, New Hampshire, Alaska and Minnesota.

However, minorities of participants often did expect the enacted ceilings to have some impact on some of the claim situations.

In addition, changes in the rules governing punitive damages made in six states were not expected to have any impact on the two claims appropriate for testing: the fatal truck-car crash and the punch press product liability claim.

New Hampshire abolished the damages; Colorado, Florida and Oklahoma capped the awards; Minnesota restricted filings for punitive damages; and Alaska set an evidentiary standard for proof of misconduct.

However, the report notes that the majority of participants in most states believed that neither claim involved defendant behavior that would provoke a punitive award.

"Had the facts of the standardized situations been changed to introduce behavior that would have posed this threat more vividly, the results received might well have been quite different," the report states.

The claims professionals also projected no impact on the indemnity value of the six claims from four other tort law changes as enacted by the states:

- Limitation on contingent fees as enacted by Connecticut, New Hampshire and Washington.
- Sanctions against frivolous suits or defenses as enacted by New Hampshire, New York and Oklahoma.
- Changes in prejudgment rules as enacted by Michigan and Oklahoma.
- Alteration of the treatment of future damages as enacted by Minnesota.

Taken as a whole, the tort law changes enacted in 1986 were expected to have their most impact on the construction site deep-pocket claim. The claim professionals projected that claim's indemnity value would drop in 12 of the 15 states. The percentage drop ranged from a low of 6% in New Hampshire to a high of 82% in Utah.

The other states and the predicted decrease in indemnity payment on behalf of the policyholder at issue were: Washington (75%), Colorado (73%), Wyoming (63%), Illinois (55%), Alaska (45%), Florida (43%), Connecticut (30%), California (25%), Michigan (23%) and New York (17%).

No change in the value of the claim was expected as a result of reforms enacted in Maryland, Minnesota, Oklahoma.

The indemnity value of the supermarket slip-and-fall case was expected to decrease in just six of the 15 states, ranging from 19% in New York to 29% in Alaska. The other states where decreases are expected are Minnesota (34%), Connecticut (25%), Florida (24%) and Michigan (20%).

The indemnity value of the industrial product liability claim was projected to be reduced 18% to 47% in a largely different set of six states enacting tort reform changes: Colorado (47%), Wyoming (39%), Florida (27%), Utah (25%), Connecticut (25%) and California (18%).

The value of the stairway fall claim was projected to decrease also in six states, from 18% in Connecticut to 31% in Alaska. The other states where decreases were projected were Minnesota (25%), Florida (22%), Michigan (21%) and New York (20%).

In the other two claims tested—the fatal truck-car collision and the chair failure—no appreciable change in indemnity value was predicted in any of the 15 states enacting tort changes.

Overall, Oklahoma and Maryland are the only states in which enacted reforms are not expected to reduce the cost of indemnity payments in any of the claim scenarios, while Connecticut and Florida are the only states with new tort laws that are expected to reduce indemnity payments in all of the claim scenarios.

The study also concluded, however, that the exceptions, exclusions, sunset provisions and other uncertainties included in many of the tort reform statutes enacted make the impact of the changes difficult to predict.

The report cited as the classic example the Florida tort law amendments. There, the sunset provision is a shorter interval than the statute of limitations on bringing a tort action. "This creates the option for claimants who feel they can afford to wait before filing suit to delay either until it is clear that the law will be renewed or until it actually expires."

In addition, constitutional challenges to tort law changes make their impact uncertain, the report notes.

The three tort law changes tested for their impact on the same six claims in all 24 states were:

- Complete abolition of the rule of joint and several liability, resulting in making each defendant liable for only that portion of an award that corresponds to the share of that defendant's injury-causing fault as assigned at trial.
- Substantial relaxation of the collateral source rule, requiring the court to reduce any tort award by the amount of benefits that were received or are reasonably expected to be received by the plaintiff from sources such as medical insurance.
- Imposition of a $250,000 ceiling on awards of non-economic damages, which include damages for pain, suffering, anguish, stress, inconvenience and loss of the joy of life.

The three tested tort reforms, taken together, were forecast to substantially reduce the indemnity value of four of the six claims tested in all but one state—Utah, where no or only modest impact was expected on the slip-and-fall cases.

The fatal truck-car crash and the chair failure claims were least affected by the three tort reforms.

The reductions expected, measured at the median, ranged:

- From 10% in Utah to 37% in North Carolina in the stairway slip-and-fall case.
- From 18% in Wyoming to 32% in both Ohio and Louisiana in the supermarket slip-and-fall case.
- From 48% in Ohio to 84% in Louisiana in the multidefendant deep-pocket claim at the construction site.
- From 22% in Michigan to 55% in both California and Wyoming in the industrial site product liability claim.

In the truck-car collision claims, indemnity costs were forecast to be reduced 15% to 37% in half of the states in the sample, but only modest effects of 4% to 14% in the other half.

The impact of these tort reforms on the chair-failure claim was almost uniformly modest, in the 8% to 18% range, except in seven states where the impact was projected to be even less: Colorado, Massachusetts, Michigan, Minnesota, New Jersey, New York and Pennsylvania.

The "National Overview" of the "Claim Evaluation Project" was released to the press on Friday; 24 separate reports specific to each of the states also are available.

ISO announced its sponsorship of the study in December 1986, responding to demand from regulators, insurers, public policy makers and others for claims information in evaluating changes in tort law.

Another study announced at the same time, an analysis of data from more than 12,000 claims files, will be completed in 18-24 months, ISO says.

The 24 states studied in the "Claim Evaluation Project" include 69% of the national population in 1980 and provide a reasonably representative sample in terms of size, geographic location, tort law tradition and enacted changes in tort law, the report says.

The nine property/casualty insurers providing claim professionals for the study write about half of the total volume of general liability insurance premiums written by ISO-affiliated insurers.

They are: Aetna Life & Casualty Co., American International Group, CIGNA Corp., Continental Insurance Cos., Fireman's Fund Insurance Co., Hartford Insurance Group, Kemper Corp., Liberty Mutual Insurance Cos. and The Travelers Corp.

The two adjusting firms were Crawford & Co. and GAB Business Services Inc.

ISO issued many caveats in releasing the study, including:

- "It is not ISO's role to advocate specific tort reform initiatives."
- "The report takes no position either on the merits of tort law revisions or on the form such revisions might take."
- The overall conclusions mask significant divergences in expert opinion within each state because there were a large number of instances in which the median view was that a particular tort amendment would have no impact, but where a significant number, in some cases a majority, of respondents disagreed.

●

Copies of the "National Overview" and of the individual state reports are available for $20 per report from The Insurance Services Office, Corporate Communications, 160 Water St., New York, N.Y. 10038.

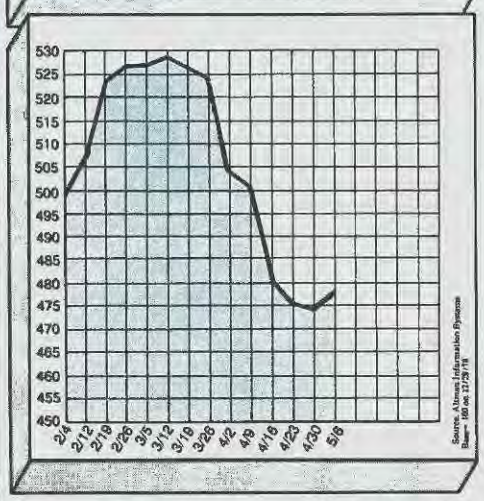
BI Industry Stock Report

May 6, 1987 5/1/87 thru 5/6/87

		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Brokers									
Alexander & Alexander Svcs	NYSE	26.00	-1.0	25.0	1.00	3.8	26.50	26.00	302.4
Baldwin & Lyons Inc	OTC	20.00	-4.8	8.3	0.20	1.0	21.50	20.00	2.5
Corroon & Black Corp	NYSE	29.25	1.3	13.0	0.84	2.9	30.50	28.75	156.3
Gallagher Arthur J & Co	OTC	19.25	-2.5	14.8	0.40	2.1	19.75	19.25*	277.7
Hall Frank B & Co Inc	NYSE	13.25	1.9	0.0	0.00	0.0	13.25	13.00	78.5
Marsh & Mclennan Cos Inc	NYSE	62.88	2.9	17.2	1.90	3.0	63.63	62.75	889.5
Poe & Assoc Inc	OTC	13.25	0.0	16.8	0.40	3.0	13.25	13.25	0.8
AGENTS/BROKERS	AVERAGE			14.9		2.8			
Conglomerates & Holding Cos.									
Anderson Clayton(Ranger/PanAm)	NYSE	65.63	0.0	18.8	0.00	0.0	0.00	0.00	0.0
Armco Inc	NYSE	12.00	14.3	0.0	0.00	0.0	12.00	10.00	2,439.7
Berkley W R Corp	OTC	26.75	-5.3	9.1	0.24	0.9	27.50	26.75	249.5
Berkshire Hathaway Inc Del	OTC	3400.00	2.1	232.6	0.00	0.0	3400.00	3340.00	0.6
CIGNA Corp	NYSE	60.75	1.5	8.7	2.80	4.6	60.88	59.88	918.1
CNA Finl Corp (CNA)	NYSE	52.38	4.2	13.0	0.00	0.0	52.38	50.00	119.6
General Re Corp	NYSE	54.25	-1.8	16.6	1.00	1.8	55.75	53.13	1,968.1
ITT (Hartford Group)	NYSE	56.63	2.0	14.5	1.00	1.8	56.63	54.88	2,923.2
Sears Roebuck & Co. (Allstate)	NYSE	54.00	2.1	14.0	2.00	3.7	54.00	52.50	2,817.8
Transamerica Corp (Occidental)	NYSE	33.25	-0.4	7.5	1.76	5.3	33.38	32.75	792.8
CONGLOMERATES/HOLDING COS.	AVERAGE			80.0		0.2			
Insurers									
Aetna Life & Cas Co	NYSE	57.50	-0.4	8.8	2.76	4.8	58.00	56.88	2,078.1
American General Corp	NYSE	38.38	-1.9	10.7	1.25	3.3	39.38	38.38	1,244.5
Amern Heritage Life Invt Co	NYSE	45.44	-0.1	15.4	0.96	2.1	45.75*	45.44	1.7
American Indty Finl Corp	OTC	15.75	-3.1	0.0	1.12	7.1	16.25	15.50*	10.2
American Intl Group Inc	NYSE	66.13	-0.2	16.4	0.25	0.4	67.00	65.00	2,184.2
Aneco Reins Ltd	OTC	2.25	0.0	9.0	0.00	0.0	2.25	2.25	12.8
Avemco Corp	NYSE	44.25	6.0	16.0	0.56	1.3	44.25	43.00	15.8
Business Mens Assurn Co Amer	OTC	25.25	-2.4	0.0	1.10	4.4	26.00	25.25	15.4
Chubb Corp	NYSE	60.88	3.6	9.6	1.68	2.8	61.63	59.88	1,024.3
Combined Intl Corp	NYSE	50.25	0.0	9.1	2.40	4.8	0.00	0.00	0.0
Continental Corp	NYSE	44.88	1.4	12.4	2.60	5.8	44.88	43.88	593.9
Crown Life Ins Co	OTC	310.00	0.0	10.7	6.40	2.1	310.00	310.00	0.4
Durham Corp	OTC	50.13	4.4	16.8	1.36	2.7	50.13*	48.00	7.6
Farmers Group Inc	OTC	41.75	-4.0	13.2	1.20	2.9	42.00	41.25	1,079.7
Fairmont Finl Inc	AMEX	18.25	0.7	12.6	0.00	0.0	18.50	17.75	71.9
Fireman Fd Corp	NYSE	35.75	-0.7	12.3	0.40	1.1	36.13	35.25	770.0
Fremont Gen Corp	OTC	15.88	-2.3	0.0	0.48	3.0	16.25	15.75	203.1
Great West Life Assurn Co	OTC	700.00	0.0	14.4	18.00	2.6	0.00	0.00	0.0
Home Group Inc	AMEX	20.63	-1.8	5.3	0.20	1.0	21.13	20.50	196.0
Hanover Ins Co	OTC	32.00	0.0	9.7	0.36	1.1	32.00	31.50*	115.0
Harleysville Group Inc	OTC	16.75	-1.5	5.4	0.40	2.4	16.75	16.63	18.4
Hartford Steam Boiler Insptn	OTC	30.50	-2.0	13.3	1.00	3.3	31.75	30.50*	141.8
Kans City Life Ins	OTC	27.00	0.0	10.4	0.96	3.6	27.00	27.00	6.5
Kemper Corp	OTC	31.50	-4.5	10.9	0.60	1.9	33.00	31.50	881.4
Liberty Corp S C	NYSE	38.50	-0.3	13.8	0.72	1.9	38.63	38.50	9.4
Lincoln Natl Corp Ind	NYSE	48.00	1.3	10.1	2.16	4.5	48.13	46.75	227.1
Mission Ins Group Inc	PAC	1.75	0.0	0.0	0.00	0.0	4.38	0.69	14.6
Monumental Corp	OTC	55.63	0.0	18.8	0.00	0.0	0.00	0.00	0.0
Nac Re Corp	OTC	26.88	0.5	35.4	0.00	0.0	27.25	26.75	67.7
Nobel Ins Ltd	OTC	14.25	-1.7	10.7	0.37	2.6	14.75	14.25	53.8
Northwestern Natl Life Ins	OTC	25.88	2.5	7.8	0.96	3.7	25.88	25.50	380.1
Ohio Cas Corp	OTC	41.75	1.2	11.9	1.68	4.0	42.00	41.25	263.5
Old Rep Intl Corp	OTC	27.63	13.3	9.9	0.80	2.9	28.00	24.75	444.0
Orion Cap Corp	NYSE	22.50	-2.2	0.0	0.76	3.4	22.75	22.50*	57.7
Protective Corp	OTC	14.38	-0.9	11.7	0.70	4.9	14.38	13.38*	224.9
Provident Life & Acc Ins Co	OTC	22.38	4.1	10.4	0.84	3.8	22.38	21.63	144.9
St Paul Cos Inc	OTC	46.25	1.1	10.7	1.76	3.8	46.50	45.75	887.7
SAFECO Corp	OTC	56.00	5.2	10.4	1.70	3.0	56.00	53.75	575.3
Scor U S Corp	OTC	13.50	0.0	21.4	0.00	0.0	13.75	13.25	50.0
Seibels Bruce Group Inc	OTC	15.25	-4.7	95.3	0.80	5.2	15.38	15.00	166.3
Selective Ins Group Inc	OTC	25.50	5.2	9.8	0.92	3.6	25.50*	24.75	114.1
Statesman Group Inc	OTC	5.13	0.0	0.0	0.05	1.0	5.25	5.13	74.9
Tokio Marine & Fire Ins Co	OTC	90.63	0.0	101.8	0.17	0.2	0.00	0.00	0.0
Torchmark Corp	NYSE	27.50	-0.9	9.8	1.20	4.4	27.63	27.25	464.4
Travelers Corp	NYSE	45.38	1.7	9.7	2.28	5.0	45.75	44.50	1,753.9
Trenwick Group Inc	OTC	15.50	6.9	39.7	0.00	0.0	15.50	15.00	59.2
United Fire & Cas Co	OTC	27.25	1.9	10.5	0.80	2.9	27.50	27.00	26.0
United States Fid & Gty Co	NYSE	38.88	1.0	9.4	2.48	6.4	39.38	37.50	2,628.8
Unum Corp	NYSE	21.13	-1.2	0.0	0.40	1.9	21.38	20.38*	611.5
Uslife Corp	NYSE	38.38	2.3	9.8	1.20	3.1	38.50	37.63	95.0
Washington Natl Corp	NYSE	25.63	1.5	12.1	1.08	4.2	25.63	24.63	31.3
Zenith Natl Ins Corp	OTC	19.75	1.9	15.1	0.80	4.1	20.00	19.75	334.1
INSURANCE COMPANIES	AVERAGE			12.5		2.6			

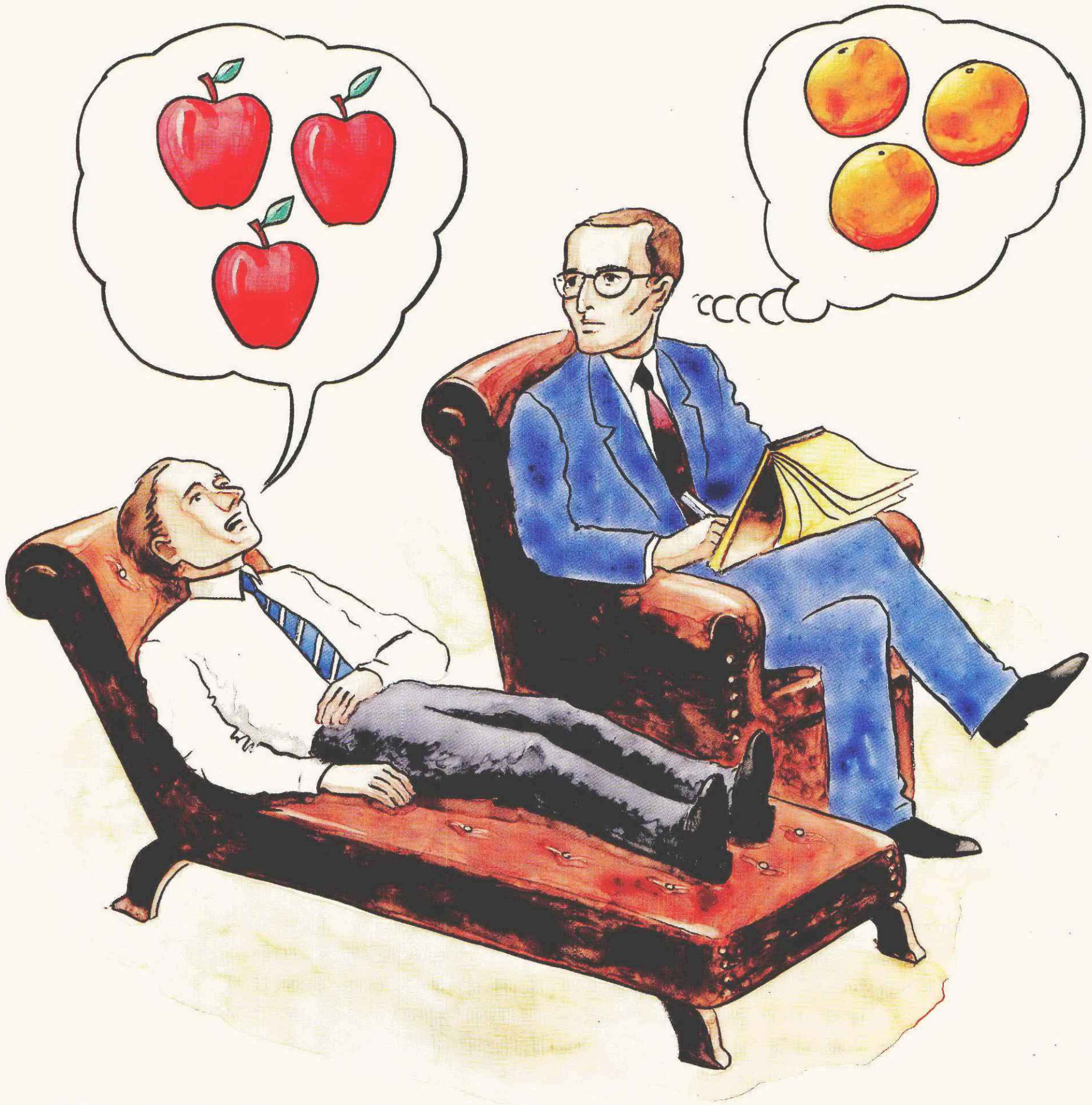
System design: Altman Information Systems

BI Insurance Index



The *Business Insurance* stock index closed at 477.2 on May 6, up 3.1 points from 474.1 on April 30. A total of 28 stocks posted gains, 24 declined and 11 remained unchanged at the end of the period. Leading gainers were: Old Republic International Corp., up 13.3%; Tokio Marine & Fire Insurance Co., up 7.3%; Trenwick Group Inc., up 6.9%; and Avemco Corp., up 6.0%. Declining stocks for the period were led by: Berkley W.R. Corp., down 5.3%; Baldwin & Lyons Inc., down 4.8%; Kemper Corp., down 4.5%; and Farmers Group Inc., down 4.0%. The *BI* index climbed only 0.7%, trailing the leading stock market indicators: The Dow Jones industrial average grew 2.4%; Standard & Poor's 500 average gained 2.5%; and the New York Stock Exchange composite posted a 2.2% gain.

Does your reinsurer understand your needs?



Does your reinsurer listen when you try to discuss your reinsurance problems?

Or is he too busy trying to pick off only the juiciest risks. . .while ignoring the rest of your book of business?

We're known as the one reinsurer who really *listens* to your problems.

And after we listen, we find innovative ways to handle all your reinsurance problems.

We work with you throughout the entire reinsurance process, from risk selection to claims management.

So the next time you're talking apples and your reinsurer is hearing oranges, call us.

We are one reinsurer who really knows how to listen.

NORTH AMERICAN RE

We Take Your Risk Out Of Reinsurance.

NORTH AMERICAN REINSURANCE CORPORATION 237 PARK AVENUE, NEW YORK, NY 10017 (212) 907-8000
ATLANTA BOSTON CHICAGO DALLAS LOS ANGELES NEW YORK PHILADELPHIA SAN FRANCISCO