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Updates

Mental health bill would raise health plan costs 4%, says CBO

WASHINGTON—Legislation passed by the U.S. Senate that would require group health plans to provide the same coverage for mental illness as they do for other disorders would increase plan costs by 4%, the Congressional Budget Office estimates.

The CBO, in a letter to Rep. Harris Fawell, R-Ill., chairman of the House Employer-Employee Relations Subcommittee, says premiums would rise by $6.7 billion for employers that upgrade mental health benefits. Premiums would fall $4.8 billion for em-

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Liability at life's end

Providers risk suits in reviving patients

By JUDY GREENWALD

Once fluent in five languages, Perry Elfmont today speaks only gibberish.

That isn't how the retired physician, now 90, planned it.

So strong were his convictions about preserving his quality of life that Dr. Elfmont arranged for a power of attorney to be given to his son and for a health care proxy, in which he stated that in the event of a medical crisis he did not want to be resuscitated, given oxygen, transfusions or other specified treatments.

But something went wrong in 1994. While being treated for a stroke at Mt. Sinai Medical Center in New York, Dr. Elfmont went into cardiac arrest and the attending doctor overlooked or ignored his instructions, said his attorney, Lewis H. Fishlin of New York.

"He was saved, and now he can't significantly respond to any kind of human contact," said Mr. Fishlin, who is preparing a lawsuit against the hospital. "He can't speak, except for some gibberish mutterings—but nothing that shows cognitive ability."

Mt. Sinai said in a statement that Dr. Elfmont's care has been "thoroughly reviewed" and his family's concerns brought to the attention of the individuals involved. The hospital also said it ran an education program on advance directives, including health care proxies, as part of its efforts to ensure that doctors and others are aware of their obligations.



Dr. Elfmont's situation is not unique and the popularity of living wills could make such cases more common and medical providers more often liable.

Hospital risk managers are concerned but say that an emphasis on communication and existing risk management procedures will minimize mistakes and exposure to lawsuits.

Patients' rights in this area are governed by the federal Patient Self-Determination Act of 1990, which requires hospitals financed by Medicaid and Medicare to inform patients of their right to specify whether or not they want life support. Each of the 50

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Courts grow wary of class actions filed only to settle

3rd Circuit leads skepticism

By MICHAEL SCHACHNER

Class actions formed to settle massive numbers of bodily injury claims may be losing favor with the courts.

A federal appeals court earlier this month rejected a proposed $1.3 billion class-action settlement of future asbestos personal injury claims. That ruling could also influence another federal appeals court's current review of an asbestos settlement involving Fibreboard Corp., attorneys say.

Over the past 12 years, numerous courts have approved various class-action settlements related to injury-causing products, ranging from Agent Orange to the Dalkon Shield.

But the 3rd U.S. Circuit Court of Appeals' dismissal of the asbestos settlement may signal a new attitude among federal judges toward broad classes formed for settlement purposes.

On May 10, a three-judge panel for the 3rd Circuit in Philadelphia threw out *Georgine vs. Amchem Products Inc.*, which contained a novel settlement offer made in 1993 by 20 former asbestos producers to hundreds of thousands of people exposed to their products (*BI*, Jan. 25, 1993). The companies belong to the Center for Claims Resolution, a successor of the Asbestos Claims Facility created by the Wellington Agreement, which provided a framework for member insurers and policyholders to settle coverage disputes and settle bodily injury claims.

In vacating the settlement, which was approved by a federal judge in 1994, the appellate court in Philadelphia said the terms of the settlement violated Federal Rule of Civil Procedure 23 because disparity among claimants' illnesses was greater than commonality. Furthermore, the 3rd Circuit said that classes formed only for settlement purposes, as this one was, must meet the same standards as classes formed for

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ValuJet insured for crash losses



AP/WIDE WORLD

As investigators comb the Everglades, insurers are evaluating a loss reserve that may be up to $300 million.

By ROBERT KAZEL

MIAMI—ValuJet is fully insured for losses from the crash of a DC-9 jet that killed 110 people in the Florida Everglades May 11.

The Atlanta-based discount airline has $750 million in liability coverage, according to filings with the U.S. Department of Transportation. The airline has an insurance program for property and liability losses led in the United States by United States Aircraft Insurance Group, which retained 20% of the risk. Lloyd's of London syndicates and London market insurers wrote 25.5% of the coverage.

The remaining insurers on the program, which was renewed Oct. 1, 1995, are:

- La Reunion Aerienne of Paris, which wrote 20%.
- Associated Aviation Underwriters, 10%.
- Assurance France Aviation of Paris, 10%.
- American Home through AIG Aviation Inc., a unit of New York-based American International Group Inc., 7.5%.
- CIGNA Corp. of Philadelphia, 5%.
- Somerset Aviation Inc. of New York, 2%.

Rumblings throughout the aviation market are that ValuJet's underwriters may have to set a loss reserve as high as $300 million, though some think that is too high because of the passenger profile.

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Another try at pension simplification

Third time may be charm, but doubts remain for passage of House bill

By JERRY GEISEL

WASHINGTON—Stymied three times before, federal legislators are making yet another push to simplify pension and savings plan administration.

But there is no evidence that the latest measure, which would make it easier for employers to run non-discrimination tests on their 401(k) plans, will be any more successful than previous ones, benefit lobbyists say.

The House Ways and Means Committee last week on a 33-3 vote approved tax legislation, H.R. 3448, that includes pension simplification and other employee benefit provisions, such as retroactive extension of the tax-favored status of tuition reimbursement through Dec. 31, 1997.

The pension and benefit provisions are non-controversial and generally welcomed by employers. Congress has, in fact, included similar provisions in three previous bills it passed.

Those bills, though, were vetoed by Presidents Bush and Clinton for reasons unrelated to pension simplification. President Clinton, for example, last year vetoed a budget bill because, he said, it would have cut the future growth of Medicare too deeply. The measure also would have let employers withdraw surplus assets from pension plans to pay for other benefit programs, a move the administration also strongly opposed.

The latest measure is not controversial, at least not now. But the Senate could make additions that the administration would object to. A tax bill "takes a real risk that it's going to blow apart on the Senate side," said White House Chief of Staff Leon Panetta.

"The problem is getting a tax bill through without it being encumbered with all kinds of things that once again would lead to a presidential veto," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

Benefit lobbyists also caution that the fate of the latest tax bill is uncertain.

"We're not setting up the band yet for a victory song. This bill has a long way to go," said Mark Ugoretz, president of the ERISA Industry Committee, a big business lobbying group in Washington.

"I think it is a real long shot for this bill to become law. But that doesn't mean we won't redouble our efforts to try to get it passed," said James Klein, president of the Assn. of Private Pension & Welfare Plans in Washington.

Pension simplification provisions in the

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Updates

Mental health cost estimates

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ployers that cut other health benefits down to the level of mental health benefits.

In addition, as many as 800,000 employees and dependents could lose coverage as employers drop health benefits altogether rather than add mental health benefits. But the CBO acknowledges that this estimate is highly uncertain due to the large margin of error in the study.

The mental health care requirement is part of a broader bill passed by the Senate that would curb pre-existing medical condition exclusions. Conferees have yet to resolve differences between it and a House-passed bill without the mental health requirement.

ALCOA cleanup cover denied

SEATTLE—Insurers will not have to pay Aluminum Co. of America about $190 million in environmental cleanup costs, a Washington state court judge has ruled.

Washington Superior Court Judge Kathleen Learned ruled last week that ALCOA and its Northwest Alloys Inc. unit did not meet notice of loss and suit limitation requirements in first-party, all-risk primary and excess property policies from multiple insurers. Therefore, insurers owe no coverage for about $190 million in cleanup costs for three sites.

Several weeks after a jury ruled that notice of loss and suit limitation clauses in policy jackets apply (*BI*, April 29), Judge Learned ruled in three test cases that ALCOA knew of potential monetary losses more than one or two years before filing a coverage suit but failed to tell insurers within the period set by suit limitation clauses.

As a result, Lexington Insurance Co., which wrote $20 million in per occurrence coverage annually from 1977 to 1980, and other insurers that wrote primary and excess coverage from 1980 to 1983, do not have to indemnify ALCOA for more than $190 million it spent on cleanups in New York, Washington and Texas.

ALCOA's attempt to win coverage for 15 other sites is also bound by the April jury ruling that notice of loss and suit limitation clauses are applicable. If it is determined that ALCOA knew of monetary losses that would pierce policy limits more than one or two years before filing suit, coverage would be denied.

ALCOA must wait to appeal any rulings until coverage for all sites is determined, as well as completion of a second phase of the trial centering on whether pollution was accidental or intentional.

Mitsubishi appoints auditor

NORMAL, Ill.—Mitsubishi Motor Manufacturing of America will be reviewed by former Secretary of Labor and U.S. Congresswoman Lynn Martin as part of its response to a sexual harassment suit.

Mitsubishi appointed Ms. Martin to examine the company's workplace policies and procedures as well as develop, recommend and monitor a new workplace plan.

That move came two weeks after Tsuneo Ohinouye, chairman and chief executive officer of Mitsubishi, said he would take a number of steps to ensure that the $150 million sexual harassment suit filed by the U.S. Equal Employment Opportunity Commission would be resolved and that similar events would not occur in the future.

Mitsubishi initially reacted to the suit by sending about 2,600 workers to rally in its support outside the Chicago EEOC offices.

The suit was filed April 9 on behalf of female workers who claimed they were subjected to sexual taunts, gropes and other aggression by male co-workers since at least 1990. The suit, filed in U.S. District Court in Peoria, Ill., could become the biggest sexual harassment case in the agency's history, with 500 or more potential victims and damages of $300,000 allowed by statute for each.

States negotiate with Lloyd's

SACRAMENTO, Calif.—The California Department of Corporations and the state Department of Insurance are negotiating a standstill agreement over litigation concerning Lloyd's of London through alternative dispute resolution.

Earlier this month, a U.S. District Court judge in California dismissed for the third time the Department of Corporations' effort to stop Lloyd's from continuing to do business in California and fined the department $20,000 and attorneys' fees for violating legal procedures in filing its complaint against Lloyd's.

In other state action, the Virginia State Corporation Commission reached an agreement with Lloyd's that the state will take no action on Lloyd's reconstruction and renewal plan before September.

The Tennessee Commissioner of Commerce and Insurance's office also has reached a standstill agreement with Lloyd's.

Briefly noted

The Federal Trade Commission has not objected to **Aetna Life & Casualty Co.**'s $8.9 billion acquisition of Blue Bell, Pa.-based **U.S. Healthcare Inc.**, said an Aetna spokeswoman (*BI*, April 8). The 30-day period the FTC had to object has now expired. The deal, which still awaits Securities and Exchange Commission and state regulatory reviews, is slated to be completed in the third quarter. . . .U.S.-Japan insurance trade talks last week ended with no progress being made toward opening **Japan's $650 billion life and non-life markets** to foreign insurers. Last month, the two countries set a June 1 deadline for coming up with a deregulation plan (*BI*, April 22).

Errors & omissions

• Due to a reporting error, the name of David E. McGurn, vp-international and specialty marketing at Arthur J. Gallagher & Co., was misspelled in a May 6 article.

Insurers under pressure

Soft pricing, cat losses putting squeeze on margins

By JUDY GREENWALD

Commercial property/casualty insurers' profitability may be running out of steam.

Increased competition in an already soft market, along with a catastrophe-ridden first quarter, is putting added pressure on margins that eventually will be reflected in results.

"The margins are under pressure because of the price competition and add on top of that the occasional hit from catastrophes—that can make a poor year horrible," said Alan Levin, managing director at rating agency Standard & Poor's Corp. in New York.

In 1995 and, to a certain extent, so far this year, the financial markets have been "reasonably conducive" to reasonable investment gains, helping insurers post profits despite the competition. But that cannot be counted on to continue, said Mr. Levin, nor will insurers be able to continue to benefit from loss reserve redundancies.

In the first quarter alone, the 20 commercial property/casualty insurers surveyed by *Business Insurance* which report this data posted a 14.2% increase in net income to $2.51 billion from $2.2 billion in 1995.

INSURERS RESULTS 1st Qtr.

But despite those apparently favorable results, the soft market continues to be a drain, analysts say.

Judy Blades, vp of commercial market segment operations at ITT Hartford Group Inc. in Hartford, Conn., said people in Hartford's field organization "didn't think they would ever see market conditions worse than the soft market conditions we faced in the '80s—until today. It is highly, highly competitive out there."

Slow economic growth and tremendous excess capacity are driving competition, she said.

"Considering all the historic losses in general liability, someone is willing to take some big hits out there," said David Seifer, vp with Donaldson, Lufkin & Jenrette Securities Corp. in New York.

At a recent analysts meeting, Willis Corroon Corp. introduced a tongue-in-cheek rating system of soft, savage and suicidal, and said pricing almost around the world is now "ranging somewhere between soft and savage," said Michael Smith, an analyst at Salomon Bros. in New York.

"I think what's driving the com-

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Crain chairman retires at 85

CHICAGO—Mrs. G.D. Crain Jr., 85, who has been chairman of the board of Crain Communications Inc., which publishes *Business Insurance*, since 1974, is retiring after 40 years with the company and will hold the title chairman emeritus.

Keith Crain, vice-chairman of the company, and Rance Crain, president, will retain their present positions.



Mrs. Crain

Gertrude Crain first became involved in the business as assistant treasurer at the urging of her husband, G.D. Crain Jr., who founded the company in 1916. She also served as secretary and became chairman after the death of her husband in 1973.

Mrs. Crain has been active in numerous professional organizations, including the Committee of 200, an international organization of leading business women, and she has also been a leader in the world of publishing. Among her honors is the coveted Henry Johnson Fisher Award from the Magazine Publishers of America, which she received in 1992.

In a memo to the staff, Messrs. Crain said that "We've enjoyed exciting times since Mom became chairman and, through it all, she's kept us all pulling together to make the company the best it can be. She believes deeply everything we do should be with the highest standards, the greatest integrity." BI

Insurers fall short if Big One hits: ISO

By MARK A. HOFMANN

NEW YORK—A $50 billion megacatastrophe could drive up to 36% of all the country's insurers into insolvency, according to a new study by the Insurance Services Office Inc.

Those insurers could ultimately fall short by $56 billion of the amount needed to cover claims, depending on the size and location of the event, researchers say. Among the most costly potential catastrophes, according to an ISO computer model, would be hurricanes hitting the Northeast coast and earthquakes centered in the Mississippi Valley's New Madrid earthquake zone.

Insurer capital is inadequate to deal with a huge catastrophe, as are traditional methods for covering catastrophic losses, such as reinsurance and guaranty funds, the researchers concluded. And attempts to limit their exposure to such losses have created availability problems in high-risk areas.

Solving all three of those problems will require capital from outside the industry, according to the study released last week.

Echoing that assessment, a reinsurance brokerage executive recently predicted that available reinsurance would fall short of meet-

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Sounding off on arbitration

By DAVE LENCKUS

A federal appeals court's decision affirming its view that arbitrators have expansive authority in resolving reinsurance disputes highlights some attorneys' concerns about arbitrators' general practice of not issuing written decisions.

In an unpublished decision, the 9th U.S. Circuit Court of Appeals in San Francisco on April 8 upheld an arbitration board's decision, which awarded Unigard Security Insurance Co. exactly half of the coverage for asbestos losses that it sought from its reinsurer, CIGNA Reinsurance Co.

The arbitrator, though, did not explain why some of Unigard's losses could be aggregated to trigger its reinsurance, while other losses could not be aggregated and, therefore, were too small to trigger coverage.

Some insurer attorneys essentially are questioning whether written, reasoned decisions wouldn't be reasonable. Written decisions might provide some guidance that could prevent future litigation between other insurers and reinsurers, or at least give the parties some clue why they

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Pension and retirement benefits

A tale of two programs



Social Security's outlook cloudy without reforms

Advisory panel to issue proposals

By MARK A. HOFMANN

Partial privatization of the Social Security system may be the best way to prevent the federal program from collapsing in the next century, a group of pension experts contends.

Their proposed transformation—which has long been politically unthinkable—is likely to draw considerable employer interest. An ailing Social Security program could mean higher payroll taxes for employers and pressure to provide more retirement benefits.

But not all pension experts support a radical overhaul of the Social Security program, warning it could create greater insecurity and lower retirement income.

At least five members of the 13-member Social Security Advisory Council will soon call for the current system to be gradually replaced by one largely dependent on mandatory, self-directed "personal security accounts." These proposed PSAs would be funded by the employee contributions to Social Security; employer contributions would continue to fund a monthly defined benefit.

The advisory committee was appointed by Health and Human Services Secretary Donna Shalala in 1994.

The PSA proposal was designed by a group of council members including Sylvester J. Schieber, vp and director of Watson Wyatt Worldwide in Washington. Without radical changes, the Social Security trust fund will run out of money around the year 2030, just as the youngest baby boomers turn 67 and thus become eligible for Social Security benefits, Mr. Schieber said.

Five or six other members of the council oppose such a radical break with tradition as the proposed creation of PSAs. They instead will advocate that the current system be shored up and that a portion of So-

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Pension agency sees much brighter future

PBGC's turnaround not quite complete, but recent reforms spur lasting changes

By JERRY GEISEL

For the Pension Benefit Guaranty Corp., the outlook for its future could not have been much worse than in 1993.

Hammered by the collapse of several hugely underfunded pension plans—most notably those of Pan American World Airways Inc. and Eastern Airlines Inc.—the agency's deficit that year hit a record $2.9 billion, up almost three-fold from $1.1 billion just four years earlier.

With a still shaky economy, it seemed it would be just a matter of time before more companies and their underfunded pension plans failed, widening the gap between the PBGC's assets and benefits promised by plans the agency has taken over or expects to take over.

On Capitol Hill, legislators were warning that the PBGC and its pension insurance program had the makings of a savings and loan association-type crisis. They raised the specter that a federal bailout might be needed.

How times have changed.

The $2.9 billion deficit of 1993 shrunk to $315 million last year. The PBGC's financial position has so improved that business groups, which once feared that PBGC premiums would skyrocket, now say it is time to consider lowering those charges, an idea unimaginable a few years ago.

"The way things are going, the PBGC is on its way to becoming the richest little agency in town," said Mark Ugoretz, president of the ERISA Industry Committee, a Washington-based employer benefits lobbying group.

PBGC officials, though, say that is an overstatement, noting that the agency still is potentially exposed to about $10 billion in unfunded liabilities in pension plans sponsored by companies in some degree of financial difficulty.

But they do acknowledge that the agency has made a remarkable turnaround from dark days earlier in the decade.

"The insurance program has been restored to a level of financial strength unseen in more than a decade," said PBGC Executive Director Martin Slate.

Others concur in that assessment.

"The PBGC has made dramatic progress. I am very positive on the future of the program," agreed James Lockhart, senior vp-finance at National Reinsurance Corp. in Stamford, Conn., and the PBGC's executive

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Spotlight Editor:
Jerry Geisel

10 largest plan takeovers

		Under-funding* (in millions)	Participants	Year taken over
1	Pan American World Airways	$763	51,959	1991
2	Eastern Airlines	563	76,727	1990
3	Wheeling Pittsburgh Steel	495	28,198	1985
4	Sharon Steel	247	7,720	1993
5	Kaiser Steel	223	8,588	1987
6	CF&I Steel	219	6,045	1992
7	Republic Steel	205	10,243	1986
8	Allis Chalmers	170	9,549	1985
9	UniRoyal Plastics	127	6,112	1992
10	Blaw-Knox	101	6,271	1992

*For PBGC-guaranteed benefits
Source: Pension Benefit Guaranty Corp.

GRAPHIC BY KIM ROME

PBGC

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director during the Bush administration.

While cautious, PBGC officials say legislative changes enacted in 1994 that require employers to accelerate contributions to underfunded plans, along with other changes, should mean that the agency's dire straits of just a few years ago will not return.

"We have to be vigilant. We have been on an up (economic) cycle. Things will not always be like that. That is why we need tough funding rules. But our financial affairs are in order," Mr. Slate said.

The restoration of the PBGC's financial health is good news for employers with defined benefit plans whose premiums support the agency and the insurance programs it administers. Those programs guarantee basic vested benefits for about 33 million individuals in single-employer pension plans and 8.7 million people in multiemployer plans. Last year, the PBGC paid $763 million in benefits to 182,000 workers and retirees whose underfunded pension plans were terminated and taken over by the PBGC.

The base annual premium—which began as $1 per plan participant when the PBGC was created in 1973—currently is $19 per participant for fully funded plans. The premium for underfunded plans increases based on how much they are underfunded. Employers with severely underfunded plans can pay several hundred dollars a year per plan participant in PBGC premiums.

Those escalating premiums are a major disincentive for employers to offer defined benefit plans.

Many employers, especially those with fully funded plans, consider premiums "wasted money," said William J. Miner, a consultant at Watson Wyatt Worldwide in Chicago.

But, with its deficit shrinking, PBGC premiums should remain stable for the foreseeable future.

Some groups, in fact, say that premiums should be decreased.

"We are suggesting a substantial decrease in the premium. The PBGC's assets have increased but it faces substantially less risk today than it ever has," said Mr. Ugoretz of the ERISA Industry Committee.

There are many factors behind the federal pension agency's turnaround. "A change like this doesn't happen for just one reason," noted Pamela Scott, a principal at benefit consultant Kwasha Lipton L.L.C. in Fort Lee, N.J.

A strong economy and surging stock market stand out above all other factors. The strength of the economy has benefited the PBGC in several ways. A strong economy has reduced the risk of companies failing and taking down with them their underfunded pension plans.

Indeed, it has been three years since the PBGC has been hit with anything approaching a jumbo claim, defined as those in the $100 million plus category; the last big claim incurred by the PBGC was the 1993 termination of Sharon Steel Corp.'s pension program, which had $247 million in unfunded benefits that the PBGC had to guarantee.

A resurgent economy also has meant that plan sponsors—especially employers in cyclical industries, like automobile manufacturing—have more money to put into their pension plans.

The bull stock market also has been a boon to the PBGC. A well-timed shift in early 1994 of more agency assets—derived from the assets of pension plans it has taken over—to equities from fixed investments—resulted in a gain of $450 million higher than if the agency had not changed its investment strategy, according to the PBGC.

In 1995, the PBGC's investments in equities increased in value by 30.9%, while fixed investments earned 22.6%.

Increased revenue from premium increases also have helped the PBGC to cut its deficit. It now collects about $900 million a year in insurance premiums from employers. In the mid 1980s—just before a series of premium increases—the agency was collecting between $200 million and $250 million a year.

Improved management also has resulted in the agency collecting more premium income that it was owed. A modernization of its premium collection system has enabled the PBGC to recover $90 million in premiums that employers with underfunded plans should have—but didn't—pay the PBGC.

While perhaps not having a direct impact on its deficit, other agency initiatives—chief among them its early warning program for spotting troubled plans—have reduced plan underfunding and future losses to the PBGC.

Under the early warning program, the PBGC scrutinizes major financial transactions of employers with the largest underfunded pension plans.

This program was established in 1991 in the wake of the huge losses resulting from the terminations of Pan Am and Eastern Airlines pension plans (see chart) and significantly expanded in 1993.

Using its ultimate weapon—the threat of terminating a plan and making an employer responsible for paying for all accrued liabilities—the PBGC has negotiated more than $13 billion in additional pension contributions from employers under the early warning program.

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PBGC

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"The idea is to target and monitor companies that present the greatest risk to the PBGC. Problems can be addressed before they get bigger," said Carol Conner Flowe, a partner at Arent, Fox, Kintner, Plotkin & Kahn in Washington and a former PBGC general counsel.

One recent success of the early warning program: Ravenswood Aluminum Co., which in recent years has had one of the nation's worst-funded pension plans, agreed to plow more than $40 million in additional contributions into its plan. In return, the PBGC did not interfere with the sale of a majority interest by Ravenswood's owner—Glencore International A.G. of Switzerland—of Century Aluminum Co., Ravenswood's corporate parent (*BI*, April 15).

The fear of negative publicity, say PBGC officials and benefit consultants, also has led companies to pump millions of dollars in additional contributions to their plans.

Each year, the PBGC publishes a list of the nation's 50 worst funded plans. The adverse publicity is such that some employers—once told they will be on the list—will kick in more money, Mr. Slate says.

"Companies voluntarily do more to get off that list," agreed James Durfee, a principal with Towers Perrin in New York.

Legal battles the agency undertook years ago also have paid off, most notably a multiyear skirmish with LTV Corp., a Dallas-based steel producer and aerospace company.

Back in the mid-1980s, LTV said it could no longer afford to maintain its pension program, which had more than $2 billion in unfunded vested benefits. In early 1987, the PBGC then terminated those plans and assumed responsibility for paying guaranteed benefits.

Months later, LTV established what were described as follow-on plans. These new, low-cost plans provided employees and retirees benefits not guaranteed by the PBGC.

For LTV, the arrangement made economic sense. It transferred $2 billion in pension liabilities to the PBGC. Its new pension program cost a fraction of the old one.

But, for the PBGC, the arrangement was a disaster. If allowed to stand, other companies would soon terminate their underfunded plans, dump the liabilities onto the PBGC and set up low-cost replacement plans, the agency feared.

"Companies came to us and said they were thinking of doing the very same thing" that LTV did, said Ms. Flowe, who was then the PBGC's deputy general counsel.

The PBGC, though, returned the terminated plans and their massive liabilities to LTV, saying the company's arrangement was an abuse of the pension insurance program. LTV sued, but the U.S. Supreme Court in 1990 upheld the PBGC action.

Although perhaps not recognized at the time, 1987 was the start of a turnaround for the agency. Aside from its battle with LTV, the PBGC won passage of legislation that began to tighten pension funding rules.

And legislation passed in 1994, benefit experts say, so significantly tightens funding rules that companies no longer can indefinitely have hugely underfunded pension plans and expose the PBGC to big losses.

Among other things, the 1994 law accelerates plan funding so that in some cases employers with underfunded plans have only five years to fund liabilities, rather than the standard 30 years. The law also requires employers to use conservative interest rate assumptions in valuing plan liabilities, which affects how much they must contribute to their plans.

Without the 1994 law, the PBGC still would have been in a shaky financial situation, Mr. Slate says.

The 1994 law means better funding and a reduced likelihood that when a company fails its pension plan will be massively underfunded, experts say.

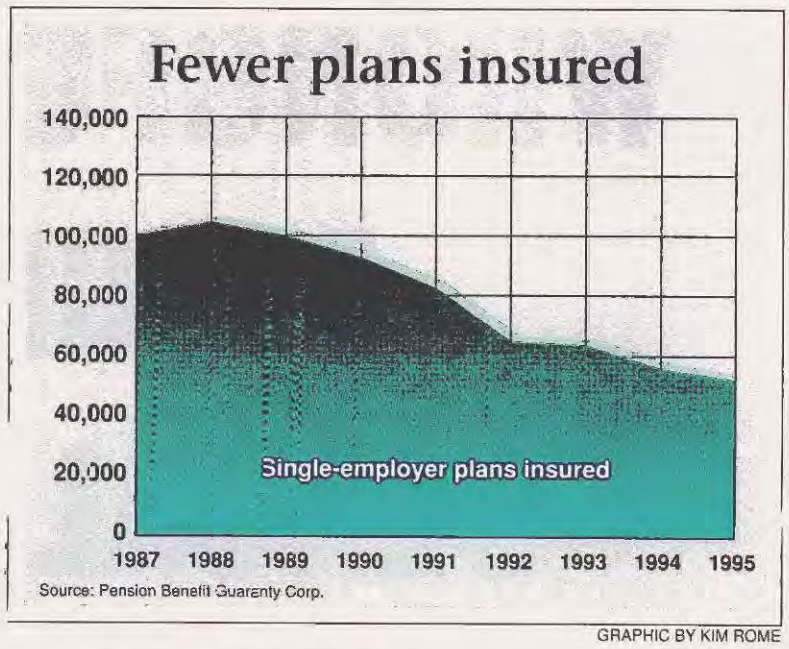
Still, the PBGC faces problems outside its control. The number of plans it insures has plunged as employers by the thousands have terminated defined benefit plans in favor of cheaper-to-administer and less-costly defined contribution plans, such as 401(k) plans. Since 1987, the number of PBGC-insured single-employer plans has dropped to 53,000 from 100,000.

While concerned about the terminations of defined benefit plans, Mr. Slate said they do not threaten the PBGC's premium base because the overwhelmingly majority of terminations have been made by small employers—those often with fewer than 500 employees. Big employers, whose plans cover most plan participants, continue to hold on to defined benefit plans.

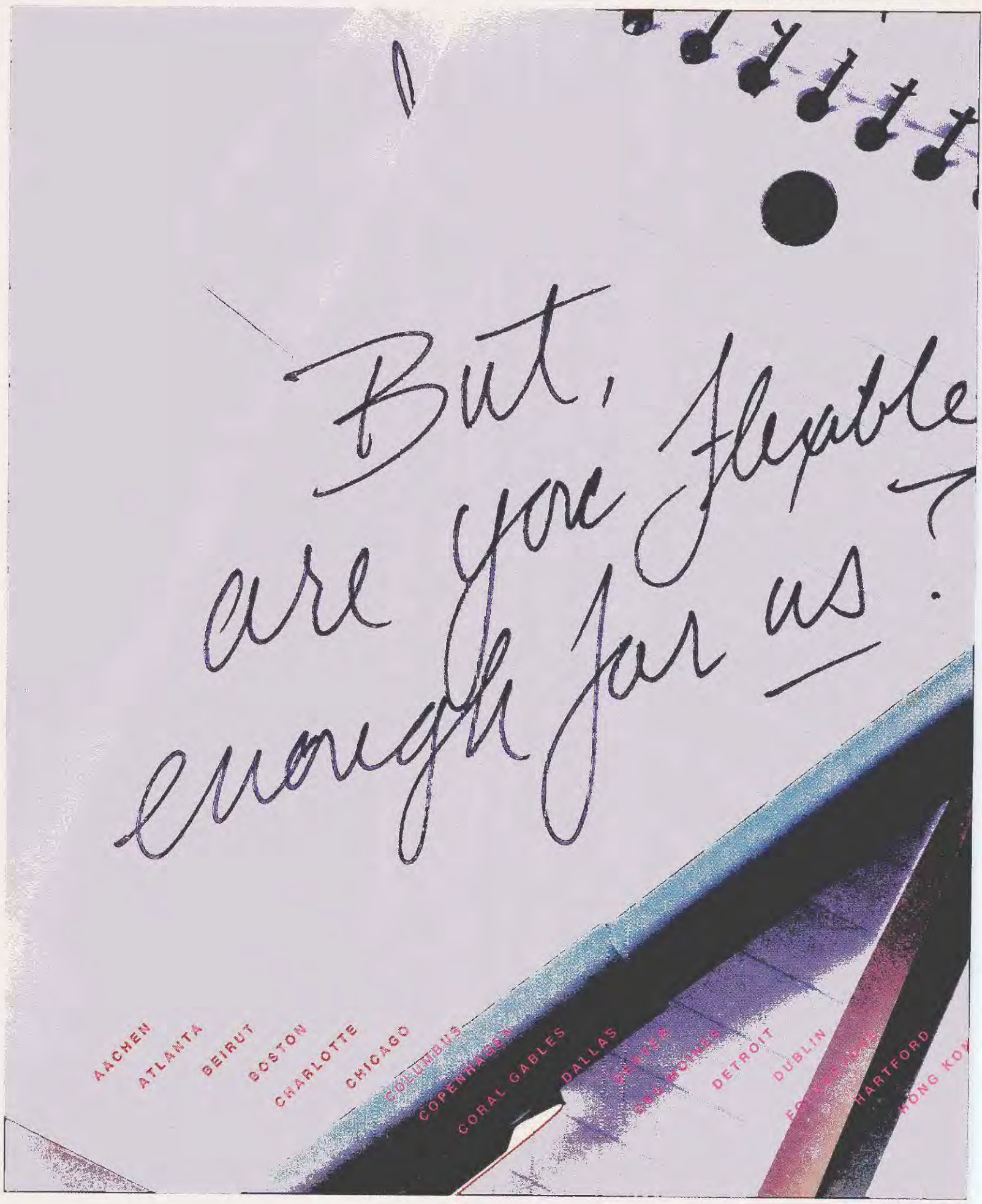
Because of the large employer commitment to defined benefit plans, the number of participants in PBGC-insured plans has remained at about 33 million, even though the number of plans has dropped.

And terminations of defined benefit plans have slowed in recent years. In the late 1980s, employers each year on average closed 10,000 to 11,000 defined benefit plans In the last two years, terminations have been running at an annual rate of under 4,000.

"The defined benefit plan system is pretty stable. The big wave of terminations may be over," said Watson Wyatt's Mr. Miner. BI



GRAPHIC BY KIM ROME



Security

Continued from page 3

cial Security contributions be invested in private equities rather than government securities.

A third, smaller group of commission members will recommend raising the Social Security payroll tax, cutting benefits for high-income citizens and allowing the creation of taxable individual indexed annuity accounts, which would be much smaller than the PSAs.

The support for some sort of degree of privatization of the system developed swiftly, noted Olivia S. Mitchell, a professor in the Insurance and Risk Management Department of the University of Pennsylvania's Wharton School and co-chair of the advisory council's Technical Panel on Trends and Issues in Retirement Savings.

"I thought there was absolutely no chance of any sort of privatization option being on the table" when the panel began its work in 1994, she said. But as the problems facing the system became more evident, thinking changed, she said. "I think that for the first time people started realizing the current system is insolvent and it will probably take something dramatic to restore confidence in the retirement income system."

And the system's problems are serious ones, as Mr. Schieber points out. The trust fund will begin running a deficit in 2013, as the baby boom generation begins drawing benefits, and will go broke 17 years later. Only 13 years ago, the system appeared to be solvent through at least 2063.

And, increases in longevity combined with changes in the workforce will mean there will be far fewer active workers per retiree to fund the program than is the case today, Mr. Schieber said. There currently are about 3.2 workers per retiree, though by the 2020s that figure will decline to about two workers per retiree.

"I think the crisis is very real. It is an extremely difficult kind of crisis for our government to work with," said John B. Shoven, dean of the School of Humanities and Sciences at Stanford University in Palo Alto, Calif., and an adviser to the advisory council. Because the trust fund isn't projected to run out of money for about 35 years, the government can stall consideration of solutions, he said, a tactic he strongly opposes. "The system cannot deal with the retirement of the baby boomers as it's now legislated," he warned. "Dealing with it sooner rather than later will be less painful."

Not everyone agrees that the system is in severe trouble.

"There is no fundamental flaw in Social Security financing that is a basis for saying the system needs fundamental change," said Robert Ball, a council member who served as Social Security commissioner from 1962 to 1973. Mr. Ball supports retaining the basic Social Security structure but allowing the government to invest some contributions in the equity market. Other changes advocated by Mr. Ball include extending coverage to the 3.7 million state and local employees who aren't currently covered by the system, changing to 38 years from 35 years the period on which benefits are computed and changing the manner by which individuals' benefits are subject to income taxes.

"I think the existing system isn't broken," said Robert Myers, chief actuary of the Social Security system from 1947 to 1970 and deputy commissioner during the early years of the Reagan administration. Mr. Myers said the system can continue to function with some adjustments, including gradually raising the retirement age to 70, gradually increasing the payroll taxes for both employers and employees by 1% and making some adjustments to the cost of living adjustment index. He stressed, however, that he would not endorse arbitrarily cutting the COLA by 1% because of the long-term impact on income of the elderly.

But, proponents of privatization say such actions will not be enough.

"There are a limited number of options for addressing the long-term shortfall in Social Security, none of which is very attractive. You can raise payroll taxes, which obviously employers have a great deal of concern about, or you can cut benefits through a variety of means. . .you can raise retirement ages, lower the benefits," said Ann Combs, a principal with William M. Mercer Inc. in Washington and a member of the advisory council. Ms. Combs, a supporter of the proposed PSAs, said that raising the retirement age would cause problems in many industries and could increase disability costs. Cutting benefits enough to compensate for projected Social Security shortfalls would put new strains on private pension plans, she said.

"If you're going to take that much out of Social Security, people will look to private plans to make that up," she said.

The PSA plan would set up a two-tiered system. About half of the current payroll tax would be used to fund the continuance of a basic flat benefit, currently estimated to be about $400 per month in constant 1996 dollars for a worker with 35 years in the system. Workers would be required to put most of their share of the payroll tax, or 5%, into PSAs. Although there would be some restrictions on PSA investments, workers would be able to choose how they wanted to invest the retirement funds.

The PSA system would be phased in over a 75-year period. Workers over 55 at the time of the transition's beginning would remain covered by the existing system, while those under 25 would be fully covered under the new two-tier system. Those age 25 to 55 would receive part of their benefits based on how long they had participated in the existing system and the other part based on their participation in the new system.

The age of eligibility for full Social Security would be gradually increased to 67, with additional increases of one month for every two years to reflect projected increases in life expectancy. The cost of covering accrued but unfunded liabilities from the old system during the transition would be financed through a consumption tax, a new payroll tax that Mr. Schieber called a "liberty tax" or at least partially through "liberty bonds" issued by the government.

Mr. Schieber said that the proposal would solve a number of problems at once. He said it would put the system on a much sounder financial footing and create a substantial pool of savings. The possible benefits for retirees could be much higher than those available under the present system. The plan would encourage generational equity and, by having individuals rather than the government direct the investments in the equity market, avoid the possibility of the federal government becoming that nation's largest stockholder.

The conversion to a semi-privatized system would also work to employers' benefit, he said.

Social Security used to be a "good deal" for workers, some of whom could expect to get back more than

See **Security** *on page 12*



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Opinions

Speak out for your security

IT IS CLEAR that the Social Security system is in need of an overhaul.

In fact, concern about the system's future is so great that pension experts are thinking about doing what previously was unthinkable—privatizing at least part of the system.

Employers have a vested interest in making their voices heard in what's certain to be a raucous debate. One way or another, it is employers that will end up paying the tab if there is no reform.

And reform must occur: The system's trust fund is projected to begin paying out more money than it's taking in within two decades and to go completely broke about 15 years later—far sooner than previously expected. In addition, the retirement of Baby Boomers in large numbers will place huge burdens on the program's resources, as well as reduce its income.

As the system is currently structured, the tab for shoring up the Social Security program to meet these challenges will fall on employees and employers.

But employers have an even greater interest in the coming debate, because they are likely to suffer a double hit. If Social Security benefits are cut or eliminated, employers will come under great pressure to boost private retirement benefits. And, if payroll taxes rise to maintain benefits, employers will find themselves with less operating capital for growth.

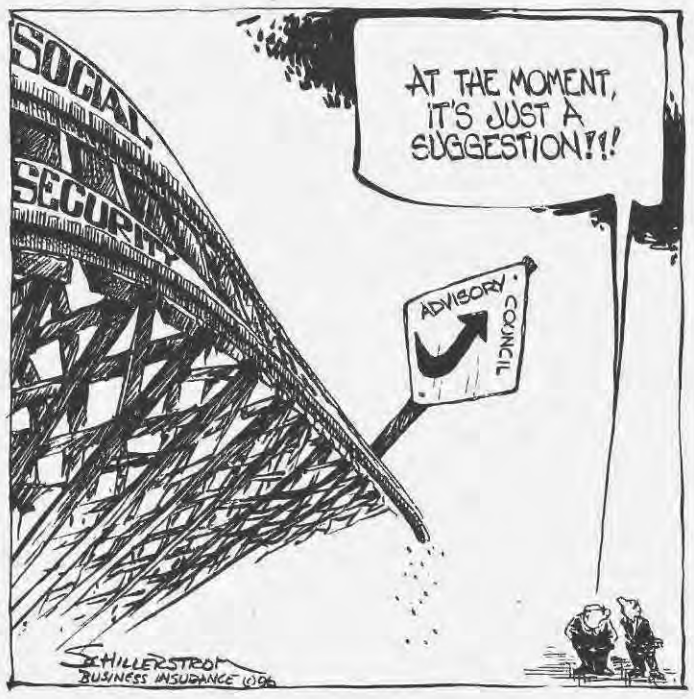
As we report on page 3, a Social Security Advisory Council is expected to soon release its recommendations for reforming the program. While the proposals differ, all call for some element of privatization.

One would replace the current defined benefit system with a two-tiered program in which basic monthly benefits are paired with self-directed "personal security accounts."

Another calls for more increases in payroll taxes, lower benefits for high-income people and new but limited individual annuity accounts.

A third calls for basic changes in eligibility and how benefits and taxes are calculated, plus allowing part of the Social Security trust fund to invest in private equities.

While it's premature to endorse any specific approach before its details are known, we believe that the two-tiered system—melding a guaranteed modest defined benefit with individual security accounts—deserves special attention. Such an approach would give employees more control of, and responsibility for, their retirement income while providing employers with new capital for economic growth. Self-directed accounts also eliminate the possibility that the federal government would eventually become the biggest stockholder in the country if it, rather than individuals, was to direct the investments.



Adoption of such a system would require controls on investment vehicles, a good deal of public education about investing, and a system to finance the gradual transition from the current system to the new hybrid. None of these, though, presents unsurmountable obstacles.

The most serious hurdle is time. Congress will have to act quickly on the reform ideas. These are radical changes that will take time to achieve. In addition, they will take time to work, building up new funds and security for the program's continuation.

Reformers should keep in mind that the goal of Social Security is not to guarantee a middle-class income in retirement. It is to provide a minimum level of income as a backstop. Employment-related pensions and personal savings are still the most critical elements in ensuring adequate retirement income.

If Social Security is to survive, reform must be implemented soon. Employers need to make their voices heard if they and their employees are to be assured of an economically secure future.

Letters

Voters shouldn't forget product liability veto

To the editor: Thank you for your excellent editorial, "Principles, What Principles?" in the May 13 issue. You demonstrated your clear understanding of the difficulty federal product liability reform proponents have experienced in dealing with President Clinton: his apparent change of heart, the convenient fidelity to federalism and, at the root of it all, his indebtedness to personal injury lawyers.

In pondering the future of this effort, *Business Insurance* identified the key consideration when you wrote, "President Clinton has left little doubt that he will veto any new attempt at reform." Those of us who have for 20 years advocated the reforms recently vetoed by President Clinton cannot count on yet another instance of presidential flip-flopping. Clearly, a different president is required and your readers should keep Mr. Clinton's veto of "The Common Sense Product Liability Legal Reform Act of 1996" clearly in mind when they walk into the voting booth in November.

Dirk Van Dongen
President
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Opinion ignores Lloyd's sins

To the editor: Your April 15 editorial, "Lloyd's Must Take Bitter Pill," is unbalanced and misleading.

You make no mention of possible fraud at Lloyd's of London or of a pattern of duplicity and concealment at different levels, which could lead one to believe that a culture of fraud and deceit has existed for many years. Certainly, recent court action seems to confirm that something has been very rotten at Lime Street. Even a cursory investigation would have revealed these matters to you.

Choosing to dismiss the securities issue as you have defies comprehension in the face of the learned opinions of many state securities regulators, and the documented concern of a former deputy chairman of Lloyd's who said that by entering the American market Lloyd's would have to deal with American securities regulations.

It seems you are either not well informed, or are turning a blind eye to Lloyd's well-known transgressions. The former, while disappointing in a newspaper of your stature, is excusable. The latter is not.

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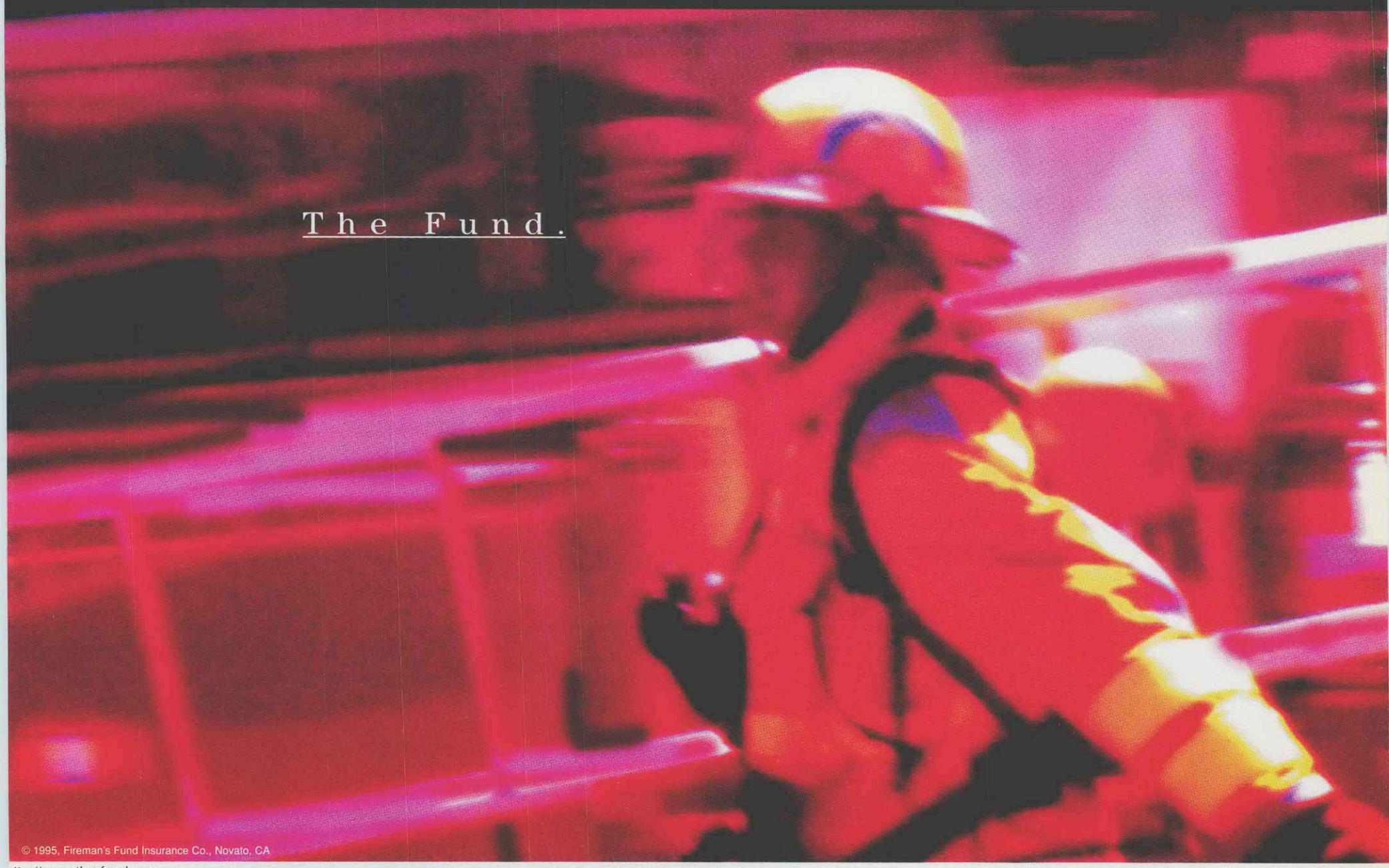
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Security

Continued from page 7

10 times their contributions in benefits, said Mr. Schieber. But the average worker can now expect to get back perhaps 50% of his or her contributions upon retirement, he said.

"Rates of return are so low that employers will have to throw a lot more money in the pot" to meet retirees' needs and expectations, said Mr. Schieber.

Not surprisingly, Messrs. Myers and Ball disagreed.

Mr. Myers offered a number of objections to the individual account proposal. He said it would be unfair to women, who would get lower benefits because they typically live longer than men. Individual accounts could also become tangled in divorce proceedings, with money going to lawyers hired to sort things out rather than to retirees, he said. Single-earner traditional families would suffer because a single account would have to suffice for two people.

"Social Security was never meant to be a system with complete individual equity," said Mr. Myers. He compared it instead to a school tax, where people with no children in public schools still pay a tax to support education as part of a "broad social pooling."

"Switching to any kind of defined contribution is a problem for a basic system. What we have now is Social Security with defined benefits, and people can count on that. With that as a basic floor, if they add 401(k)s and IRAs, that's OK," said Mr. Ball.

Establishing PSAs also would be "introducing a lot of insecurity" for beneficiaries who lack any significant experience with investing, he said. The proposed liberty taxes and liberty bonds would hike taxes and increase the deficit at a time when anti-tax sentiment runs high and both political parties are committed to slashing the deficit, he said.

Mercer's Ms. Combs said the idea of people directing their own accounts should not be troublesome. Employees have already shown they can use 401(k) accounts to their advantage and "when people have had the opportunity to invest, they've risen to occasion."

Dallas Salisbury, president of the Employee Benefit Research Institute in Washington and a neutral voice in the debate, offered a series of pros and cons.

On the plus side, the PSAs would allow individual capital to build up, make workers focus on saving and investing, hold out the possibility of higher returns than expected if invested wisely and generally add capital to the economy, he said.

On the minus side, he said, the proposals could mean people who made poor investment decisions would suffer from lower than expected returns, people might forgo other savings, the government could have to borrow more money and higher taxes might be levied.

The American Assn. of Retired Persons will not endorse any recommendations but does have reservations about the PSA approach, said Evelyn Morton, legislative representative for the Washington-based group. "We view these recommendations as a starting point for a necessary national dialogue about how to protect Social Security in the 21st century. From our point of view, saving for retirement is critical, and workers have the opportunity to save on their own now," she said.

But PSAs "are not as secure as Social Security has proven to be over 60 years, so to transform a system like Social Security into another individual investment scheme is to put the less skilled investor and the small investor at additional risk.

"In Social Security, you have the benefit of a group insurance approach, which can absorb the ups and downs of the stock market and, because it's a large investor, would never be charged the kind of administrative fees a small investor would face. So why would you want to make the whole retirement system into one where the individual assumes the vast majority of risk?" she asked.

While the National Assn. of Manufacturers also is declining to endorse a reform proposal, Stephen Elkins, director-employee benefits policy for NAM in Washington, left no doubt that large employers want the system changed soon.

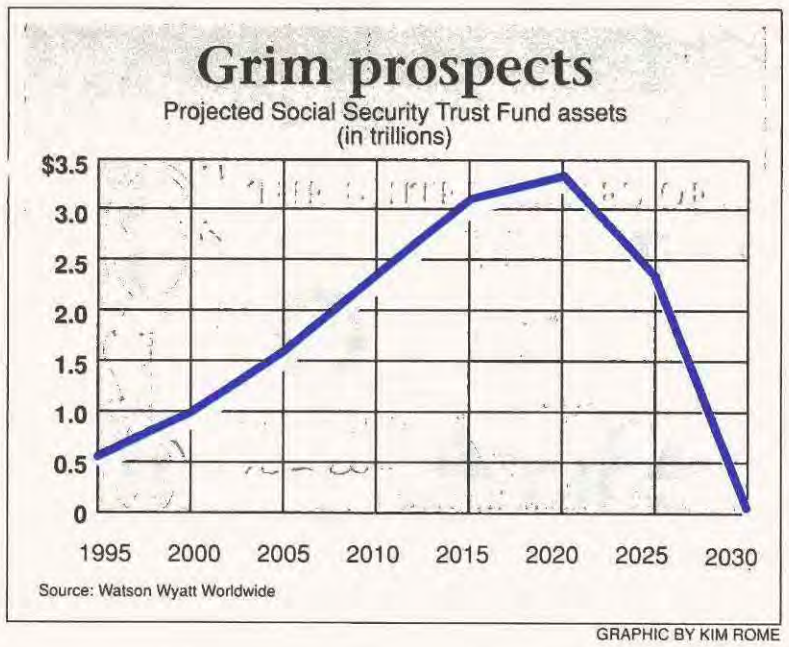
"Our position is the system has to be reformed or restructured, and a poorly reformed system is as bad or worse as the system we've got. It's about to be busted, it needs to be fixed right," he said, adding that NAM is drafting a statement of reform principles.

But the experts remain divided over whether the political will to change Social Security exists. Democrats have been charging that Republicans have wanted to gut or abolish the system since the Social Security program was adopted.

The Wharton School's Ms. Mitchell said that what happens with Medicare will have a great impact on the Social Security debate.

If Congress has to raise taxes to fix Medicare, there won't be much appetite for raising taxes to fix Social Security, she said. That would increase the chances for some sort of privatization.

Ms. Mitchell noted her advisory panel agreed changes must be legislated quickly. "If you give people 20 years to adjust, it's much less likely there will be so many negative consequences." BI



GRAPHIC BY KIM ROME

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Ensuring fairness in cash balance plans

Employers have several ways to keep longer-serving workers from being shortchanged

By DEBORAH SHALOWITZ COWANS

As the popularity of cash balance pension plans continues to grow, employers are adopting a variety of ways to protect the longer-serving, usually older, employees who do not fare as well as they did under traditional defined benefit plans.

The several hundred companies that now have cash balance plans—which offer 401(k)-style features including individual account statements—are taking one of four basic approaches to providing these so-called "transition benefits":

- "Grandfathering" long-serving employees into the old plan, basically letting the plan run for several more years until the participants are all retired.
- Enhancing the opening balances that long-serving employees would otherwise have under the cash balance formula.
- Increasing the credits that longer-serving employees get in the cash balance plan.
- Computing the benefits that employees who have spent a number of years with the company would receive under both plans and simply awarding them the higher of the two.

Whatever tack they take, employers "fully recognize that they can't pull the rug out from people close to retirement," said Mark Maselli, a principal at Kwasha Lipton L.L.C. in Fort Lee, N.J. They are "sensitive to protecting these workers."

Traditional defined benefit plans have based benefits on an employee's average pay in the final years of employment. That means benefits are heavily weighted toward older, longer-serving workers and away from the shorter-term employees that make up an increasingly visible segment of the U.S. labor force.

By contrast, cash balance plans base benefits on career average pay, which makes them more attractive to younger, short-service workers. Sponsors contribute a percentage of pay to employee accounts but retain the investment risk on the benefits that they promise.

What makes the plans particularly appealing are features like individual statements, benefit portability and simpler benefit formulas.

Most commonly, consultants say, employers do not adopt these plans to cut costs; instead, they are designed to be cash-neutral.

As popular as the plans are with younger workers, older workers can get shortchanged and that's why employers need to provide transition benefits to workers.

Before choosing an approach, though, companies need to answer a more basic question: Who needs the special treatment?

Mr. Maselli recommended that companies "sort of slice and dice" the workforce and decide whom to protect fully and whom to protect partially.

For example, those within five years of early retirement eligibility could be provided with 100% of what they would have received under the old plan; those age 45 to 50 might get 90%; and those 40 to 45 might get 80%. Younger workers might have enough time left to build up an adequate pension through the cash balance plan.

Once a company has decided who will get the benefits, it has four primary ways to go about providing them.

First, it may leave the traditional plan up and running for a certain amount of time for certain employees.

Grandfathering older employees in that way, though, can create administrative problems. "Ideally, the plan sponsor should be thinking of phasing out the old plan as rapidly as feasible," said Vince Tobin, national director for consulting activities at Buck Consultants Inc. in Secaucus, N.J.

Digital Equipment Corp. took the grandfathering approach when it set up a cash balance plan in March.

Workers age 50 or older with at least five years in were allowed to stay in the defined benefit plan. Early retirement is available to workers at age 55 with 10 years of service.

"We really didn't want to economically disadvantage those people" who were relatively close to early retirement, said Dick Brophy, retirement programs manager for the Maynard, Mass., computer company.

Five years was selected as the time to keep the old plan in place because "longer, and you do have the problem of not getting rid of it," he said. Also, "we assume that a five-year planning horizon is a reasonable planning horizon." After the five-year period, all employees will participate in the cash balance plan.

Digital determines the opening account balances for the rest of its employees based on years of service. Its formula was "designed to primarily assist long-term service employees irrespective of age," said Mr. Brophy.

Factors begin at 4.5% for employees with less than five years of service, and go up in 0.5% increments to 7% for employees with 25 or more years. That figure, multiplied by current base pay and years of service, determines an opening account balance.

Digital compared the opening account balance generated by the formula with an employee's accrued benefit under the old defined benefit plan and used the greater of the two amounts. For new employees, the cash balance plan provides an annual salary contribution of 4%.

The second way employers with cash balance plans can provide transition benefits is by simply enhancing the opening balances for certain employees.

Some companies find this method very appealing because it leaves fewer complications remaining once the plan is up and running.

See **Cash balance** *on page 16*

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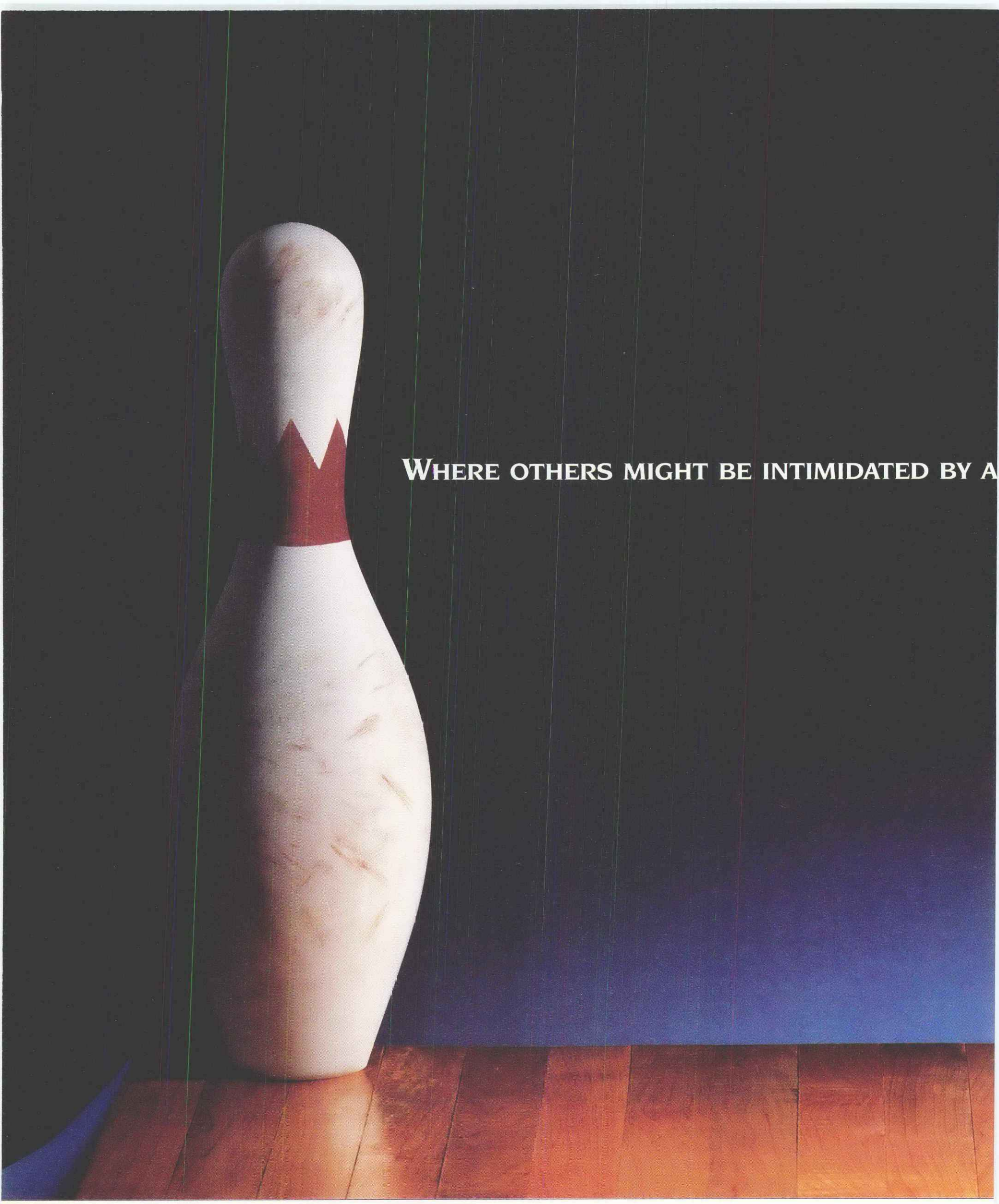
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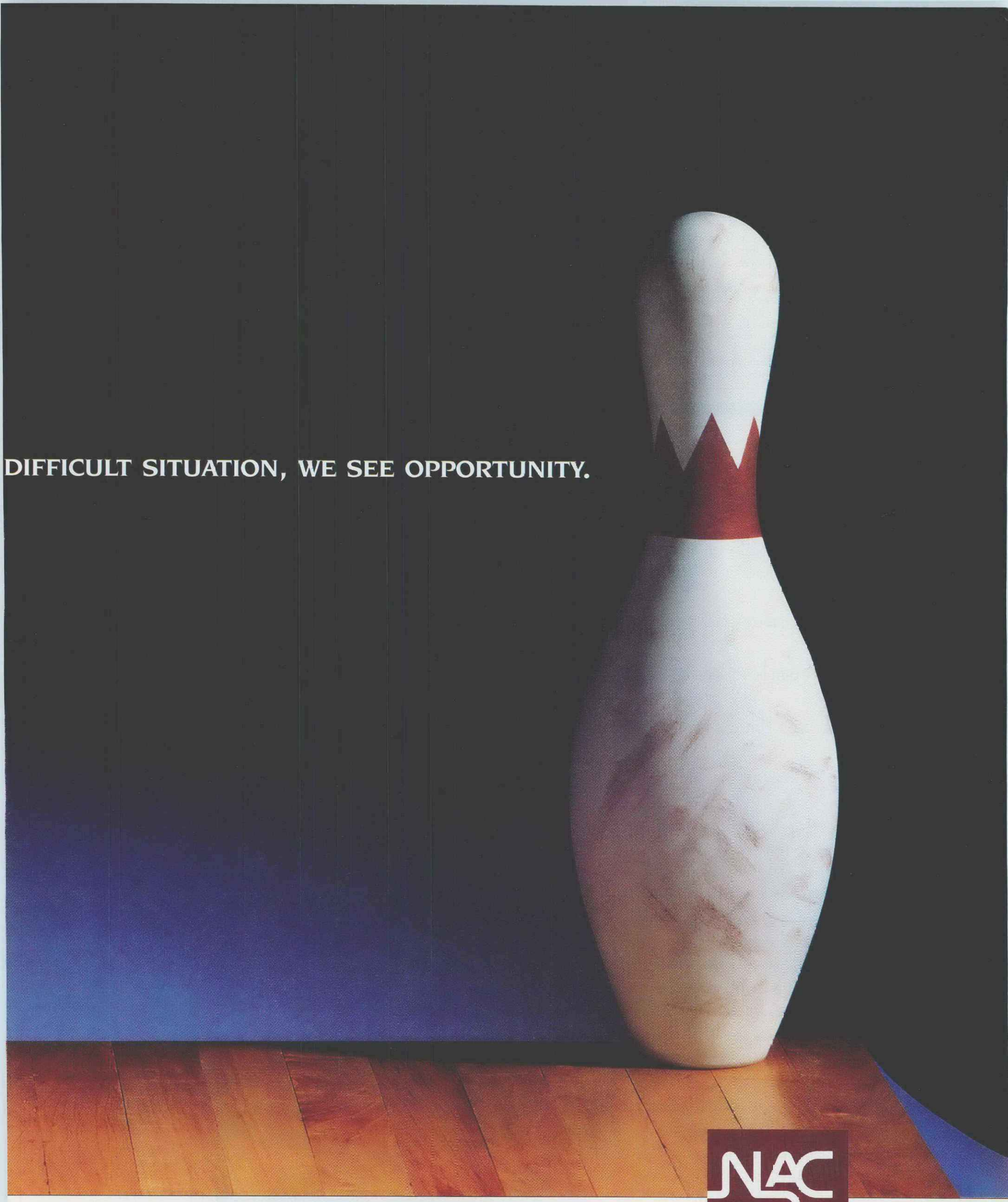
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Spotlight report

Cash balance

Continued from page 13

"It's a lot cleaner and simpler" than some other options, said Mr. Maselli.

"It gets the whole thing over with," agreed Anna Rappaport, a managing director in the Chicago office of William M. Mercer Inc.

This is the route Bell Atlantic Corp. took when it set up a plan in January.

Employees started with an account balance equal to the lump-sum value of their accrued benefit under the traditional plan. That figure was then multiplied by a number, based on years of service and age, ranging from 1 to 3.

This approach was fast, "very clean and easy going forward," said Gary Simko, director of benefits planning.

The grandfathering approach was rejected because too many Bell Atlantic employees would have had to be grandfathered. About half the workforce would have become eligible for pensions in the next five years.

"We wanted all employees to be earning a benefit under one pension plan," explained Mr. Simko.

Bell Atlantic's pay credits range from 4% to 7%, depending on age and service.

American Express Co. enhanced the opening balance of certain employees in a different way.

It designed a transition plan to enhance the opening account balances of employees ages 45 to 55 to reflect the early retirement incentives they would have been eligible for under the old plan, said Tom Pavey, vp of retirement plans in Minneapolis.

American Express added "all or a portion of the value of the early retirement subsidy" to the opening account balances of employees in that age range, Mr. Pavey explained. "The closer people were to accruing a subsidy, the more they received."

Affected employees received the equivalent of the full early retirement subsidy, reduced by 10% for each year younger than age 55 they were when the cash balance plan went into effect last July, Mr. Pavey explained. For example, an employee 51 years old would have received 60% of the early retirement benefit he or she would have been eligible for under the old pension plan.

American Express developed this transition approach because of "concern for employees who were close to retirement and the rules were now being changed on them," he commented.

"We decided early on that we wanted to make a clean break and we did not want to grandfather employees under the old defined benefit plan," Mr. Pavey said. "We made this decision from both an administrative and a cost perspective."

The third option for employers to use in protecting older workers is providing them with higher pay credits.

Armco Inc. used this approach when it began offering a cash balance plan last year.

Employees younger than 40 and with four or fewer years of service receive a cash balance account contribution of 2% of pay each year. For each additional five years of service or 10 years of age, workers receive an additional percentage point contribution, up to a maximum of 9%.

For example, a 39-year-old employee with nine years of service would receive a cash balance contribution of 3% of pay annually. A 49-year-old employee with nine years of service would receive a cash balance contribution of 4%, while a 49-year-old worker with 20 years of service would receive a contribution of 7%.

The formula is simple and "has generally been pretty understandable to people," said Scott Beeken, director of taxation, benefits and employee information.

The final option is to calculate at the time of retirement how much an employee would have earned under both the old defined benefit plan and the cash balance plan and give the worker the greater of the two amounts, Mr. Maselli said.

"Companies will often do this for some limited group of employees," he said. BI

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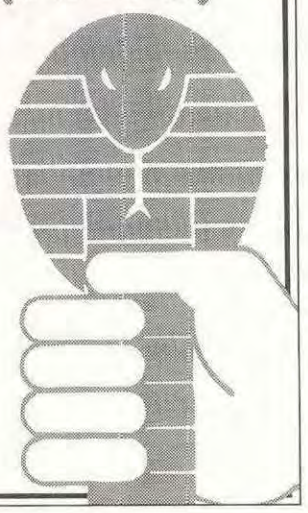
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Teaching employees about 401(k) options

Education critical to boosting participation

By SALLY ROBERTS

When it comes to increasing 401(k) participation among lower-paid employees, plan sponsors have found there is no substitute for in-your-face financial education.

Millipore Corp., for instance, increased its 401(k) participation rates to 83% from 73% after the Bedford, Mass., chemical equipment manufacturer held seminars last year to explain its new fund offerings. And BEI Electronics Inc. of San Francisco boosted its to 92% from 76% in six years by pushing new hires to enroll at the same time they were electing other benefits.

Neither company increased its match on employee contributions.

If plan sponsors want to increase participation, "they need to get up close and personal and get in the face of employees," said Wayne Bogosian, national director of personal financial education at Watson Wyatt Worldwide in Wellesley Hills, Mass. Sending home pamphlets, workbooks and videos about a plan won't do it.

"The most successful approach is one-on-one explanation of the importance of being in the plan," he said.

This approach may become more important since participation in 401(k) plans around the country seems to have hit a plateau at just under 80% (*BI*, Feb. 19).

To some plan sponsors, a 79% participation rate is acceptable, if not good, especially if they offer other retirement plans. But to others looking to pass 401(k) non-discrimination tests or to persuade employees that a secure financial future is important, getting the rest—typically the lower paid—involved is a priority. And, while it can be tough, it is not impossible.

It all depends on how much time, money and effort plan sponsors want to spend, consultants say.

One less expensive way to increase participation is "negative enrollment." In other words, companies enroll employees automatically unless employees opt out. Others: eliminate eligibility waiting periods or tinkering with contribution matches. At the other end of the spectrum, plan sponsors can feed a lump sum into accounts of non-participants as an enticement for them to continue contributing.

Consultants agree, however, that education, targeted at employees specific needs, about the importance of planning is the most successful way to increase participation.

"The number of excuses for not participating can fill a book," Watson Wyatt's Mr. Bogosian said. "Employers need to plug into the center of influence to tell employees this is the right thing to do."

At BEI Electronics, for example, some employees stayed out of the 401(k) plan because they thought even a small contribution would cut to much into their weekly take home pay, said William Aber, director of human resources in Concord, Calif.

So the company concentrated on showing them that a 2% pretax contribution gave them the same net take home pay as no contribution would have, Mr. Aber said.

Another powerful way to catch the eye of non-participants is customized dummy statements showing what an account balance would be if workers had started saving when first eligible.

"There are 18,000 ways to

Continued on next page



Continued from page 20

communicate the information to employees, but it all comes out with the same message," said Richard Koski, principal and benefit consultant with Buck Consultants Inc. in Secaucus, N.J.: Start saving early.

Many common ways of trying to get that word to employees, such as workbooks, may not be effective, said Watson Wyatt's Mr. Bogosian. "Most employers provide information," he said. "Whether education takes place comes from whether employees do something as a result."

At Pulte Home Corp. in Bloomfield Hills, Mich., payroll stuffers and diskettes failed to affect participation rates or investment decisions significantly, said Sheila McKevitz, benefits manager. Then the company switched to financial planning seminars, and soon more employees were enrolling in its 401(k) plan and putting more assets into equities.

The company's ultimate goal was to increase employee contribution levels because the company offers only one retirement plan. After the seminars their deferral rates rose to 4.4% from 3.9%, she said.

Increasing overall participation was not Millipore's ultimate goal either, but it was a side effect.

As part of offering five more 401(k) investment options, it was "very important" to educate its 1,400 employees in making investment decisions, said Evon Beland, manager of benefits and benefit systems for Millipore.

The company sent out personalized invitations to every employee and ran a mandatory, two-hour financial seminar on company time. Those seminars covered topics from the company retirement plan generally, to each investment fund offered, to how to decide which fund to choose and the concepts of risk returns and compound interest.

The seminar "was a great success," she said. Not only did employees shift assets into equities and away from fixed income funds, participation rates jumped to 83% from 73%. That higher participation raised the contribution cap for highly compensated employees to 12% from 9%.

"No two ways about it," education was the catalyst behind the results, Ms. Beland said.

In addition to financial education, there are other means to increase participation rates.

Putting small amounts of money into an account can help attract lower-paid workers, for instance. Giving employees "just enough to generate a statement" can trigger interest in the plan, Buck's Mr. Koski contends.

Other less expensive methods focus on getting employees enrolled in the 401(k) plan at the beginning of their employment.

Some companies, for example, automatically enroll all eligible employees, unless employees tell them otherwise.

"Employees tend to be inert," Mr. Koski said. Generally, "they won't affirmatively do things or undo things."

Of course, 401(k) plans are voluntary, and employees must know that participation is their choice.

"You can lead the horse to water, but you can't make it drink," said Margaret-Ann Cole, a principal at Kwasha Lipton L.L.C. in Fort Lee, N.J., who added she is "skeptical" about such negative enrollment plans because they take away employee choice.

Another way to improve participation is to waive the eligibility waiting period many companies put in to discourage employees from leaving after only a few months.

When employees have to wait a period of time, who makes sure the employees sign up when they become eligible? Mr. Bogosian asked.

Eliminating the waiting period and enrolling employees when they are first hired "will pay big dividends in the end," he contends. Add the costs of trying to convince nonparticipants to sign on, to the cost of the enrollment kits and mailings, and the added cost of employees who delay retirement because they were not exposed to the retirement vehicle early enough in their careers, he said, and "it is no contest."

Mr. Bogosian added that just because employees are eligible on the first day, it doesn't mean employers have to match from day one. They could instead use vesting schedules.

Whether to waive the eligibility waiting period is the "$64,000 question," Mr. Koski added. "I think it has a positive effect on participation rates, but there is no hard data to back that up."

For employers with 50% to 80% turnover rates in the first year, this may not be the best method, he said.

While employees at BEI Electronics are not automatically enrolled in the 401(k) plan when they are hired, the company pushes employees to sign up on their first day, when they are electing other benefits.

"We push people to get in, in the beginning" even though they are not eligible for the plan for three months, Mr. Aber said.

A final method that might improve participation involves tinkering with the contribution match to make it look more appealing.

As an example, Buck's Mr. Koski, cites a company that matches 50% of the first 6% of an employee's salary. To dress up that plan, it could match 100% of the first 2% and 25% of the remaining 4% of salary.

Employers pay the same either way, but employees may think they get a better deal the second way, he said.

It could backfire, though. Low-paid employees may increase their contributions even as higher-paid workers cut their contribution levels to 2% to get the 100% match. BI

Annual directory of 401(k) plan administrators

A

AAAA Benefits Inc.

8305 University Executive Park, Suite 320, Charlotte, N.C. 28262-3354; 704-594-6270; fax: 704-594-6290

Staff	
Total	15
Involved in 401(k) plan services	13
Clients	
Total	150
Average participants/plan	45
Minimum participants/plan	10
Maximum participants/plan	5,000
1995 revenues	
Total	$900,000
401(k) plan administration	$900,000

Parent: American Assn. of Advertising Agencies.

Software: Purchased from outside vendor, accommodates 15 investment funds and nine types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Charges: Determined by complexity of plan, assets under management.

Officers: Donald S. Lewis, executive vp; Wendy E. Jones, senior vp.

Contact: Wendy Jones.

ACH Pension Consultants Inc.

6200 E. 14th St., Suite B-200, Tucson, Ariz. 85711; 520-748-1090; fax: 520-748-1383

Staff	
Total	9
Involved in 401(k) plan services	5
Clients	
Total	75
Receiving unbundled services	75
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	10,000
1995 revenues	
Total	$650,000
401(k) plan administration	$185,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 25 investment funds and six types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.

Officers: Eric L. Hughes, president; Cheryl A. Hughes, vp/secretary/treasurer.

Contact: Eric Hughes.

Accurecord Inc.

100 Executive Drive, Edgewood, N.Y. 11717; 516-243-6400; fax: 516-243-6427

Staff	
Total	40
Involved in 401(k) plan services	38
Clients	
Total	672
Receiving unbundled services	200
Receiving bundled services	472
Average participants/plan	849
Minimum participants/plan	50
Maximum participants/plan	Unlimited

Services began: 1982.

Software: Written and maintained in-house, accommodates 99 investment funds and 32 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access. Consults on legal issues, compliance issues.

Service area: Nationwide.

Charges: Determined by number of participants, frequency valuations.

Officers: George Chave, president; Paul Badamo, John Bradley, executive vps; George Pantaleo, senior vp; Kevin Rooney, vp.

Contact: Kevin Rooney, 516-243-6400 ext. 236.

Actuarial & Employee Benefit Services

3481 Central Parkway, Suite 100, Cincinnati, Ohio 45223-3396; 513-872-7505; fax: 513-872-7509

Staff	
Total	23
Involved in 401(k) plan services	4
Clients	
Total	27
Receiving unbundled services	23
Receiving bundled services	4
Average participants/plan	39
Minimum participants/plan	1
Maximum participants/plan	1,000
1995 revenues	
Total	$1,900,000
401(k) plan administration	$59,000

Parent: CAI Insurance Agency Inc.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Midwestern states.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Contact: James T. Schlotman or Carl R. Schlotman Jr.

Actuaries & Associates

701 S. Tyler, Amarillo, Texas 79101; 806-373-3624; fax: 806-373-2952

Staff	
Total	15
Involved in 401(k) plan services	14
Clients	
Total	750
Receiving unbundled services	750
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in El Paso and Lubbock, Texas.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Bob Houchin, president; Jeff Houchin, Steve Houchin, Eugene Shelton, Van Shelton.

Acuff & Associates Inc.

511 Union St., Suite 1024, Nashville, Tenn. 37219; 615-726-2410; fax: 615-726-2009

Staff	
Total	23
Involved in 401(k) plan services	11
Clients	
Total	220
Receiving unbundled services	200
Receiving bundled services	20
Average participants/plan	450
Minimum participants/plan	10
Maximum participants/plan	12,000
1995 revenues	
401(k) plan administration	$900,000

Services began: 1991.

Software: Leased from outside vendor, accommodates 20 investment funds and 20 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Southeastern states.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Lucian B. Acuff, president; Trina D. Burrow, Michael G. Guyton, David F. Kays, vps.

Contact: Lucian B. Acuff.

Alexander & Alexander Consulting Group Inc.

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

Staff	
Total	635
Involved in 401(k) plan services	50
Clients	
Total	152
Receiving unbundled services	152
Average participants/plan	4,500
Minimum participants/plan	500
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Alexander & Alexander Services Inc.

Software: Written and maintained in-house, accommodates 20 investment funds and 20 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include investment consulting.

Service area: Nationwide.

Locations: Administrative/consulting offices in Atlanta; Baltimore; St. Louis; Lyndhurst, N.J.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Donald L. Seeley, president/CEO-The Alexander Consulting Group Inc.; Neil A. Burger, chairman/CEO-Alexander & Alexander Consulting Group Inc.; John L. Goodyear, chairman/CEO-Alexander & Alexander Benefits Services Inc.; Robert Burden, executive vp-The Alexander Consulting Group Inc.

Contact: Melanie Langsett, 404-264-3093.

Altschuler, Melvoin & Glasser L.L.P.

30 S. Wacker Drive, Chicago, Ill. 60606; 312-207-2800; fax: 312-207-2786

Staff	
Total	10
Involved in 401(k) plan services	9
Clients	
Total	400
Receiving unbundled services	400
Average participants/plan	150
Minimum participants/plan	10
Maximum participants/plan	6,000

Services began: 1985.

Software: Purchased from outside vendor, accommodates 30 investment funds and 20 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Phoenix; Los Angeles; Washington; New York.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Rosemarie M. Panico, Jordan Berger.

Contact: Rosemarie M. Panico, 800-621-0373.

American Pension Benefits Inc.

15001 Perry Highway, P.O. Box 505, Warrendale, Pa. 15086; 412-935-0100; fax: 412-935-2511

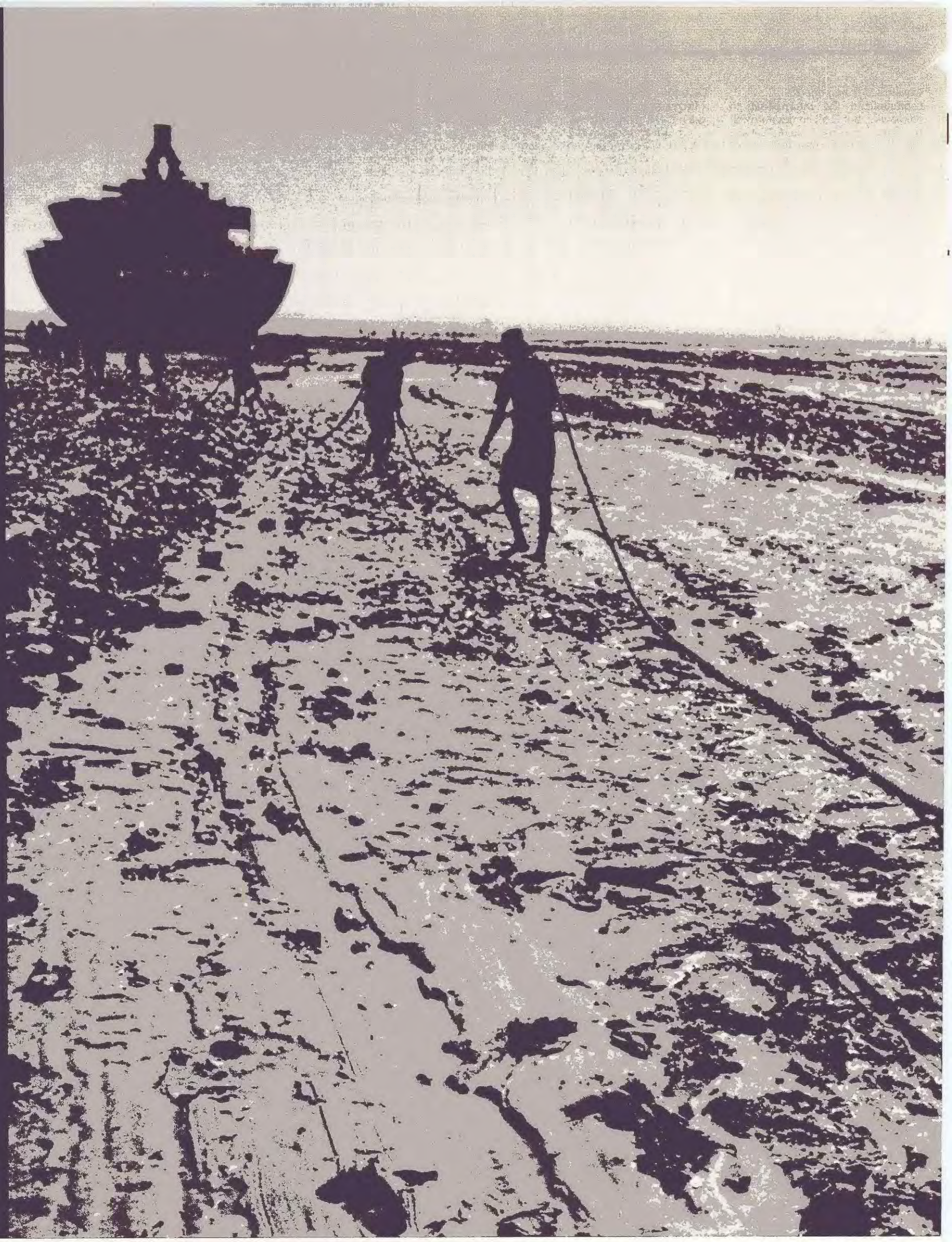
Staff	
Total	20
Involved in 401(k) plan services	10

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American International Group, Inc., Dept. A, 70 Pine Street, New York, NY 10270

Continued from page 21

Clients

Total	133
Receiving unbundled services	83
Receiving bundled services	50
Average participants/plan	75
Minimum participants/plan	25
Maximum participants/plan	Unlimited

Services began: 1987.
Software: Purchased from outside vendor, accommodates 20 investment funds, 19 balance forward and eight daily types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions.
Client support: Daily valuations, toll-free service for account balance inquiries, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.
Contact: James Landis, president.

Ameritas Life Insurance Corp.

5900 O St., Lincoln, Neb. 68510;
402-467-1122; fax: 402-467-7952

Staff

Total	747
Involved in 401(k) plan services	26

Clients

Total	103
Receiving unbundled services	2
Receiving bundled services	101
Average participants/plan	48
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1995 revenues

Total	$626,718,000
401(k) plan administration	$129,683

Services began: 1981.
Software: Purchased from outside vendor, accommodates 400 investment funds and 400 types of contributions, software may be used by clients in-house.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, assets under management, time and expense, frequency valuations.
Officers: Larry Arth, chairman/CEO; Ken Louis, president/COO; JoAnn Martin, senior vp/controller/CFO; David Moore, executive vp-group/pension line; Robert Bush, executive vp-individual insurance.
Contact: Joe Roy, 800-793-2542, or Jessie Waller, 800-745-9995.

Aon Consulting

123 N. Wacker Drive, Chicago,
Ill. 60606; 312-701-4800;
fax: 312-701-2313

Staff

Total	1,200

Clients

Total	1,074
Receiving unbundled services	982
Receiving bundled services	92
Average participants/plan	600
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.
Parent: Aon Corp.
Software: Written and maintained in-house, accommodates 14 investment funds and 10 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Locations: Administrative/consulting offices in 25 locations nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Donald C. Ingram, chairman/COO; Eric R. Brash, Paul G. Chicos, Walter L. Ogle, Roger L. Vaughn, William Xanthos, executive vps.
Contact: Linda P. Holleman, senior vp, 910-748-1120.

Arnold & Co.

1450 W. Long Lake Road, Suite 365,
Troy, Mich. 48098; 810-641-8686;
fax: 810-641-7885

Staff

Total	17
Involved in 401(k) plan services	11

Clients

Total	300
Receiving unbundled services	290
Receiving bundled services	10
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	10,000

Software: Purchased from outside vendor, accommodates 20 investment funds and unlimited types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, time and expense, frequency valuations.
Officers: Craig C. Arnold, president; Marilyn S. Auiler, vp.
Contact: Craig C. Arnold.

Automatic Data Processing Inc.—401(k) Division

1 ADP Blvd., MS580, Roseland,
N.J. 07068; 201-994-5000;
fax: 201-992-4383

Staff

Total	250
Involved in 401(k) plan services	160

Clients

Total	3,500
Receiving unbundled services	165
Receiving bundled services	3,335
Average participants/plan	50
Minimum participants/plan	5
Maximum participants/plan	1,000

Services began: 1989.
Software: Written and maintained in-house, accommodates eight investment funds and nine types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Contact: Brian Skalski, senior director-marketing, 800-432-4015.



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Directory terminology explained

The seventh annual directory of 401(k) plan administrators contains information on companies that provide services such as recording enrollment; maintaining participants' accounts and handling account activity. A firm must offer these services independently from any investment services to be listed; it may or may not offer investment management services in addition to plan administration services.

The directory is published as an editorial service and there is no charge to be included. Information in the directory is provided by participating companies via a *BI* questionnaire.

Listings begin with the company name and address. Details on **staff**, including total staff and the number involved with 401(k) plan services are provided. Total **401(k) clients**, including those clients receiving 401(k) plan administration services on an unbundled and a bundled basis are listed next. 1995 **gross revenues** and revenues from 401(k) plan administration services are included when provided by the company.

Next, the year the company began offering 401(k) plan administration services and **parent company**, if any, are listed.

Details on **software used** and **administration services** provided follows. Cash, unit value and full share **accounting** methods are noted. Information on whether the company has the ability to accommodate **loan provisions** and 401(m) **non-discrimination testing** for clients is included. Next, the company's **client support services** are described.

Following, the **service area** and locations of **branch offices**, not including the home office, are given. How the company charges for its services and names and titles of principal **officers** and a **contact** person complete the listings.

Although every effort is made to print complete and accurate listings, *Business Insurance* is unable to verify all information provided by companies.

B

Benefit Administration Corp.

770 E. Shaw Ave., Suite 200, Fresno,
Calif. 93710; 209-225-3030;
fax: 209-225-6837

Staff

Total	55
Involved in 401(k) plan services	3

Clients

Average participants/plan	25
Minimum participants/plan	10
Maximum participants/plan	5,000

Services began: 1995.
Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Robert Cardinal, president; Mirth Lundal, executive vp; Darlene Moore, vp-finance/accounting; David Morilla, vp-operations; Cathy Rainaldi, vp-administration.
Contact: Amy Reynolds.

Benefit Dynamics Inc.

10 Grove St., Cherry Hill, N.J. 08002;
609-662-7100; fax: 609-662-7228

Staff

Total	32
Involved in 401(k) plan services	10

Clients

Total	115
Receiving unbundled services	105
Receiving bundled services	10
Average participants/plan	120
Minimum participants/plan	20
Maximum participants/plan	25,000

Services began: 1983.
Software: Purchased from outside vendor, accommodates 25 investment funds and eight types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include input and verification of payroll data; eligibility determination; trust fund reconciliation; calculation of employer match contribution, IRS Section 410(b), 410(a)(26), forfeitures, accrued and vested benefits; employer valuation reports.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Jo-Ann Massanova, president; Carmen La Verghetta, executive vp; Mark Moran, vp.
Contact: Mark Moran.

Benefit Equity Plans Inc.

1971 E. Fourth St., Suite 100, Santa
Ana, Calif. 92705; 714-480-1364;
fax: 714-480-1365

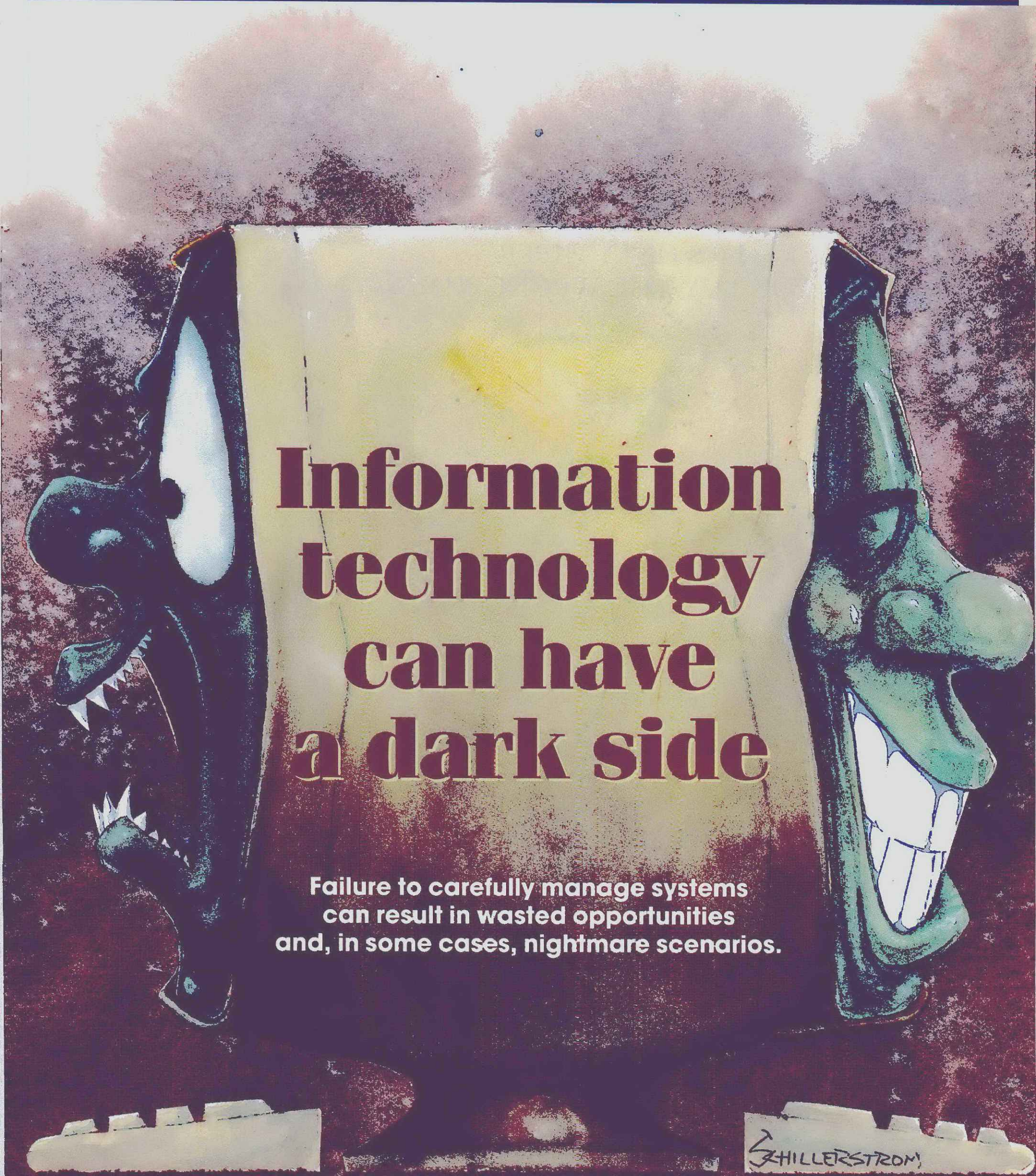
Staff

Total	20
Involved in 401(k) plan services	15

Continued on page 27

InsurerTopics

A special editorial section
sent exclusively
to insurers and reinsurers



Insurer Topics

Insurers prepare computers for year 2000

By ROBERT KAZEL

Programmers update computer dates to avoid turn of century systems crash

It is ironic that the insurance industry, which manages the risks of others by using modern information systems, in a few years may find itself awash in widespread errors generated by those same high-tech tools.

And while computers in all industries will be endangered, experts say, those used by insurance companies will face unique perils.

Computer programmers call it the year 2000 problem. The culprit is time, and how computers typically keep track of it. In less than four years, when Dec. 31, 1999, turns to Jan. 1, 2000, thousands of computer systems worldwide—including some belonging to insurers—are expected to make a colossal gaffe that perhaps only an unthinking super-brain could commit: to assume that the year 2000 is 1900 instead.

The explanation is sadly simple. When computer programmers 20 to 30 years ago were designing software for the rapidly automating corporate empires of America, they needed to compress lines of software as concisely as possible. References to months, dates, and years were abbreviated to two digits each. "1960," became "60," and "1971" became "71." And when the New Year's Eve ball drops to the ground in 2000, many computers will see two zeros and, finding nothing in their programming to the contrary, assume that William McKinley is president once more.

The result, for insurers that have not corrected the problem, could be terribly destructive. Erroneous calculations could cascade through pension accounts, benefits calculations, billing and accounting systems, and mutual funds, to name just a few.

Several insurers already are preparing to prevent disaster, and they warn that companies large and small must begin assessing and correcting software weaknesses long before 1999—and that this year is definitely not too early to begin.

At Warren, N.J.-based Chubb & Son Inc., a full-time team of 10 senior programmers forms the Year 2000 Team and is working in conjunction with two outside data processing consulting firms. Since last June, the team has analyzed thousands of lines of software to spot potential trouble spots. The effort to evaluate and repair the software, which Chubb intends to conclude by 1998, will costs tens of millions of dollars, said John Jung, vp of applications systems delivery.



"Never before has it (the computer world) had a deadline like this one," said Mr. Jung.

The basic task at hand, checking software for date locations, is simple. But making the changes is akin to combing through billions of haystacks to find millions of needles.

In Chubb's case, Mr. Jung estimates the company's computers are host to more than 1.5 million date locations and, of these, 70% are of the troublesome 2-digit variety. Unfortunately, there is no simple way to "tell" computers to convert all dates to four-digit years: What was written by hand long ago must now be undone the same way.

Although most insurers are aware of the looming problem, most are just starting to consider how to approach it, what tools are needed to evaluate the risk, and how much time, manpower and money a conversion will take.

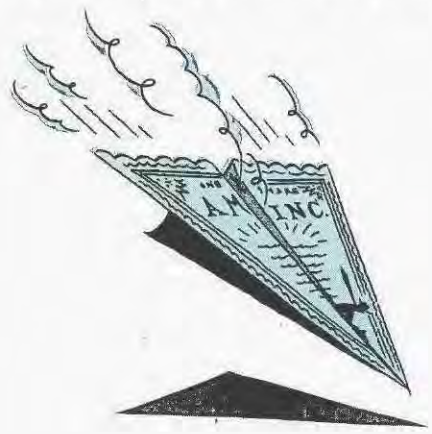
"Most companies are just beginning to awaken to the fact that they have a problem," said Jeff Stevens, engagement manager for the Change of Century program at San Antonio, Texas-based USAA Group. USAA has between 40 and 50 people working on the year 2000 problem, including some outside vendors, and most are on the task full-time, Mr. Stevens said.

"We are considering this the largest software modification in the history of our company," he said, estimating it could cost the insurer between $50 million and $75 million.

It is surprising, Mr. Stevens said, that many insurers are ap-

Continued on next page

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Continued from previous page
parently aware of the impending danger but are moving slowly. Many insurers are just starting to write impact studies of the problem, he said, a step USAA undertook in 1994.

"There are only 129 or so weekends between now and when the situation needs to be covered," he said. "That is not a lot of time to put in millions of lines of code."

Insurers may have a false sense of security for several reasons. Upper-level managers who do not have a computer background may see the problem as a routine systems maintenance task, not deserving of extraordinary attention or resources. They may also believe that because the company is having limited date-related problems now, problems will remain minor.

These managers probably don't realize, Mr. Stevens said, that the frequency of problems will multiply immeasurably toward the turn of the century as tremendous incidences of dates in the new millennium come into play.

In other companies, budget constraints probably are forcing management to move slowly on the year 2000 issue, or managers are hesitant to spend much money on a technology that has no immediate value.

Wavering on whether to invest in a brand new computer, top managers resist updating the software of an old computer "that is being held together by bubble gum and barbed wire," said Dick Kearney, partner in charge of Boston-based KPMG Peat Marwick L.L.P.'s Global Year 2000 team. The firm has 50 programmers working full-time on the year 2000 issue.

"Managers are reluctant to throw money around," said Bruce Hall, a research director for Stamford, Conn.-based Gartner Group, an information systems consulting group. "A lot of people think it's just computer industry hype."

Insurance companies also are facing the year 2000 threat alone, for the most part, because industry associations generally aren't educating insurance executives to the danger, sources said. Most insurers are keeping their knowledge quiet, fearful that cooperating with competitors will jeopordize a competitive advantage.

Mr. Hall, whose firm is consulting with many large companies on the year 2000 problem, estimates that 50% of computers needing modifications will be ready by the year 2000. Insurance companies are making strides in this direction faster than other industries, he said, though he added this "isn't so much, because everyone else is moving very, very slow."

The impact of the year 2000 problem on insurers will vary. It could 'be quite small or it may be so big it might cripple your company,' says Scott Joyner.

Most insurers have a project team in place by now looking at their computer systems to study the extent of the problem, said Scott Joyner, assistant vp for advanced technology at the National Assn. of Independent Insurers in Des Plaines, Ill. But for insurers just beginning the effort to find consulting help, he said, "I think there's going to be a real mad scramble at this point."

The impact of the year 2000 problem on insurers, Mr. Joyner added, will vary. "It may be quite small or it may be so big it might cripple your company."

Systems experts warn that companies that drag their feet on remedying their year 2000 problems will find themselves without assistance before long.

Many companies probably will need consultants' help to assess and correct their systems, deal with vendors selling diagnostic software, and test converted systems for bugs.

Consulting firms know that insurance companies are vulnerable to the millennium problem and will be courting them in the next several months.

"The financial services industry, insurance in particular, we have found to have a higher incidence of date-related calculations than, say, manufacturing," said Mr. Kearney.

But insurers may soon find that good consultants are hard to find, Chubb's Mr. Jung said. Not only will the demand for outside assistance soar with each passing year, but the pool of trained specialists is limited. Most younger computer programmers have little knowledge of the software of the 1960s and 1970s. This is the same software that will have the most acute year 2000 ills.

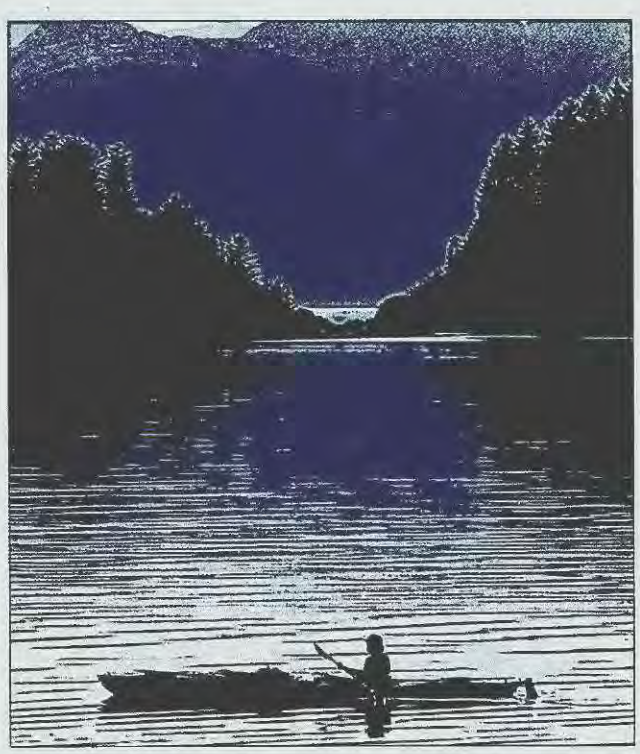
Of course, not every insurer will want to hire a legion of consultants to cure its year 2000 problem, and depending on the size of the job, an existing data processing department might be able to handle the work—if it starts quickly.

Seattle-based SAFECO Insurance Cos. began examining its situation in late 1994 and decided it wanted to do its own work with its own staff and software tools, said Lani Mobius, senior system analyst. The conversion will cost more than $4 million, she estimated.

For SAFECO, as for other insurers, the luxury of moving slowly until the year 2000 arrives does not exist. The company is preparing to "hit the wall" with some computer files in 1997, meaning that certain multi-year commercial and personal policies that extend beyond 1999 already are heading for trouble with dates.

Other sources report that minor system emergencies already have occurred in similar circumstances at other insurers.

Despite the warning signs, Mr. Kearney said, some in the industry aren't listening and probably won't. "Right now there still is enough time to do it right, if it is done now," he said. "Some people are asleep at the switch, and some people will bet wrong." BI



GET THE BROADER VIEW...

Insurer Topics

Insurers must use technology to advantage

Microsoft exec says industry's success will depend on ability to seize new opportunities

As an industry reliant on volumes of data, insurers and intermediaries stand to benefit greatly by making use of today's fast changing information technology.

Successful insurers, agents and brokers will be those that use technology to produce customized products and market them inexpensively via the Internet, says William C. Hartnett, worldwide insurance industry manager at Microsoft Corp. in Redmond, Wash. Mr. Hartnett oversees the software giant's global products and strategies for its insurance industry clients.

Associate Editor Roberto Ceniceros interviewed Mr. Hartnett recently about the insurance industry's use of technology.

Will some companies in the insurance industry emerge as leaders in their use of technology?

I think it's definitely going to happen. The question is, when is it going to happen?

The leaders are going to be the ones that have the foresight to make it work. The key is that people right now have been talking about using the Internet or using some of these new technologies. (But) they are talking about marketing traditional products using the Internet.

There is nothing inherently wrong with that, but the real promise is designing new products that can only be distributed electronically.

The conventional wisdom is that bigger is better today. That you have to get bigger because that is the only way that you are going to survive.

I think bigger is the worst thing in the world because it makes you less flexible.

If you have a huge fixed-cost structure in place right now, your ability to respond to some of the technology changes and your ability to compete with somebody who comes in as a new entrant leveraging technology (is limited).

Their expense ratio could be down in the single digits because they are not going to have these big buildings and all these other expenses.

Which insurers are out in front now in their use of information technology and what sets them apart?

Everybody in the industry is using technology effectively or they wouldn't be in the business. But are they leaders of technology?



Are they out there in the forefront? There are people that are doing a little bit better than others, but there is nobody that is clearly out in front of everybody, that you can point out and say, "These guys really have it."

How does insurance rank as an industry in its use of technology?

It's kind of a paradox. Even though the industry was the first outside of government and academia to embrace automation through mainframes, they since then have been on the trailing edge of the technology adoption curve.

They were early adopters, but since then they have been trailing the pack. If you look at what the securities industry or the banking industry have been doing with technology, insurance is really pretty far behind.

Some of that may be because they were early adopters. They bought really expensive systems; probably some of them are still being written off.

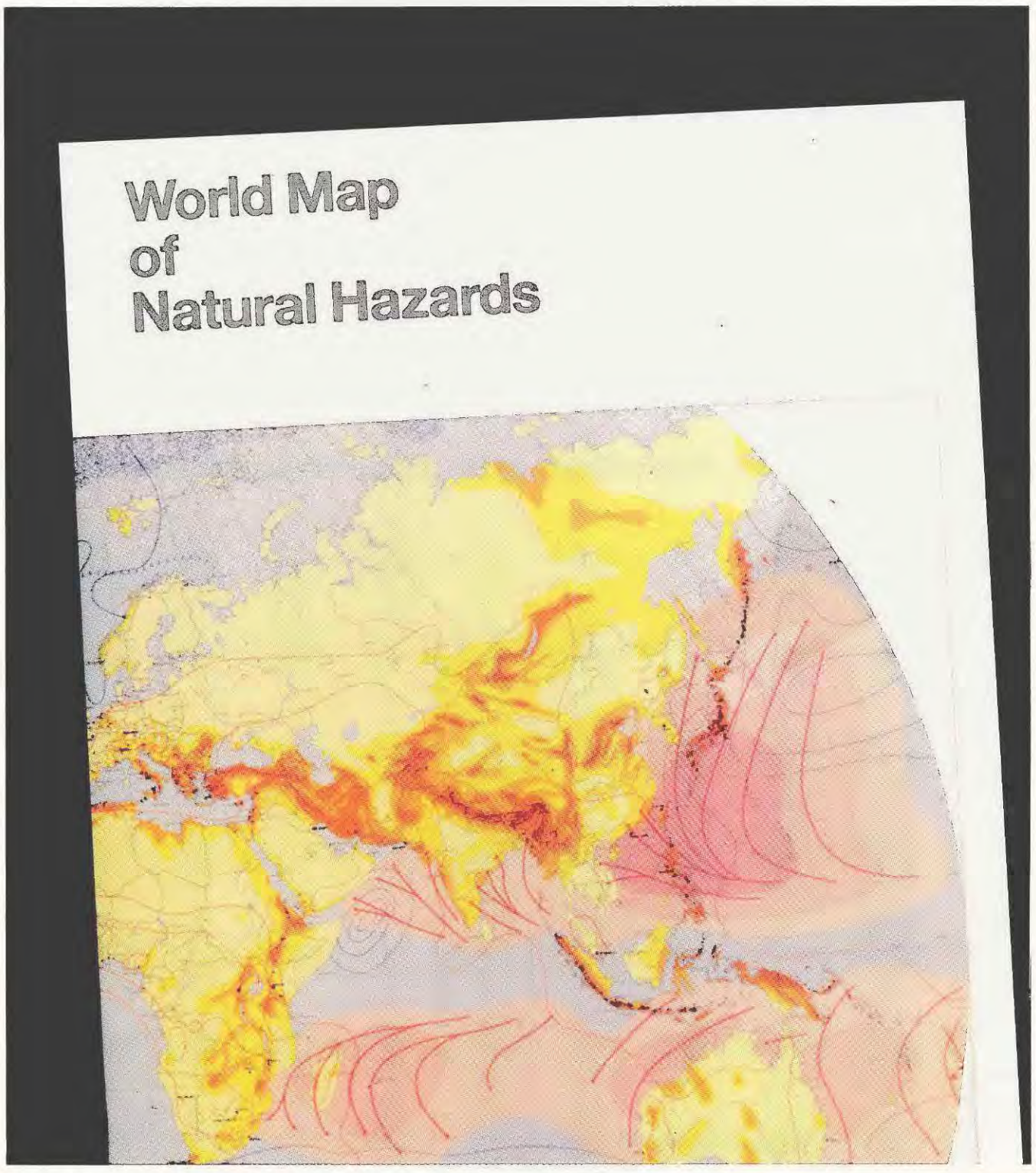
The other thing is there is such an entrenched structure that has been built up around those early mainframes.

The whole management structure and the fact that there were no people to go to for (outside) programming, you had to build your own programming department. Now we have these huge MIS departments that really have grown up to service these big computers and it just continues along by inertia.

Where has technology had the greatest impact on the industry?

It would be the impact on the sale of the product. If you look at the agency side of the business and what has happened on the agents' desktop, it's really been

Continued on next page



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Continued from previous page
the development of the personal computer and the microprocessor that has been the dramatic change in the way business is done.

If you look, for instance, how life insurance is sold, the fact that you can run a (policy) illustration on your desktop computer right now, where before you had to submit a form through your company representative and they would run it through the mainframe overnight and get it to you in a couple of days.

Now they run on laptops and because we have laptops we can do things like universal life and variable life illustrations that were very hard to do before. We couldn't physically sell those cutting-edge products without microprocessor technology.

You can do a lot of what-if illustrations for people. That has really been a major technological revolution.

Right now, if you walk into the average insurance agent's office, at least someone who is serious about the business, you probably get a lot better technology employed there than you do at insurance companies.

What are some of the opportunities for insurance companies in using new technology?

There are big opportunities and I think everyone is recognizing that. One of the big trends in the industry is the move toward distributed computing. It's more toward distributed decision-making.

Everybody has realized through the various rounds of re-engineering we have been through that the key is getting the information to make decisions closer to the point of customer contact.

Whether that is an agent, or service center, or however you are going to structure it, you need a distributing kind of computing architecture to distribute information out to the point where decisions are going to be made.

How can the industry do that?

We know that we have client/server-type systems where we put the power in the hands of the user.

There is a recognition of that from a business standpoint. I think everyone knows we have to do that.

But, from an execution standpoint, there is still a lot of concern.

'Right now, if you walk into the average insurance agent's office. . .you probably get a lot better technology employed there than you do at insurance companies.'

How do we make it happen? How do we take what we have had on mainframes, that have been very dependable for 30 years, and move that out to distributed departments? It's a realistic concern.

I think part of the reason that the industry might be gun shy is the early proponents of client/server computing really oversold it.

How so?

People would say (up to five years ago), "Aren't these little PC boxes wonderful? They can replace mainframes." Well, that is nonsense. You are not going to replace mainframes with personal computers.

Mainframes have their role and maybe eventually you will have technology that allows you to have that kind of power in a small box.

But, as of today, I fully expect mainframe computers will be in the insurance industry for a long time to come.

What benefits can insurers reap from client/server computing technology?

The potential of client/server computing is to take certain things off the mainframe that are not really appropriate for the mainframe.

Most of that really involves the application. The mainframe is great at storing data, processing data.

But the actual business logic and the business function, how do you process a claim? What is your work flow going to be for underwriting? Even the underwriting applications don't need to run in that mainframe environment, because it is too hard to develop the applications in a mainframe environment.

I think client/server technology can greatly enhance the capability of an insurance company without replacing mainframes.

I think you see that a lot in claims systems. The industry is starting to make some progress there now.

What will this mean as far "distributed computing" is concerned?

Distributed computing by nature is going to be harder to manage. Distributed people are harder to manage.

When you start to distribute decisions out to the field, you have a harder time managing what happens out there because all the decisions are not being dictated by the home office. It's just natural. The management structure needs to be better and it's going to be harder to manage. It's going to be cheaper to buy, but it's probably going to be harder to manage. But you should expect that. That is one of the obstacles that a lot of insurance people throw up. They say, "Well it's too hard to manage."

If you have decided you need to have distributed information so you have better decisions at the point of customer contact, then your systems need to support that.

You can't just dig your heels in and say, "It's too hard to manage. I'm not going to do it." That is not reality. 31

GET THE BROKER PERSPECTIVE.



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Insurer Topics

Internet putting squeeze on brokers

By GAVIN SOUTER

The inevitable result of more widespread use of the Internet in the insurance industry will be the demise of many brokers and agents, two information technology experts say.

Easier access to policyholders will drive many direct insurers to use the Internet to curb their distribution costs, they say.

Only agents that service large complex accounts and those that act now to take advantage of service opportunities on the Internet will survive, the experts predict.

Agents that simply sell high-volume coverage that is easily packaged and offer no added value to the insurer or policyholder will disappear, they say.

The Internet will lead to more direct writers over the next 10 years, predicted Tim Higham, president and chief executive officer of The Insurance Resource Center in Charlotte, N.C.

Existing direct writers are already working on projects to make use of the Internet to further increase their cost advantage over insurers that use agents and brokers, he said at a conference on the insurance industry and the Internet sponsored by Business Strategy Network in New York earlier this month.

Broker market insurers "will be forced to set up a separate entity to sell directly to consumers in some form or another within the next five to 10 years," Mr. Higham said.

Inevitably, this will lead to a sharp reduction in the number of agents and brokers, he said.

"Some agents will not be able to keep up and will not be able to survive," Mr. Higham said.

In addition, banks likely will increase their role in the insurance market and, if they use the Internet effectively, will kill off even more agents, Mr. Higham said.

"Imagine if you log on to check your credit card balance and you see a note about an auto policy and they give you a quote without you even asking," he said.

For brokers and agents to survive in this environment they will have to be on the cutting edge of technology, Mr. Higham said.

The future does not look good for many insurance agents, agreed Steve Waterhouse, a consultant at Waterhouse Communications in Scarborough, Maine.

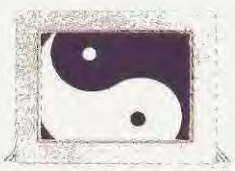
Direct marketing of personal lines insurance over the telephone in many countries has already shown the direction in which "commodity" insurance sales is heading, he said.

But it will not just be agents selling personal lines business that will be forced out of business, Mr. Waterhouse said. Many smaller commercial policies also can be packaged and sold over the telephone or Internet, he said.

But while the demise of many agents is inevitable it is not imminent. The Internet has not yet reached the huge market that is currently serviced through insurance agents, he said.

"The cost of technology will keep it from progressing as quickly as we might hope. People will not spend $3,000 on a computer to get on to the Internet," Mr. Waterhouse said.

The Internet will have to be accessible through simpler means, such as cable television, before there will be more widespread use of the technology and that will likely take several years, according to Mr. Waterhouse.



INFORMATION TECHNOLOGY

In that time, some insurance agents could adapt to using the Internet as a tool to keep themselves in business rather than fear it as the weapon that will bring about their destruction, he said.

For example, agents could use the Internet to promote themselves through sponsorships of local information pages on the Internet, Mr. Waterhouse said.

"You have to stop thinking of the Internet as a global thing. It also does a very good job around town," he said.

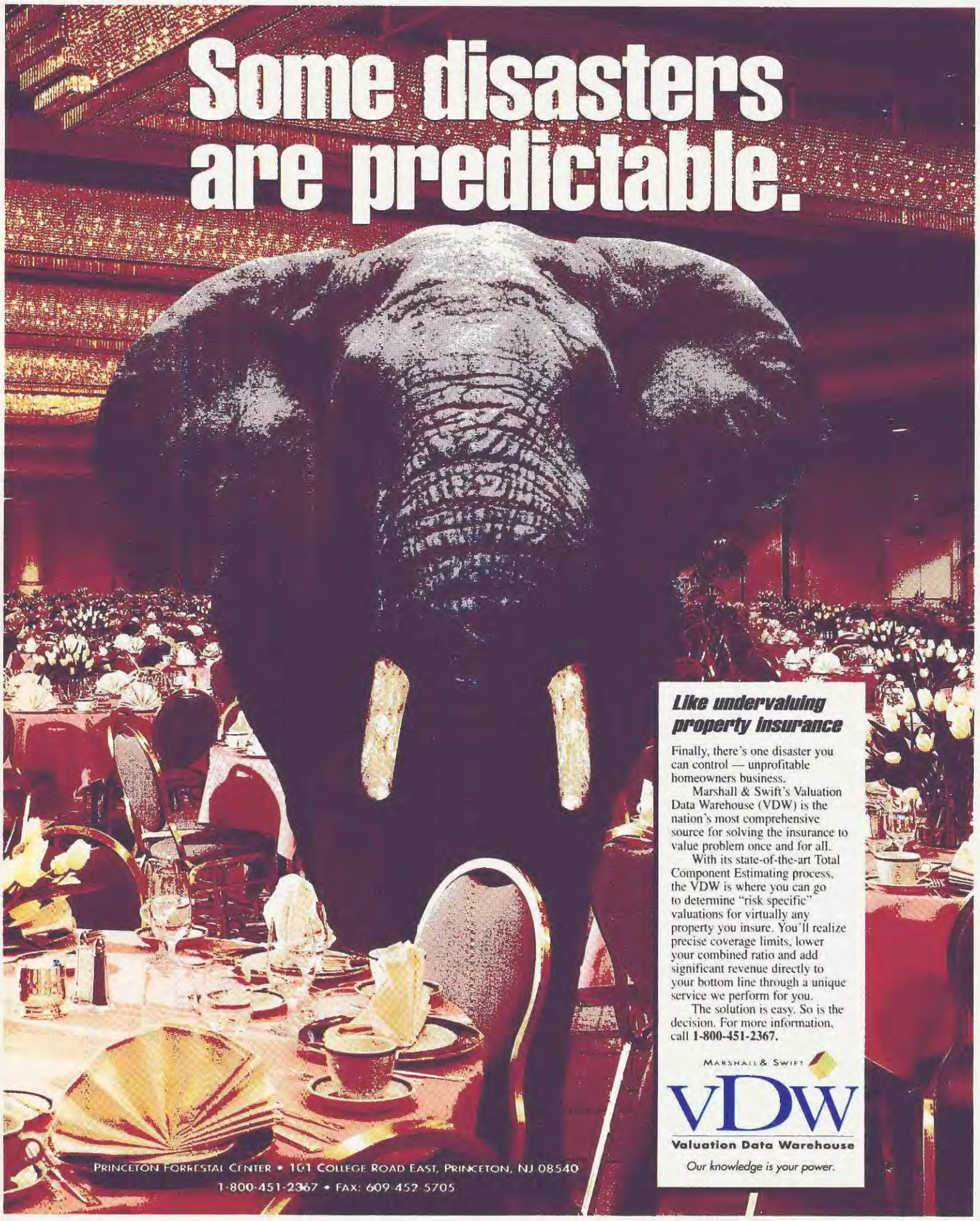
Internet pages concerning local events and information often can be accessed by the general public at libraries, so there is no need to wait for a cable connection to the Internet to take place to reach a broader audience, Mr. Waterhouse said.

And for those policyholders that do have easy access to the Internet, insurance agents can set up a range of services that will turn the technology to their advantage, Mr. Waterhouse said.

For example, they can issue information about imminent catastrophes and advice on how to minimize damage, he said.

And online claims processing could be offered over the Internet whereby policyholders can communicate with their agents 24 hours a day, Mr. Waterhouse said.

"I might get home late and find that I can't talk to my agent so I type him a message saying I just backed into a tree. If I can communicate with him on my own terms I'm happy," he said. BI



IBS to air issues-oriented programs

First two programs taped, network to start broadcasting soon

By MICHAEL SCHACHNER

The long-awaited Insurance Broadcast System taped its first two issues-oriented programs in New York recently and the specialized, subscriber-only network is expected to begin broadcasting soon.

With 28 subscribers already committed, IBS, the nation's only all-insurance broadcasting company, last month was in the final stages of preparations to go on the air.

Los Angeles-based IBS, which has been in the works for the past couple of years, will offer at least 90 minutes of original programming each weekday, which will be rerun over the course of the workday, said Chief Executive Officer Dennis Richard.

Programming will include insurance news, issues-oriented interviews, training and educational programs and telecourses for underwriters, executives, brokers and agents.

In March, IBS taped a pair of 30-minute programs dealing with new directions in health care and state vs. federal insurance regulation.

The health care piece is moderated by Herbert Goodfriend, a partner with KPMG Peat Marwick L.L.P. The guests are David Farmer, senior vp-federal affairs with the Alliance of American Insurers; Susan Van Gelder, vp with the Health Insurance Assn. of America; and Larry Mayewski, senior vp-life and health division of A.M. Best Co.

The show on regulation is moderated by Joe Decaminada, executive vp of the Atlantic Mutual Insurance Co., who will retire from the insurer June 1. Guests are Franklin Nutter, president of the Reinsurance Assn. of America, and Rodger Lawson, president of the Alliance of American Insurers.

Shows will be taped in the near future in New York and Los Angeles on subjects ranging from public policy issues in insurance to loss control to risk management, Mr. Richard said.

Monthly specials on reinsurance, the business elements of insurance, medical fraud, human resources and alternative dispute resolution also are scheduled.

Subscriptions to IBS are currently $400 per month, per site, for two years, or $500 per month, per site, for one year. There is a $1,200 satellite installation fee as well.

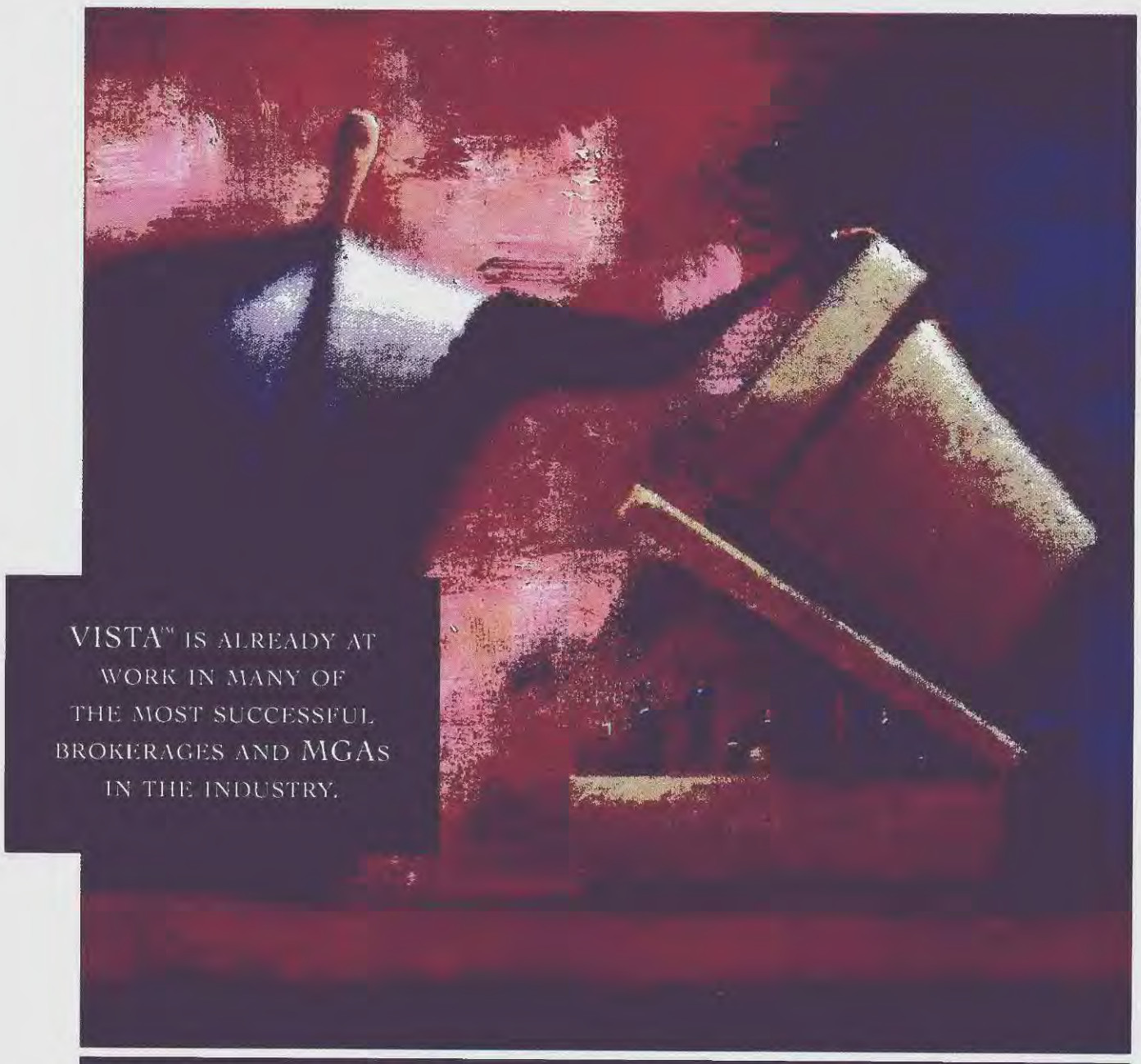
Charter subscribers to IBS include: Johnson & Higgins of California; Sedgwick James Inc.; ITT Hartford Insurance Group; SAFECO Insurance Co.; Zurich-American Insurance Group; General Casualty Insurance Co.; Bolton/RGV Insurance Brokers; Insurance Services Office Inc.; American Re-Insurance Co.; the National Assn. of Insurance Brokers; the Reinsurance Assn. of America; RLI Corp.; the American Insurance Assn.; and the Alliance of American Insurers.

For more information on the Insurance Broadcast System, contact IBS at 310-820-3303; fax: 310-826-2023; or visit IBS on the World Wide Web at http://ibstv.com. BI



From left to right, Herbert E. Goodfriend, David Farmer, Susan Van Gelder and Larry G. Mayewski participate in a recent Insurance Broadcast System taping in New York.

INFORMATION TECHNOLOGY



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Kodak products designed to aid claims processing

ROCHESTER, N.Y.—Picture this: A quick way to catalog vast numbers of insurance records. Or a fast method of photographing property before or after a loss.

Rochester, N.Y.-based Eastman Kodak Co. did, and the result is two high-technology products that are making life a little easier for property/casualty insurers.

Products & Services

Not surprisingly, from a company whose name is synonymous with photography, these new products are a digital camera and an automated microfilm system.

Using the Kodak Digital Camera 40, a point-and-shoot still camera with 4 MB of memory, insurer representatives can take up to 48 high-resolution color images. No film is used. Instead, digital images can be downloaded to a computer.

The camera, which costs about $1,000, operates on AA-size batteries.

The other new product—the Imagelink system, a microimaging machine and a dedicated computer—enables insurers to create digital images of documents that can be stored and retrieved.

The microimager can film both sides of a document simultaneously and provides two 100-foot rolls of microfilm, each of which holds as many as 9,000 documents.

Kodak software also allows access to the index of documents in the microfilm system via an insurer's mainframe computer.

For more information, contact Eastman Kodak Co., 343 State St., Rochester, N.Y. 14650; 716-724-5109; World Wide Web: http://www.kodak.com.

Workers comp EDI

PORT ORANGE, Fla.—Workers compensation insurance companies have a new software tool to help them speed up the processing of claims and control the costs of doing sc.

ClaimIX, by Huntsville, Ala.-based Regents Medical Claims, lets employers, insurers and third-party

INFORMATION TECHNOLOGY

administrators send and receive injury reports electronically.

Texas and Kentucky are the only states to require workers comp injury reports to be sent and received electronically and others are considering doing so, said Robert R. Spencer, executive vp of Regents Medical Claims in Port Orange, Fla.

Electronic filing is allowed in 15 states.

Manually processing a claim costs $8 to $18, said Mr. Spencer, vs. 65 cents if it is done electronically.

ClaimIX costs $495 for first report of injury and subsequent report of injury filing. A module for medical provider form filing is expected to be released soon for $695. For information, call Robert R. Spencer at 904-322-8860.

24-hour loss help

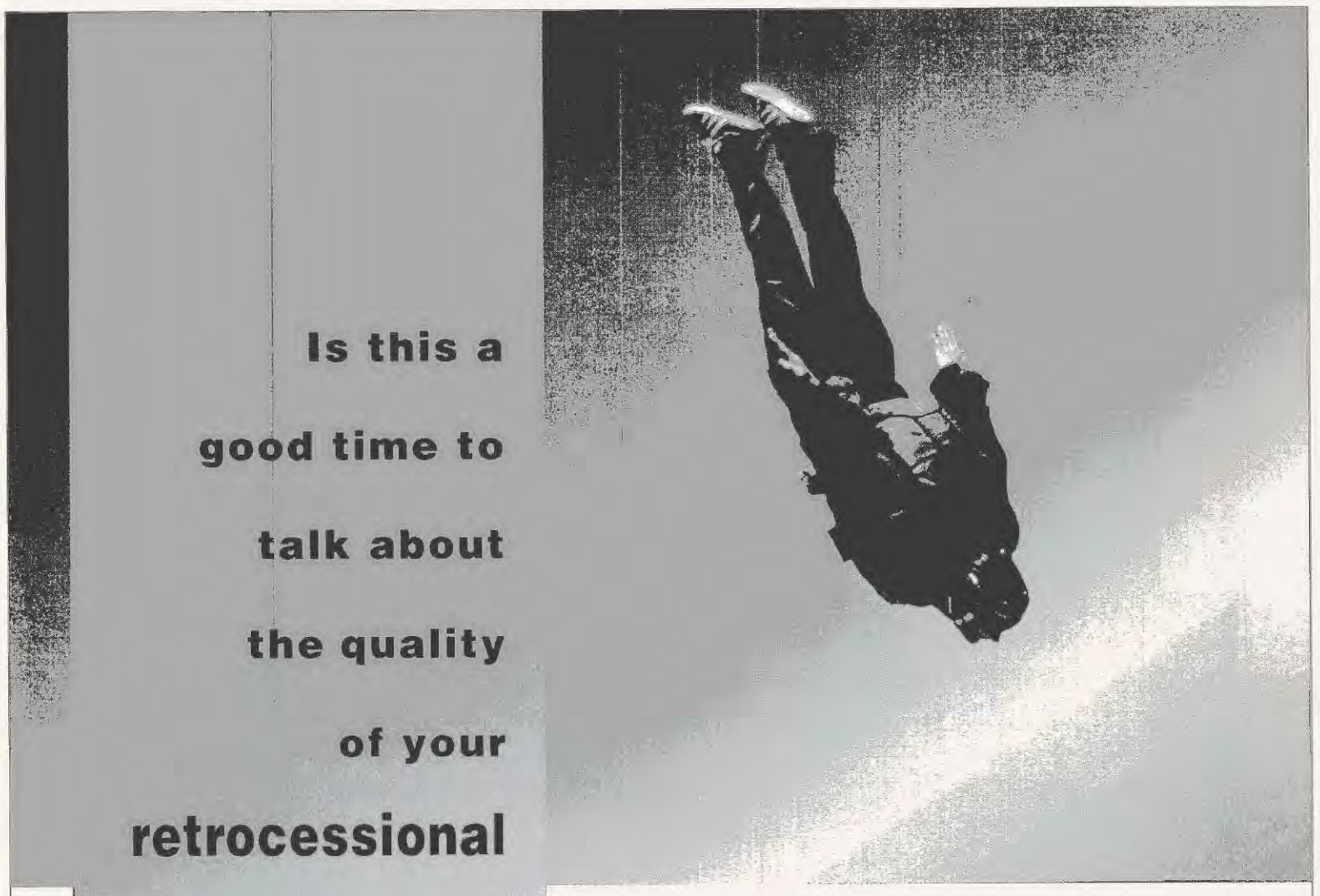
PHILADELPHIA—Insurance companies now can obtain 24-hour technical assistance for small as well as catastrophic losses from Langford Management Associates Inc.

LMA, a Philadelphia-based property loss claims management company founded in 1992, recently established a 24-hour emergency response service.

Insurance companies needing help in managing claims of all sizes can call pager number 800-928-1674 for immediate assistance.

LMA, which offers seminars on various claims cost control issues, provides project management and consulting services following property losses of virtually any size.

For more information, contact Langford Management Associates at 215-561-1960. BI



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To learn more, contact Michael Bleisnick (Domestic Operations) or Gordon Forsyth (International Operations) in New York, or Alain Tounquet in Brussels.

Defense costs can be recovered

By Bruce Celebrezze and Nancy M. Wesley

THE CALIFORNIA COURT of Appeal in Los Angeles recently decided two cases within one day of each other that promise to help balance the insurer/policyholder relationship in the defense of civil lawsuits against policyholders (*BI*, March 18).

In *Buss vs. Superior Court (Transamerica Insurance Co.)*, filed Feb. 29, 1996, the court held that, where an insurer provides a defense in an action that includes claims for which there was never any potential for coverage but where the insurer was required to defend because the non-covered claims were joined with claims for which a potential for coverage did exist, the insurer may recover those defense costs that would not have been incurred but for the non-covered claims.

IT Perspective

In *IMCERA Group Inc. vs. Liberty Mutual Insurance Co.*, filed March 1, 1996, the court held that, even when an insurer wrongfully denies a defense, it need not reimburse the policyholder for costs incurred in defense of non-covered claims. The court also ruled in *IMCERA* that the policyholder must share an allocated portion of defense costs with its insurers in the context of continuing damage claims for those years for which the policyholder maintained no insurance coverage. If the *Buss* and *IMCERA* decisions are not reversed by the California Supreme Court, they promise to alter, to some small extent at least, the relationship between insurers and policyholders in defending civil suits.

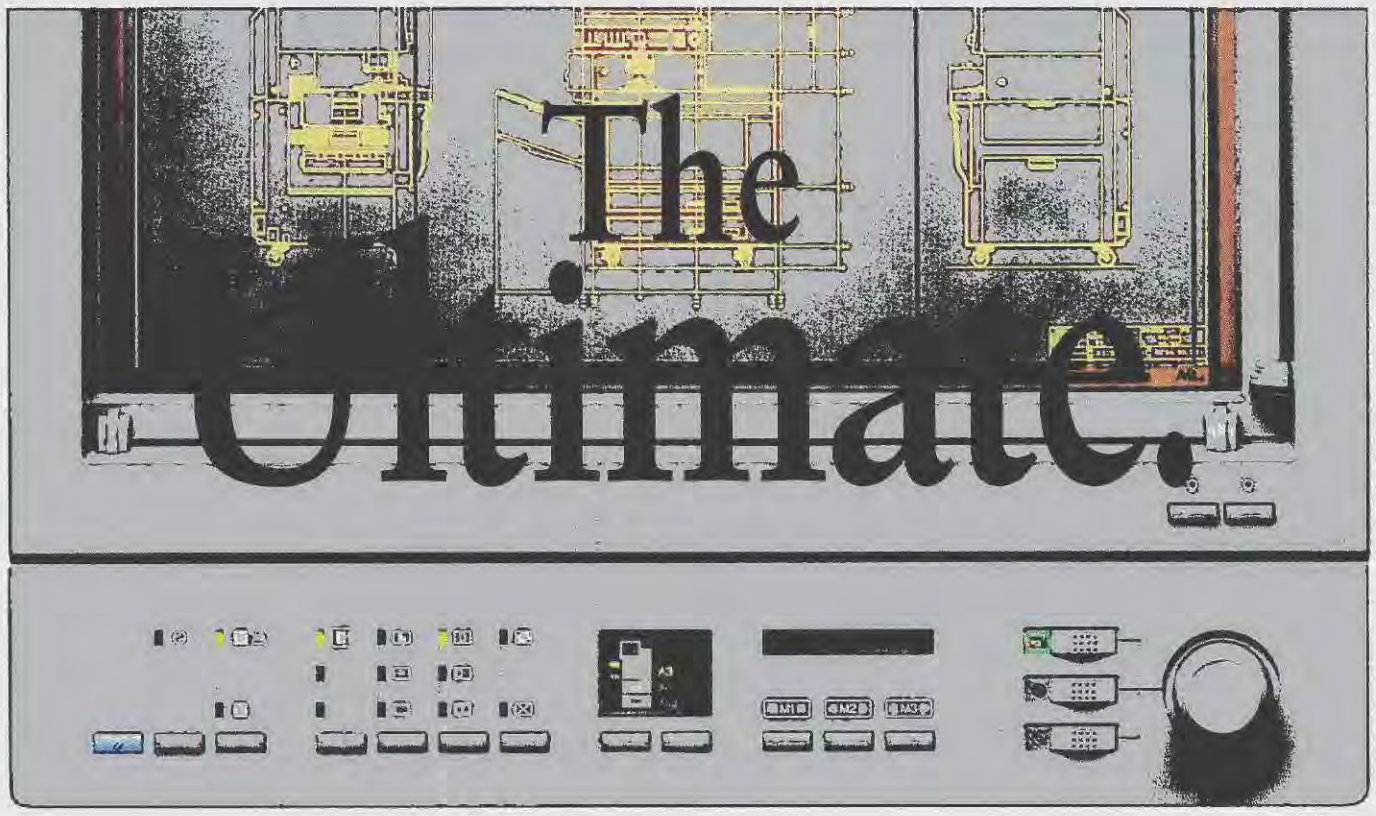
In *Buss*, the owner of the Los Angeles Lakers and the Los Angeles Kings and a tenant of the Great Western Forum in Inglewood, Calif., was insured by Transamerica. H&H Sports Inc. was a corporation that had acted as Jerry H. Buss' exclusive agent in obtaining advertising for the Forum and the Prime Ticket Network. After Mr. Buss allegedly took certain steps to terminate H&H Sports' exclusive advertising rights, H&H Sports sued Mr. Buss.

The third amended complaint in H&H Sports' suit against Mr. Buss had some 27 causes of action relating to Mr. Buss' business dealings with H&H Sports. The 23rd cause of action was for defamation. Since there was a potential for coverage for the defamation claim under the personal injury coverage in its policies, Transamerica accepted Mr. Buss' tender of defense of the H&H Sports suit. Transamerica reserved its rights, including the right to be reimbursed and/or seek an allocation of attorneys' fees and expenses in the H&H Sports action. After the underlying action was resolved, Mr. Buss sued Transamerica. The appellate court reaffirmed the breadth of the duty to defend under California law. The court reviewed recent state Supreme Court decisions that an insurer owes a duty to defend any claim where a potential for coverage is present, even if it is ultimately determined that in fact no covered claim existed.

The court reaffirmed in *Buss* that a finding of no coverage does not retroactively alter the insurer's defense burden. Rather, the finding of non-coverage only relieves the insurer of the obligation to continue to defend after that declaration. The court held that, in the absence of policy language so providing or an express agreement supported by new consideration, a liability insurer may not recover defense costs expended in fighting a claim against a policyholder for which there was a potential for coverage. As long as the defense obligation exists—that is, until the insurer proves there is no potential for coverage—the policyholder is entitled to defense of the entire action.

Despite upholding the broad duty to defend, the appeals court held that Mr. Buss was not entitled to summary

See **Defense** *on next page*

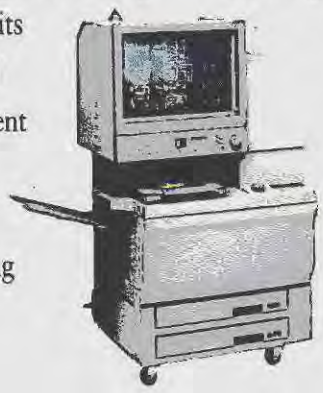


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Defense

Continued from previous page
adjudication as a matter of law that Transamerica could not allocate the defense costs between potentially covered claims and admittedly non-covered claims. The decision did not consider how much, if any, of the defense costs incurred in the defense of the H&H Sports action should actually be reimbursed to Transamerica. The court set some strict rules on when an insurer can recoup defense costs:

- When an insurer defends a case for which a potential for coverage exists but where it is ultimately determined that the claims are not covered, the insurer may not recover its defense costs incurred prior to the determination of non-coverage unless there is an express policy term so providing or an agreement with the policyholder supported by new consideration.
- An insurer's unilateral reservation of right to recoup defense costs if coverage is ultimately found not to exist does not, in the absence of specific language in the policy or an express agreement with the policyholder supported by new consideration, justify a claim for recovery of such costs incurred prior to a determination of non-coverage.
- Only where an insurer defends a suit that includes claims for which there was never any potential for coverage under the terms of the policy but that the insurer was required to defend because the non-covered claims were joined with the claims for which a potential for coverage did exist may the insurer recoup costs. The insurer may recover such costs as it can demonstrate are fairly and reasonably allocable solely to the non-covered claims and would not have been incurred in the defense of the covered or potentially covered claims.
- The burden of proof for allocation is on the insurer.

The court stated: "Lest there be any confusion on the point, we emphasize that the insurer is required to prove that the defense costs which it seeks to recover were not reasonably related to any actually or potentially covered claims. Defense costs which were required in any event or would have been incurred in order to defend actually or potentially covered claims, whether or not joined with non-covered claims, cannot be recovered. An insurer is only entitled to recover those defense expenses which can be fairly and reasonably allocated solely to non-covered claims."

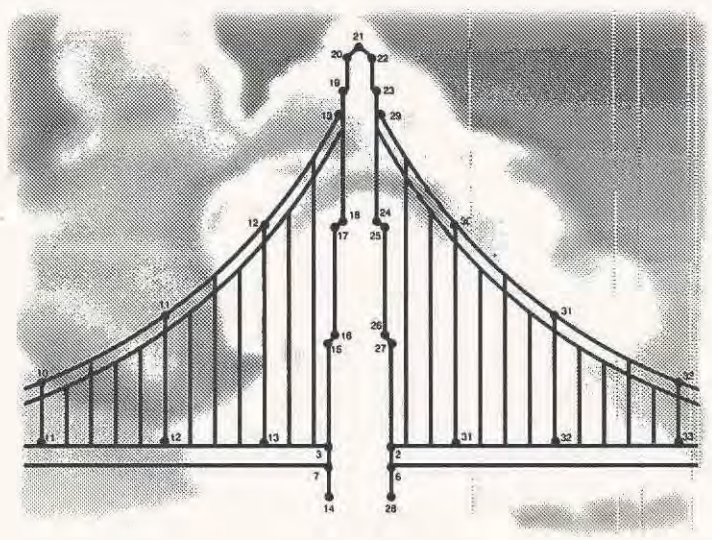
In *IMCERA*, IMCERA owned property in Santa Clara, Calif., on which it operated a chemical manufacturing and processing facility from 1934 until 1979. when the new owner sued IMCERA and others, seeking damages for discharge of hazardous substances onto the soil during IMCERA's ownership, IMCERA turned to a number of its insurers, all of which declined to undertake IMCERA's defense. The company then spent more than $3 million of its own money defending the action and nearly $5 million in settlement.

Just as in *Buss*, the court in *IMCERA* reaffirmed the duty to defend under California law, reviewing recent California Supreme Court decisions requiring an insurer to defend whenever there is a potential for coverage even if it is ultimately determined that in fact no covered claim existed. The court found that Liberty Mutual, one of IMCERA's insurers, had a duty to defend the underlying action despite allegations of intentional pollution and the presence of the pollution exclusion with the "sudden and accidental" exception and the "owned property" exclusion in the Liberty Mutual policy. The court also said the "known loss" rule in Insurance Code sections 22 and 250 did not preclude the insurer's defense obligation.

Despite finding that Liberty Mutual had breached its defense obligation in declining to defend IMCERA in the underlying action, the appeals court found that IMCERA was required to fund a portion of the defense costs, both as to uncovered claims and for uninsured time periods.

Citing the California Supreme Court's decisions in *Hogan vs. Midland National Insurance Co.* (1970) and *Horace Mann Insurance Co. vs. Barbara B., minor* (1993), which held that an insurer must pay for the defense even on non-covered claims unless the insurer produces "undeniable" evidence of allocability, the appeals court declined to reverse the trial court's findings that Liberty Mutual was not required to defend certain fraud claims in the underlying action. The court also held that where a policyholder is self-insured or uninsured for a period of time, the policyholder must pay its "fair share" of the defense costs in a continuing damage situation as to those damages that occur during the uninsured time frame. The insurer that wrongfully refuses to provide a defense bears a "heavy burden of proof" in apportioning costs to the policyholder on either of these grounds.

See **Defense** *on page 24L*



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IT Briefs

Classifying agencies

ALEXANDRIA, Va.—In an attempt to create a clearer way to measure independent agencies, the Independent Insurance Agents of America Inc. has formed a Standard Agency Classification System.

The new system categorizes agencies by revenue, location/marketing area and mix of business, such as "small, urban, commercial lines" or "jumbo, suburban, balanced personal and commercial lines."

Agency size is determined by the following revenue classes: small, $150,000 or less in total annual revenue; medium, $150,001 to $750,000; large, $750,001 to $2.5 million; and jumbo, over $2.5 million. The IIAA defines total revenue as all insurance product-based income, including commissions, contingency income, fees and interest earned on premiums.

Location/marketing areas are defined as: "urban," mainly an inner-city or densely populated area defined as a "central city" by the U.S. Office of Management and Budget; "suburban/medium city," an area adjacent to urban area or medium-size city; "small town," a community or county with population of less than 50,000 that is not within a Metropolitan Statistical Area as defined by OMB; and "rural," an area with a population of 5,000 or less and not otherwise classified as part of a Metropolitan Statistical Area.

Business mix is classified as "personal lines" or "commercial lines" if at least 70% of an agency's revenue is derived from either of those accounts. An agency may be classified as "balanced personal and commercial lines" if both personal lines and commercial lines accounts generate less than 70% of the agency's revenue.

Copies of the Standard Agency Classification System are available from the IIAA by calling 703-683-4422. The IIAA is the nation's largest association of independent insurance agents, representing more than 280,000 agents.

Satisfaction survey

ROANOKE, Va.—Companies that buy group insurance products from Shenandoah Life Insurance Co. couldn't be much more satisfied with the insurer, a recent LIMRA International survey found.

In a random telephone survey of 50 corporate benefit administrators conducted by the marketing research organization at the insurer's request, respondents gave Shenandoah's home office personnel in Roanoke, Va., 100% satisfaction ratings in five of six service categories. The five categories were attitude, responsiveness to questions, professionalism, benefit plan knowledge and understanding customers' needs. The sixth, resolving problems, received a 97% rating.

Survey respondents also gave the insurer the highest possible points in several service areas, including claims filing, claims accuracy and adding new employees, according to LIMRA.

Shenandoah approached LIMRA about conducting the survey late last year as part of the insurer's strategic growth plan for its group products, explained Jim Harshaw, vp-group marketing and sales. Although LIMRA had done similar surveys for other insurers, Shenandoah's numbers were the highest it had found.

"Such high satisfaction scores are unusual—they're almost unheard of," LIMRA's survey report said.

Shenandoah Life Insurance Co. is a mutual insurer that sells individual and group products—including life, disability and dental insurance—in 21 states and the District of Columbia. The insurer intends to expand its operations to other states as well, Mr. Harshaw said.

NAMIC members

INDIANAPOLIS—Seven companies recently joined the National Assn. of Mutual Insurance Cos.

Among the new members are two insurers writing nationwide, three regional companies, a small mutual insurer and a reinsurer.

NAMIC's new members are: Ohio Casualty Insurance Co., a national insurer based in Hamilton, Ohio; AEGIS Insurance Services Inc. of Jersey City, N.J., which writes excess liability and directors and officers liability coverage nationwide; Attorneys Liability Protection Society, A Mutual Risk Retention Group, of Missoula, Mont.; Dryden Mutual Insurance Co., a small insurer based in Dryden, N.Y.; MEDMARC Insurance Co., a Fairfax, Va.-based reinsurer; Milbank Insurance Co., a small multiline insurer in Milbank, S.D.; and Milwaukee Mutual Insurance Co., a multiline property/casualty company based in Milwaukee.

Indianapolis-based NAMIC represents more than 1,200 property and casualty insurance companies nationwide.

Acquisition

NEW YORK—Castle Harlan Inc., a New York-based merchant bank, plans to acquire insurance holding company Financial Institutions Insurance Group Ltd.

The transaction, Castle Harlan's second insurance holding company acquisition in the past six months, is valued at about $54 million. Castle Harlan's agreement to purchase FIIG, unveiled last month, is subject to regulatory approval.

FIIG, which has offices in Chicago and Avon, Conn., has both insurance and reinsurance subsidiaries. FIIG unit The First Reinsurance Co. of Hartford, founded in 1911 as the first U.S. reinsurer, reinsures various specialty lines like professional liability, directors and officers liability and property catastrophe.

In October 1995, Castle Harlan acquired Homestead National Corp., a holding company for Secaucus, N.J.-based Homestead Insurance Co.

Information in brief

The **Michigan Insurance Hall of Fame**, based at Olivet College in Olivet, Mich., is accepting nominations for new inductees until May 31. An induction ceremony will take place Oct. 23. For more information or to nominate professionals who have made significant contributions to insurance or risk management in Michigan, contact Michael R. Hubbel, administrator of the Michigan Hall of Fame, at 616-749-7626. . . .A revised edition of the **"Insurance Designations Handbook"** is available from the Society of Insurance Trainers & Educators, 2120 Market St., Suite 108, San Francisco, Calif. 94114; 415-621-2830. Copies of the revised handbook, which lists more than 70 designations as well as their requirements and sponsoring organizations, are $5 each for SITE members, $6 for non-members. BI

Defense

Continued from page 24]

The *Buss* and *IMCERA* decisions, if upheld, will make it easier for insurers to allocate some defense responsibility to policyholders in many instances. But, the fact the "heavy burden of proof" is on the insurer means that defense fees are not going to come rushing back into insurers' coffers.

Undoubtedly, there will be bitter and protracted battles between insurance companies and policyholders regarding all of these allocation issues.

However, the *Buss* and *IMCERA* decisions may encourage insurers and policyholders to negotiate allocations at the beginning of the underlying suit to avoid acrimonious litigation later.

Moreover, in certain circumstances, the decision may encourage policyholders to let insurers appoint panel counsel to defend actions even where policyholders might technically be entitled to independent counsel.

Presumably it would be difficult for an insurance company to recoup from its policyholder defense costs incurred by the insurer's own appointed panel counsel.

Finally, these rulings ultimately give policyholders less leverage in settling the underlying litigation because the decisions let insurance companies argue with more force that they can sue policyholders for recoupment or allocation of defense costs if, for example, a policyholder declines to take part in a settlement. BI

Bruce Celebrezze is a partner and founding shareholder and Nancy M. Wesley is a partner and shareholder in the law firm Celebrezze & Wesley in San Francisco.

Specialties of the law firm, which also has offices in Los Angeles and San Luis Obispo, Calif., include insurance coverage counseling and litigation.

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61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
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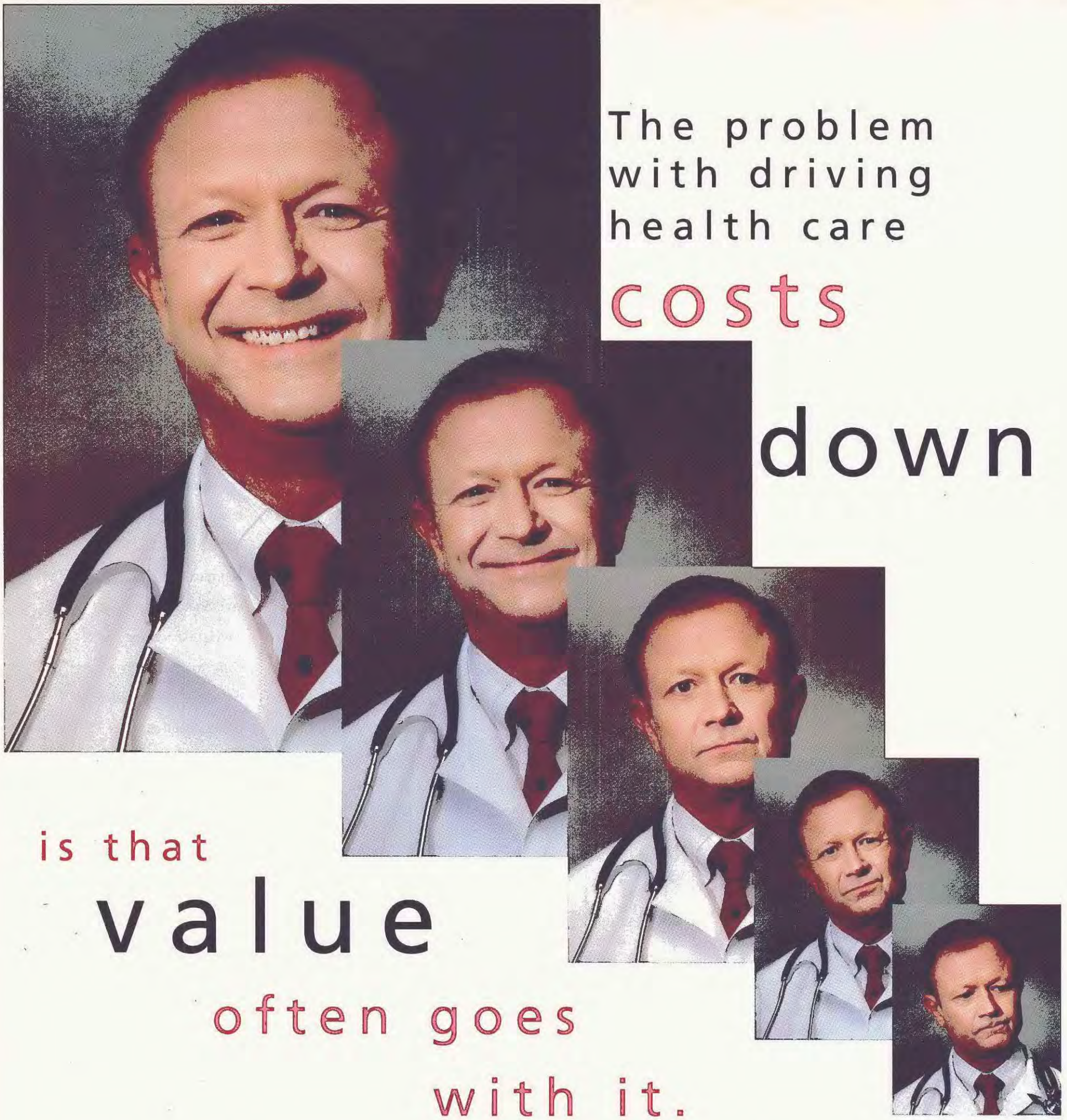
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Continued from page 24

Clients

Total	250
Receiving unbundled services	250
Average participants/plan	80
Minimum participants/plan	25
Maximum participants/plan	5,000

Services began: 1989.
Software: Leased from outside vendor, accommodates 40 investment funds and 20 types of contributions, software may be used by clients in-house.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.
Service area: Arizona, California, Nevada.
Locations: Administrative/consulting offices in San Diego, Calif.
Charges: Determined by number of participants, complexity of plan, frequency valuations.
Contact: Robert H. Gorelick, president.

Benefit Planning Inc.

4676 Admiralty Way, Suite 401, Marina del Rey, Calif. 90292; 310-577-1444; fax: 310-577-1433

Staff

Total	17
Involved in 401(k) plan services	13

Clients

Total	200
Receiving unbundled services	195
Receiving bundled services	5
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1984.
Software: Purchased from outside vendor, accommodates 20 investment funds and unlimited types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Western states.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Anthony S. Delfino, Richard L. Kaplan, principals/owners.
Contact: Sheree Tallerman.

The Benefits Group

Corporate Plaza I, 6450 Rockside Woods Blvd. S., Suite 300, Cleveland, Ohio 44131; 216-328-1300; fax: 216-328-1309

Staff

Total	57
Involved in 401(k) plan services	27

Clients

Total	360
Receiving unbundled services	260
Receiving bundled services	100
Average participants/plan	350
Minimum participants/plan	50
Maximum participants/plan	Unlimited

Services began: 1981.
Software: Purchased from outside vendor, leased from outside vendor, accommodates 20 investment funds and 20 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Locations: Administrative/consulting offices in Columbus, Ohio.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Charles J. Farro, chairman; Joseph P. Crea, president.
Contact: James S. Vitalie.

Benefits Plus Inc.

6001 Adams Road, Bloomfield Hills, Mich. 48304; 810-258-0888; fax: 810-258-0890

Staff

Total	56
Involved in 401(k) plan services	56

Clients

Total	303
Receiving bundled services	303
Average participants/plan	100
Minimum participants/plan	25
Maximum participants/plan	5,000

1995 revenues

Total	$4,200,000
401(k) plan administration	$1,000,000

Services began: 1983.
Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Locations: Administrative/consulting offices in Southfield, Mich.
Charges: Determined by number of participants, complexity of plan, assets under management.
Contact: Mark Wayne, CEO.

Bolton Offutt Donovan Inc.

575 S. Charles St., Suite 500, Baltimore, Md. 21201; 410-547-0500; fax: 410-685-1924

Staff

Total	50
Involved in 401(k) plan services	11

Clients

Total	60
Receiving unbundled services	30
Receiving bundled services	30
Average participants/plan	400
Minimum participants/plan	100
Maximum participants/plan	2,500

Services began: 1981.
Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Contact: Kerry M. Boyce, president.

Boyce & Associates Inc.

5040 E. Shea Blvd., Suite 158, Scottsdale, Ariz. 85254; 602-948-8879; fax: 602-948-0448

Staff

Total	12
Involved in 401(k) plan services	6

Clients

Total	160
Receiving unbundled services	160
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	2,000

Services began: 1989.
Software: Purchased from outside vendor, accommodates 24 investment funds and 10 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Contact: Kerry M. Boyce, president.

Buck Consultants Inc.

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

Staff

Total	1,911
Involved in 401(k) plan services	160

Clients

Total	441
Average participants/plan	1,700
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1995 revenues

Total	$196,000,000

Services began: 1981.
Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds through an alliance program.
Service area: Nationwide.
Locations: Administrative/consulting offices in Phoenix; Los Angeles; San Francisco; Denver; Stamford, Conn.; Washington; Atlanta; Honolulu; Chicago; Fort Wayne, Ind.; Kansas City, Kan.; Boston; Detroit; Secaucus, N.J.; Cincinnati; Cleveland; Philadelphia; Pittsburgh; Dallas; Houston.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: William E. Giegerich, chairman; Joseph A. LoCicero, president; Maureen O'Malley, national director-administrative services group.
Contact: Carolee Martin, manager-marketing, 201-902-2524 or Pamela Stewart, administration services marketing manager, 201-902-2558.

Business Benefits Corp.

9801 Westheimer Road, Suite 1070, Houston, Texas 77042; 713-781-9242; fax: 713-781-7330

Staff

Total	9
Involved in 401(k) plan services	7

Clients

Total	44
Receiving unbundled services	40
Receiving bundled services	4
Average participants/plan	20
Minimum participants/plan	1
Maximum participants/plan	1,000

1995 revenues

Total	$451,011

Services began: 1987.
Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.
Service area: Louisiana, Oklahoma, Texas.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: James W. Smith, president; Thomas E. Townsend, vp-marketing.
Contact: Thomas E. Townsend.

CalTrust

3080 S. Bristol, 2nd Floor, Costa Mesa, Calif. 92626; 800-274-8798; fax: 714-437-4059

Staff

Total	165
Involved in 401(k) plan services	50

Clients

Total	500
Receiving unbundled services	275
Receiving bundled services	225
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	20,000

1995 revenues

Total	$12,500,000
401(k) plan administration	$4,200,000

Services began: 1984.
Parent: CNA Financial Corp.
Software: Leased from outside vendor, accommodates unlimited investment funds and 12 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Locations: Administrative/consulting offices in San Francisco; Chicago.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Renate Renfro, president; John T. Brown, senior vp; Alfred Antignolo, senior vp.

CAPAX-The Osborne Organization

P.O. Box 3231, 1150 Ninth St., Suite 1400, Modesto, Calif. 95353; 209-526-3110; fax: 209-529-0230

Staff

Total	13
Involved in 401(k) plan services	6

Clients

Total	150
Receiving unbundled services	90
Receiving bundled services	60
Average participants/plan	25
Minimum participants/plan	1
Maximum participants/plan	1,000

1995 revenues

Total	$1,000,000
401(k) plan administration	$250,000

Services began: 1987.
Software: Purchased from outside vendor, accommodates 20 investment funds and eight types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Locations: Administrative/consulting offices in Sacramento, Calif.
Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.
Officers: Jim Osborne, president; Wade Osborne, vp.

Carlson, Quinn & Associates

2200 Powell St., Suite 840, Emeryville, Calif. 94608; 510-420-9020; fax: 510-420-9021

Staff

Total	7
Involved in 401(k) plan services	7

Clients

Total	125
Receiving unbundled services	125
Average participants/plan	100
Minimum participants/plan	10
Maximum participants/plan	1,000

Services began: 1994.
Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Brian P. Quinn, Leif T. Carlson, principals.
Contact: Brian P. Quinn.

The Chicago Trust Co.

171 N. Clark St., Chicago, Ill. 60601-3294; 312-223-5200; fax: 312-223-5197

Staff

Total	7+
Involved in 401(k) plan services	5+

Clients

Total	217
Receiving unbundled services	17
Receiving bundled services	200
Average participants/plan	300
Minimum participants/plan	1
Maximum participants/plan	10,000

1995 revenues

Total	$8,300,000
401(k) plan administration	$2,109,000

Services began: 1985.
Parent: Alleghany Corp.
Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions.
Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include retirement planning seminars.
Service area: Midwestern and southeastern states.
Locations: Administrative/consulting offices in Atlanta.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Stuart Bilton, president; Andrew P. Mayo, executive vp; Daniel R. Joyce, regional vp; Ronald Quesenberry, Robert F. Stuark, vps.
Contact: Andrew P. Mayo.

Columbia Benefit Consultants Inc.

5840 Banneker Road, Suite 200, Columbia, Md. 21044; 410-740-7335; fax: 410-740-9204

Staff

Total	5
Involved in 401(k) plan services	3

Clients

Total	65
Receiving unbundled services	22
Receiving bundled services	43
Average participants/plan	60
Minimum participants/plan	1
Maximum participants/plan	5,000

1995 revenues

Total	$320,000
401(k) plan administration	$195,000

Services began: 1984.
Software: Purchased from outside vendor, accommodates unlimited investment funds and 12 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, online access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Eastern states.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Peter F. Hibbard, president; Jodie A. Dailey, director-administration.

Compensation Strategies Group Inc.

P.O. Box 2471, Beaumont, Texas 77704; 800-780-7669; fax: 409-832-3825

Staff

Total	9
Involved in 401(k) plan services	7

Clients

Total	60
Receiving unbundled services	60
Average participants/plan	50

1995 revenues

Total	$400,000
401(k) plan administration	$225,000

Services began: 1984.
Software: Purchased from outside vendor, accommodates 20 daily, unlimited balance forward investment funds and nine types of contributions.

Continued on next page

Continued from previous page

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Louisiana, Texas.

Locations: Administrative/consulting offices in Fort Worth, Texas.

Charges: Determined by number of participants, time and expense, frequency valuations.

Officers: Larry A. Turner, Cliff W. Cavett, Logan Dickinson.

Contact: Larry A. Turner.

Cordasco & Associates Inc.

2150 Dauphin St., Mobile, Ala. 36606; 334-473-0044; fax: 334-450-0203

Staff	
Total	10
Involved in 401(k) plan services	8
Clients	
Total	243
Receiving unbundled services	243
Average participants/plan	200
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1987.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Robert Cordasco, president; Robert J. Crow, vp.

Contact: Toni L. Sacco.

W.F. Corroon

231 S. Bemiston, Suite 400, St. Louis, Mo. 63105; 314-725-0114; fax: 314-725-2724

Staff	
Total	400
Involved in 401(k) plan services	100
Clients	
Total	402
Receiving unbundled services	375
Receiving bundled services	27
Average participants/plan	650
Minimum participants/plan	250
Maximum participants/plan	Unlimited
1995 revenues	
Total	$32,000,000
401(k) plan administration	$7,388,000

Services began: 1984.

Parent: Willis Corroon.

Software: Leased from outside vendor, accommodates 99 investment funds and 32 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in San Diego; Baltimore; Cleveland; Nashville, Tenn.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: B.J. Ralston, senior vp/director-defined contribution plan services/managing director-Tennessee; Sherri Noble, managing consultant-Cleveland; Tim Carcy, executive vp-Baltimore; Trina Norsen, manager-benefits administration-Seattle; John Mayer, vp/senior consultant-San Diego; Lynn Trujillo-Smith, vp/senior consultant-San Diego.

Contact: B.J. Ralston.

Directory terms and methodology are explained on page 24.

D

Delaware Charter Guarantee & Trust Co.

1013 Centre Road, Wilmington, Del. 19805; 800-332-4015; fax: 302-999-9554

Staff	
Total	265
Involved in 401(k) plan services	60
Clients	
Total	280
Receiving unbundled services	280
Average participants/plan	140
Minimum participants/plan	10
Maximum participants/plan	25,000

Services began: 1984.

Parent: The Principal Financial Group.

Software: Written and maintained in-house, accommodates 20 investment funds and nine types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense.

Officers: Ron Danilson, president/CEO; Karen Redfearn, vp-operations; Susan Judge, vp-large employer plans administration; Thomas Kline, vp-finance; Chuck Swain, vp-customer service; Dan O'Neil, vp-MIS.

Deloitte & Touche L.L.P.

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

Staff	
Total	800
Involved in 401(k) plan services	75
Clients	
Total	500
Receiving unbundled services	500
Average participants/plan	300
Minimum participants/plan	250
Maximum participants/plan	Unlimited
1995 revenues	
Total	$103,686,000
401(k) plan administration	$5,000,000

Services began: 1982.

Software: Purchased from outside vendor, accommodates 20 investment funds and 20 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; Detroit; New York; Tulsa, Okla.; Portland, Ore.; Dallas; Houston. Consulting offices in San Francisco; Atlanta; Chicago; Boston; Minneapolis; Parsippany, N.J.; Philadelphia.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Richard J. Berens, principal-Minneapolis; James T. Phoenix, principal-Dallas; Ainar D. Ayala, principal-New York; Susan H. Achenbach, principal-Chicago; Richard A. Kleinert, principal-Los Angeles.

Detweiler, Hershey & Associates P.C.

64 N. County Line Road, P.O. Box 157, Souderton, Pa. 18964; 215-723-8901; fax: 215-721-1992

Staff	
Total	30
Involved in 401(k) plan services	5
Clients	
Total	110
Receiving unbundled services	50
Receiving bundled services	60
Average participants/plan	50
Minimum participants/plan	-
Maximum participants/plan	5,000
1995 revenues	
Total	$2,500,000
401(k) plan administration	$300,000

Services began: 1982.

Software: Purchased from outside vendor, accommodates 20 investment funds and 10 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Harold Detweiler, Bruce Detweiler, Harold Hershey, Bob Schoen, Jim Rittenhouse, principals.

Contact: Rob Wisner.

Dreyfus Retirement Services

1 Boston Place, Suite 017A, Boston, Mass. 02108; 617-722-7289; fax: 617-248-3292

Staff	
Total	533
Involved in 401(k) plan services	198
Clients	
Total	1,750
Receiving unbundled services	1,250
Receiving bundled services	500
Average participants/plan	900
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Mellon Bank N.A.

Software: Leased from outside vendor, accommodates 99 investment funds and 36 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Uniondale, N.Y.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Phil Toia, vice chairman-The Dreyfus Corp.; Barbara Casey, president-Dreyfus Retirement Services; Robert Stone, executive vp-relationship management/sales/marketing; Joseph Eck, first vp/national sales manager; Allan Kelly, vp/manager-sales & technical support.

Contact: Joseph Eck, 617-722-7432.

E

The Epler Co.

450 B St., Suite 750, San Diego, Calif. 92101; 619-239-0831; fax: 619-239-0807

Staff	
Total	15
Involved in 401(k) plan services	4
Clients	
Total	15
Receiving unbundled services	15
Average participants/plan	200
Minimum participants/plan	50
Maximum participants/plan	25,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 99 investment funds and 26 types of contributions.

Administration: Cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: California.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Jane Barry, president; Lin Ball, Lou Filliger, vps.

Contact: Jane Barry.

F

Feldman Benefit Services Inc.

966 S. Springfield Ave., Springfield, N.J. 07081; 201-376-6777; fax: 201-376-6761

Staff	
Total	10
Involved in 401(k) plan services	6
Clients	
Total	122
Receiving unbundled services	122
Average participants/plan	40
Minimum participants/plan	1
Maximum participants/plan	2,500
1995 revenues	
Total	$875,000
401(k) plan administration	$355,000

Services began: 1985.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Boca Raton, Florida; Farmingdale, N.J.

Charges: Determined by number of participants, frequency valuations.

Contact: Elise Feldman, president or Sharon F. Birnbaum, vp.

Fringe Benefits Design Inc.

5101 College Blvd., Suite 100, Leawood, Kan. 66211; 913-451-0100; fax: 913-451-2162

Staff	
Total	81
Involved in 401(k) plan services	22
Clients	
Total	550
Receiving unbundled services	300
Receiving bundled services	250
Average participants/plan	90
Minimum participants/plan	1
Maximum participants/plan	Unlimited
1995 revenues	
Total	$5,000,000
401(k) plan administration	$1,000,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 18 investment funds and six types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Midwestern states.

Locations: Administrative/consulting offices in Des Moines, Iowa; Oklahoma City, Oklahoma.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Paul M. Smith Sr., CEO; Bryan J. Smith, chairman; Mike Juffa, president; John Cain, vp-compliance; Anita Drew, vp.

Contact: Bryan J. Smith.

H

HPL&S Inc.

125 S. Wilke Road, Suite 300, Arlington Heights, Ill. 60005; 847-392-2999; fax: 847-392-1053

Staff	
Total	34
Involved in 401(k) plan services	20
Clients	
Total	250
Receiving unbundled services	200
Receiving bundled services	50
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	5,000
1995 revenues	
Total	$2,920,000
401(k) plan administration	$1,000,000

Services began: 1983.

Software: Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide, primarily Chicago metropolitan area.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Mark Schwartz, president; George F. Castillo, Thomas J. Doherty, vps; William C. Ludwig, treasurer; Ira A. Post, secretary.

Contact: Thomas J. Doherty.

Hazlehurst & Associates Inc.

400 Perimeter Center Terrace, Atlanta, Ga. 30346; 770-395-9880; fax: 770-512-6230

Staff	
Total	244
Involved in 401(k) plan services	154
Clients	
Total	135
Receiving unbundled services	108
Receiving bundled services	27
Average participants/plan	5,200
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: The Northern Trust Corp.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include investment consulting.

Service area: Nationwide.

Locations: Administrative/consulting offices in Chicago; Seattle.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: James G. Pope, president; T. Ray McKinney, David M. Gladstone, Dennis F. Sain, Wilson M. Ellis, executive vps.

Contact: Wilson M. Ellis, director-sales/marketing.

Hewitt Associates L.L.C.

100 Half Day Road, Lincolnshire, Ill. 60069; 847-295-5000; fax: 847-883-8321

Staff	
Total	4,824
Involved in 401(k) plan services	1,500
Clients	
Total	228
Receiving unbundled services	140
Average participants/plan	8,500
Minimum participants/plan	2,000
Maximum participants/plan	Unlimited
1995 revenues	
Total	$448,700,000

Services began: 1981.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Continued on next page

Continued from previous page

Service area: Nationwide.

Locations: Administrative/consulting offices in 30 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management through defined contribution alliance, time and expense, frequency valuations.

Contact: Debbie Hazelrigg, marketing assistant, 847-295-5000 ext. 1635.

A. Foster Higgins & Co. Inc.

125 Broad St., New York, N.Y. 10004;
212-574-9000; fax: 212-574-9100

Staff	
Total	1,300
Involved in 401(k) plan services	50
Clients	
Total	150
Receiving unbundled services	150
Average participants/plan	2,500
Minimum participants/plan	1
Maximum participants/plan	Unlimited
1995 revenues	
Total	$226,000,000

Services began: 1982.

Parent: Johnson & Higgins.

Software: Purchased from outside vendor, accommodates 99 daily and 20 monthly/quarterly investment funds and 30 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds through investment alliances. Other services include investment consulting.

Service area: Nationwide.

Locations: Administrative/consulting offices in Costa Mesa, Los Angeles and San Francisco, Calif.; Stamford, Conn.; Washington; Atlanta; Minneapolis; Princeton, N.J.; New York; Philadelphia; Dallas; Richmond, Va.; Seattle; .

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Robert F. Powell, chairman/CEO; John N. Feldtmose, president.

Contact: Gus J. Sanchez, principal/national practice leader, 609-520-2443.

I

Innovative Retirement Concepts Co.

470 Park Ave. S., New York,
N.Y. 10016; 212-576-1199;
fax: 212-576-1133

Staff	
Total	14
Involved in 401(k) plan services	5
Clients	
Total	100
Receiving unbundled services	80
Receiving bundled services	20
Average participants/plan	100
Minimum participants/plan	1
Maximum participants/plan	5,000

Services began: 1984.

Parent: USI.

Software: Purchased from outside vendor, accommodates 12 investment funds and 10 types of contributions.

Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Jack Warshavchik, president; Paul Robinson, senior vp.

Contact: Jack Warshavchick.

J

Howard Johnson & Co.

375 Park Ave., Suite 3702,
New York, N.Y. 10152; 212-758-5900;
fax: 212-758-3625

Staff	
Total	265
Clients	
Total	350
Average participants/plan	3,500
Minimum participants/plan	1,000
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; San Francisco; Washington; Chicago; New York; Portland, Ore.; Seattle and Spokane, Wash.; London; Dublin, Ireland.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Howard J. Johnson, chairman/CEO; Nancy B. Greer, CFO; Kent P. Buckles, director-consulting offices; John R. Clavs, director-Northwest Professional Center.

Contact: Nancy M. Rizzuto.

W.J. Jones Adminstrative Services Inc.

1979 Marcus Ave., Suite C101; Lake
Success, N.Y. 11042; 516-775-5420;
fax: 516-775-4581

Staff	
Total	140
Involved in 401(k) plan services	10
Clients	
Total	20
Receiving unbundled services	16
Receiving bundled services	4
Average participants/plan	2,300
Minimum participants/plan	100
Maximum participants/plan	Unlimited
1995 revenues	
Total	$10,000,000
401(k) plan administration	$1,000,000

Services began: 1987.

Software: Written and maintained in-house, accommodates 10 investment funds and unlimited types of contributions.

Administration: Cash and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants.

Officers: John P. Sherlock, president; Robert F. Sherlock, Kevin J. Sherlock, George F. Bingham, vps.

Contact: Robert F. Sherlock.

K

KBM Management Inc.

5860 Heritage Landing Drive,
East Syracuse, N.Y. 13057;
315-449-0229; fax: 315-449-3115

Staff	
Total	54
Involved in 401(k) plan services	11
Clients	
Total	134
Receiving unbundled services	134
Receiving bundled services	100
Average participants/plan	100
Minimum participants/plan	5
Maximum participants/plan	10,000

Services began: 1987.

Software: Purchased from outside vendor, accommodates 48 investment funds and 48 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Robert W. Menikheim, CEO; Terry Musto, COO; Mary D'Ambrosio, vp.

Contact: Mary D'Ambrosio.

Kimball Akins & Bigwood Inc.

800 South St., Waltham, Mass. 02154;
617-894-2111; fax: 617-894-3781

Staff	
Total	21
Involved in 401(k) plan services	13
Clients	
Average participants/plan	125
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1982.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Primarily New England states and New York.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Contact: Richard S. Fitts, vp.

Klais & Co. Inc.

1867 W. Market St., Akron, Ohio
44313-6977; 330-867-8443;
fax: 330-867-0827

Staff	
Total	102
Involved in 401(k) plan services	4
Clients	
Total	25
Receiving unbundled services	25
Average participants/plan	25
Minimum participants/plan	10
Maximum participants/plan	500

Services began: 1992.

Software: Leased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Daniel V. Klais, CEO; Nancy Archibald, president.

Contact: Andrew G. Clayton.

Kwasha Lipton

2100 N. Central Road, Fort Lee,
N.J. 07024; 201-592-1300;
fax: 201-592-9075

Staff	
Total	584
Involved in 401(k) plan services	199

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READER REPLY SERVICE

PRODUCTS & SERVICES LISTING

Issue of May 20

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Continued from page 29

Clients

Total	179
Receiving unbundled services	169
Receiving bundled services	10
Average participants/plan	6,500
Minimum participants/plan	3,000
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Written and maintained in-house, accommodates 99 investment funds and 16 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative office in Raleigh, N.C.

Charges: Determined by number of participants, complexity of plan, assets under management*, time and expense, frequency valuations.

Officers: Robert S. Byrne Jr., CEO; James T. Brickman, COO; Manuel F. Castells, CFO.

Contact: Sid Mendelson, principal.

** Clients selecting funds from among the 200 investment options available through savings plan alliance receive a subsidy based on assets.*

Madison Pension Services Inc.

709 Westchester Ave., White Plains, N.Y. 10604; 914-682-0770; fax: 914-682-0588

Staff

Total	22
Involved in 401(k) plan services	12

Clients

Total	95
Receiving unbundled services	95
Average participants/plan	40
Minimum participants/plan	25
Maximum participants/plan	10,000

1995 revenues

Total	$1,900,000
401(k) plan administration	$400,000

Services began: 1984.

Software: Leased from outside vendor, accommodates unlimited investment funds and eight types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: David I. Gensler, Robert P. Marks, Frank A. Fanelli.

Contact: David I. Gensler or Richard W. Rausser.

Mammel & Associates Inc.

9110 W. Dodge Road, Omaha, Neb. 68114; 402-397-7000; fax: 402-398-2458

Staff

Total	104
Involved in 401(k) plan services	26

Clients

Total	328
Receiving unbundled services	328
Average participants/plan	126
Minimum participants/plan	2
Maximum participants/plan	35,000

1995 revenues

Total	$12,000,000
401(k) plan administration	$1,000,000

Services began: 1981.

Parent: Silverstone Group Inc.

Software: Leased from outside vendor, accommodates 20 investment funds and 15 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Dan Wintz, executive vp; Kathy McCoy, Carol Gonzalez, Katie Welch, Robb Smith, vps.

Contact: Robb Smith, 402-398-2382.

William M. Mercer Inc.

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

Staff

Total	3,800

Clients

Total	1,000
Average participants/plan	2,000
Minimum participants/plan	100
Maximum participants/plan	Unlimited

1995 revenues

Total	$786,000,000

Continued on page 34



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Continued from page 32

Services began: 1981.

Parent: Mercer Consulting Group Inc./Marsh & McLennan Cos. Inc.

Software: Written and maintained in-house, leased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds through an alliance.

Service area: Nationwide.

Locations: Administrative/consulting offices in 39 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.

Officers: Timothy J. Lynch, chairman; Vikesh Mahendroo, president; Michael O'Neill, managing director-technologies units.

Contact: Jacqueline D. Dienstag, principal, 847-317-7955.

Merrill Lynch Business Financial Services

800 Scudders Mill Road, Plainsboro, N.J. 08536; 609-282-3002; fax: 609-282-3014

Staff	
Total	880
Involved in 401(k) plan services	580
Clients	
Total	6,100
Receiving unbundled services	100
Receiving bundled services	6,000
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1983.

Parent: Merrill Lynch & Co. Inc.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Denver; Somerset, N.J.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: G. Stephen Thoma, senior vp/director-business financial services; Rene Campis, first vp/director-group employee services, sales & client service; Donna M. Winn, first vp/director-group employee services, marketing & operations; William B. Stanton, vp-group employee services/manager-401(k) small market; Kim M. Evans, vp-group employee services/manager-401(k) mid market.

MetLife Defined Contribution Group

1 Madison Ave., Area 2E, New York, N.Y. 10010; 800-722-6091; fax: 212-578-6765

Staff	
Total*	55,000
Involved in 401(k) plan services	150
Clients	
Total	244
Receiving unbundled services	12
Receiving bundled services	232
Average participants/plan	1,400
Minimum participants/plan**	200
Maximum participants/plan	Unlimited
1995 revenues	
Total*	$179,200,000,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 12 investment funds and 12 types of contributions.

Administration: Unit value accounting.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include trustee services, nonqualified deferred compensation, employee education programs and tools.

Service area: Nationwide.

Locations: Administrative/consulting offices in Denver; Atlanta; East Hanover, N.J.

Charges: Determined by number of participants, complexity of plan, assets under management.

Officers: Gary Lineberry, vp.

**Reflects overall figures from the Metropolitan Life Insurance Co. ** A plan under 200 lives can be accommodated if the plan has $5 million in assets.*

Mid America Group Inc.

2130 Arch St., Philadelphia, Pa. 19103-1392; 215-545-6000; fax: 215-557-4527

Staff	
Total	24
Involved in 401(k) plan services	15
Clients	
Total	210
Receiving unbundled services	210
Average participants/plan	80
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Purchased from outside vendor, accommodates 48 investment funds and nine types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Gary Block, president; Gerald A. Lister, executive vp; David M. Burns, director; Kalman Muchnick, director-marketing; Constance King, manager-retirement plan services.

Contact: Gerald A. Lister or Kalman Muchnick.

Milliman & Robertson

1445 Ross Ave., Suite 3800, Dallas, Texas 75202; 214-855-0100; fax: 214-855-0950

Staff	
Total	950
Involved in 401(k) plan services	142
Clients	
Total	1,600
Receiving unbundled services	500
Receiving bundled services	1,100
Average participants/plan	658
Minimum participants/plan	100
Maximum participants/plan	10,000
1995 revenues	
Total	$145,000,000
401(k) plan administration	$16,000,000

Services began: 1982.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; San Francisco; Denver; Atlanta; Chicago; Minneapolis; St. Louis; Albany and New York, N.Y.; Portland, Ore.; Houston; Seattle.

Charges: Determined by number of participants, assets under management.

Officers: Bob Collett, president/CEO; Dan McCarthy, chairman; Bill Pedersen, CFO/controller.

Contact: Bob Johnston.

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If you would like to receive a questionnaire in order to be listed in next year's directory of 401(k) administrators, please call Assistant Directory Editor Rich Trout at 312-649-5483.



WHEN THE TOUGH GET GOING.

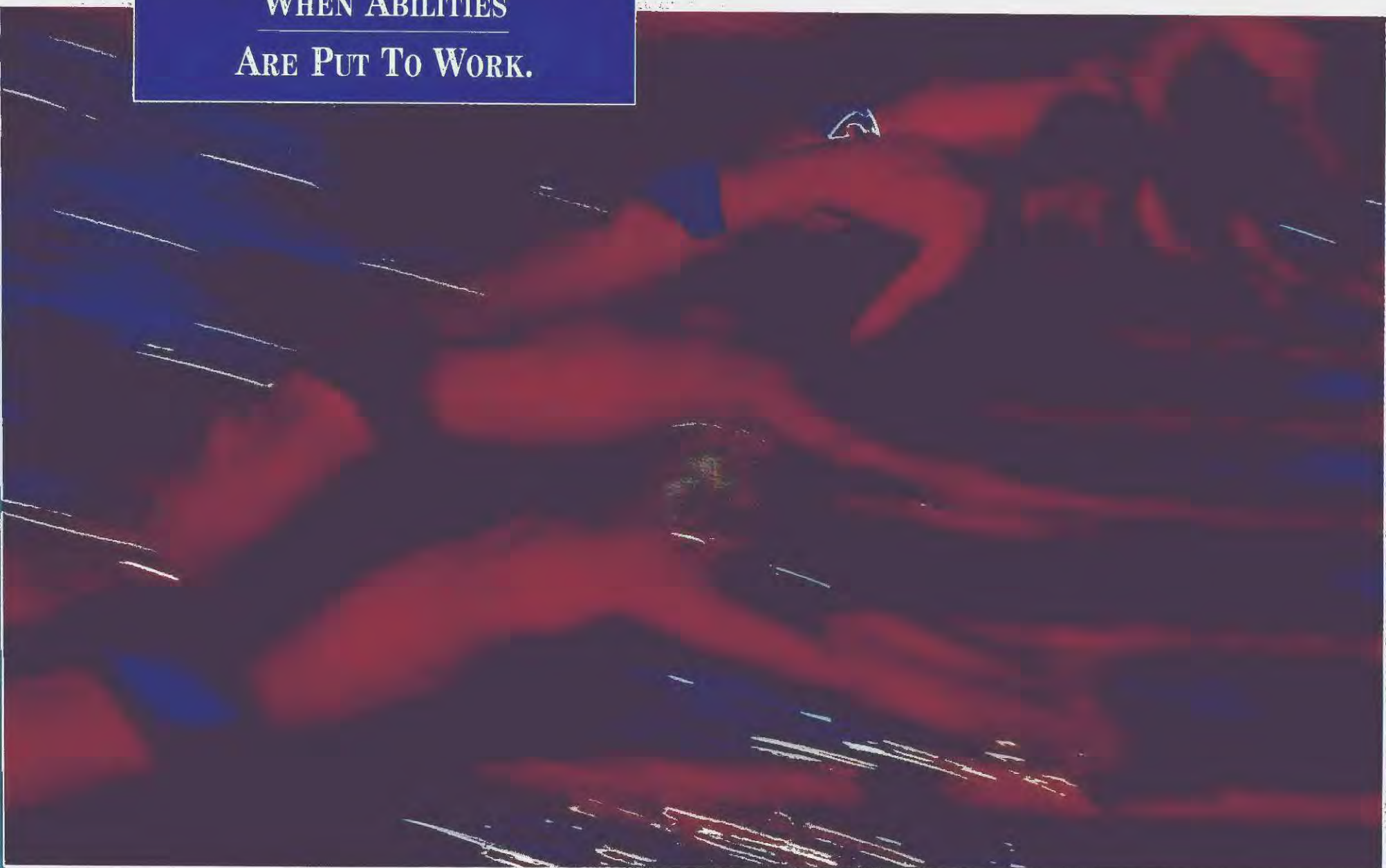
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* Available in most states.

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N

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210, Farmington Hills, Mich. 48334; 810-539-4000; fax: 810-539-4012

Staff	
Total	25
Involved in 401(k) plan services	7
Clients	
Total	733
Receiving bundled services	733
Average participants/plan	50
Minimum participants/plan	10
Maximum participants/plan	2,000
1995 revenues	
Total	$138,000,000

Services began: 1981.
Software: Written and maintained in-house, accommodates 99 investment funds and 20 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Harold H. Lambert, president; Brian V. Stevens, secretary/treasurer; Michael T. Stacey, vp.
Contact: Michael T. Stacey, 810-539-4000, ext. 1245.

National City

1900 E. Ninth St., Cleveland, Ohio 44114-2022; 614-463-6687; fax: 614-463-7267

Staff	
Total	1,000
Involved in 401(k) plan services	300
Clients	
Average participants/plan	570
Minimum participants/plan	1
Maximum participants/plan	Unlimited
1995 revenues	
Total	$138,000,000

Services began: 1981.
Parent: National City Corp.
Software: Purchased from outside vendor, accommodates 999 investment funds and 999 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Locations: Administrative/consulting offices in Indianapolis; Louisville, Ky.; Akron, Cleveland, Columbus, Dayton, Toledo and Youngstown, Ohio; Pittsburgh.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense.
Officers: Harold Todd, trust executive.

National Strategic Retirement Consulting Inc.

1203 Front St., Suite 200, Raleigh, N.C. 27609; 919-832-8311; fax: 919-832-2693

Staff	
Total	7
Involved in 401(k) plan services	4
Clients	
Total	165
Receiving unbundled services	115
Receiving bundled services	50
Average participants/plan	75
Minimum participants/plan	50
Maximum participants/plan	500
1995 revenues	
Total	$350,000
401(k) plan administration	$268,000

Services began: 1988.
Software: Purchased from outside vendor, accommodates eight investment funds and six types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Joseph Gordon, president.
Contact: Denise Prince.

Northeast Benefit Plan Services

P.O. Box 703, Milford, Mass. 01757; 508-478-6214; fax: 508-478-0727

Staff	
Total	2
Involved in 401(k) plan services	2
Clients	
Total	26
Receiving unbundled services	26
Average participants/plan	20
Minimum participants/plan	5
Maximum participants/plan	300

Services began: 1990.
Software: Record keeping provided by third party, accommodates 10 investment funds and six types of contributions.
Administration: Cash and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.
Service area: Mid-Atlantic and Northeastern states.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: J. Paul Freniere, principal; Robert J. Bogue, associate.
Contact: J. Paul Freniere.

The Nyhart Co. Inc.

3505 N. Washington Blvd., Indianapolis, Ind. 46205; 317-923-2391; fax: 317-926-3303

Staff	
Total	115
Involved in 401(k) plan services	26
Clients	
Total	50
Receiving unbundled services	50
Average participants/plan	200
Minimum participants/plan	20
Maximum participants/plan	10,000

Services began: 1981.
Software: Leased from outside vendor, accommodates 20 investment funds and 15 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Locations: Administrative/consulting offices in Evansville, Ind.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Daryl Dean, president/CEO; Jeffrey S. Line, vp/general counsel; Jay Hanselmann, vp/chief actuary; Nancy Cooper Pitt, Kim Zirillo, vps.
Contact: Nancy Cooper Pitt.

P

Parsons, McKee, Sommers & Co.

2001 Crocker Road, 300 Gemini Tower II, Westlake, Ohio 44145; 216-871-8611; fax: 216-871-7485

Staff	
Total	36
Involved in 401(k) plan services	14
Clients	
Total	300
Receiving unbundled services	300
Average participants/plan	170
Minimum participants/plan	20
Maximum participants/plan	Unlimited
1995 revenues	
Total	$2,040,000
401(k) plan administration	$900,000

Services began: 1985.
Software: Leased from outside vendor, accommodates 500 investment funds.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Locations: Administrative/consulting offices in Charlotte, N.C.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: John R. Parsons, chairman; Mark S. Sommers, president; Richard S. Wargo, senior vp/managing actuary; Donald N. Dalessandro, vp-defined contribution services; Steven G. Parsons, vp/actuary.

TR Paul Inc.

14 Commerce Road, Newtown, Conn. 06470; 203-426-8161; fax: 203-270-0927

Staff	
Total	85
Involved in 401(k) plan services	10
Clients	
Total	160
Receiving unbundled services	160
Average participants/plan	40
Minimum participants/plan	1
Maximum participants/plan	1,500
1995 revenues	
Total	$1,500,000
401(k) plan administration	$500,000

Services began: 1981.
Software: Leased from outside vendor, accommodates 99 investment funds and seven types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Robert L. Levy, president; Mary Ingham, George Romer, vps.

Pension Associates of Wausau Inc.

2000 Westwood Drive, Wausau, Wis. 54401; 800-513-7878; fax: 715-843-3674

Staff	
Total	49
Involved in 401(k) plan services	28
Clients	
Total	410
Receiving unbundled services	20
Receiving bundled services	390
Average participants/plan	80
Minimum participants/plan	10
Maximum participants/plan	5,000
1995 revenues	
Total	$2,600,000
401(k) plan administration	$1,650,000

Services began: 1987.
Parent: Wausau Service Corp.
Software: Written and maintained in-house.
Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Thomas J. Erickson, president; Ross A. Solverud, vp.
Contact: Dion Landon, 800-513-7878, ext. 8272.

Pension & Benefit Associates Inc.

225 S. Lake Ave., Suite 710, Pasadena, Calif. 91101; 818-792-8888; fax: 818-792-2889

Staff	
Total	10
Involved in 401(k) plan services	6
Clients	
Total	100
Receiving unbundled services	100
Average participants/plan	100
Minimum participants/plan	1
Maximum participants/plan	10,000

Services began: 1985.
Software: Leased from outside vendor, accommodates 25 investment funds and 10 types of contributions.
Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Jeffrey Honstman, Richard W. Silliman.

Pension Resources

401 N. Michigan Ave., Suite 2600, Chicago, Ill. 60611; 312-245-1740; fax: 312-644-4423

Staff	
Total	23
Involved in 401(k) plan services	18
Clients	
Total	325
Receiving unbundled services	325
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	Unlimited
1995 revenues	
Total	$2,500,000
401(k) plan administration	$1,500,000

Parent: Friedman, Eisenstein, Raemer & Schwartz L.L.P.
Software: Leased from outside vendor, accommodates 25 investment funds and 20 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Michael Schwartz, president/partner; Irwin Friedman, managing partner; Kevin Simpson, CFO.
Contact: Michael Schwartz.

Pension Benefits Inc.

565 E. Swedesfond Road, Suite 209, Wayne, Pa. 19087; 610-964-8040; fax: 610-964-7842

Staff	
Total	10
Involved in 401(k) plan services	8
Clients	
Total	150
Receiving unbundled services	30
Receiving bundled services	120
Average participants/plan	125
Minimum participants/plan	10
Maximum participants/plan	500

Services began: 1986.
Software: Purchased from outside vendor.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Jeffrey Honstman, Richard W. Silliman.

Pension Review Services

45 Executive Drive, Plainview, N.Y. 11803; 516-349-5500; fax: 516-349-0015

Staff	
Total	9
Involved in 401(k) plan services	2.5
Clients	
Total	45
Receiving unbundled services	45
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	500

Services began: 1987.
Software: Leased from outside vendor, accommodates eight investment funds and eight types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Continued on next page

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Continued from previous page

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Contact: Benjamin E. Feller, president or Sue Feller, vp.

Principal Mutual Life Insurance Co.

711 High St., Des Moines, Iowa 50392-0001; 800-543-4015; fax: 515-248-2118

Staff	
Total	17,392
Involved in 401(k) plan services	2,445

Clients	
Total	20,415
Receiving unbundled services	280
Receiving bundled services	20,135
Average participants/plan	56
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: The Principal Financial Group.

Software: Written and maintained in-house, accommodates 25 investment funds and six types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative offices in Mason City and Waterloo, Iowa; Spokane, Wash. Consulting offices in 51 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.

Officers: David J. Drury, chairman/CEO; Theodore M. Hutchison, vice chairman; Ronald E. Keller, Charles E. Rohm, J.B. Griswell, executive vps.

R

Retirement Plan Administrative Services Ltd.

7525 S. Aples Mill Road, Richmond, Va. 23228; 804-264-4944; fax: 804-262-4614

Staff	
Total	19
Involved in 401(k) plan services	13

Clients	
Total	120
Receiving unbundled services	120
Average participants/plan	50
Minimum participants/plan	2
Maximum participants/plan	5,000

1995 revenues*	
Total	$1,000,000
401(k) plan administration	$350,000

Services began: 1988.

Software: Leased from outside vendor, accommodates 20 investment funds and 10 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Delaware, District of Columbia, Maryland, New Jersey, North Carolina, Virginia, West Virginia.

Locations: Administrative/consulting offices in Fairfax and Norfolk, Va.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Beth A. Levine, chairman; Burl V. Bachman, president; Barbara H. Smith, vp.

Contact: Burl V. Bachman.

** Estimate.*

Retirement Resources Inc.

1983 Marcus Ave., Suite 260, Lake Success, N.Y. 11042; 516-358-3969; fax: 516-488-1081

Staff	
Total	17
Involved in 401(k) plan services	7

Clients	
Total	60
Receiving unbundled services	40
Receiving bundled services	20
Average participants/plan	42
Minimum participants/plan	.
Maximum participants/plan	Unlimited

Services began: 1988.

Software: Written and maintained in-house, accommodates unlimited investment funds and six types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Northeastern and southeastern states, California, Illinois.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Steven L. Roemer.

S

San Diego Associates Inc.

3550 Camino Del Rio N., Suite 206, San Diego, Calif. 92108; 619-283-7800; fax: 619-283-8686

Staff	
Total	6
Involved in 401(k) plan services	4

Clients	
Total	100
Receiving unbundled services	50
Average participants/plan	250
Minimum participants/plan	10
Maximum participants/plan	Unlimited

1995 revenues	
Total	$1,000,000
401(k) plan administration	$400,000

Services began: 1984.

Software: Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: David N. Peterson, president; Bruce N. Kesler, director.

Contact: Bruce N. Kesler.

Schloss & Co.

1400 Old Country Road, Suite 310, Westbury, N.Y. 11590; 516-333-2800; fax: 516-333-2889

Staff	
Total	60
Involved in 401(k) plan services	40

Clients	
Total	250
Receiving unbundled services	250
Average participants/plan	100
Minimum participants/plan	2
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Purchased from outside vendor, accommodates unlimited investment funds and 15 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Eugene Schloss, president; William Buckheit, Andrew Zimny, David Dorfman, Elaine Enis, vps.

Sedgwick Noble Lowndes

1000 Ridgeway Loop Road, Memphis, Tenn. 38120; 901-761-1550; fax: 901-684-4075

Staff	
Total	750
Involved in 401(k) plan services	100

Clients	
Total	500
Receiving unbundled services	440
Receiving bundled services	60
Average participants/plan	375
Minimum participants/plan	100
Maximum participants/plan	5,000

1995 revenues	
Total	$87,000,000

Services began: 1981.

Parent: Sedgwick Group P.L.C.

Software: Leased from outside vendor, accommodates 30 investment funds and 20 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include asset consulting.

Service area: Nationwide.

Locations: Administrative/consulting offices in Irvine and San Francisco, Calif.; Atlanta; Chicago; Boston; Roseland, N.J.; Melville and Rochester, N.Y.; Portland, Ore.; Philadelphia.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Kenneth G. Martin, chairman/CEO; James B. Wiertelak, CFO; Edward H. (Ted) Wood, client development director; Susan T. Gilbert, client/technical services director.

Contact: Mary E. Simcox, national practice leader-defined contribution services, 201-533-4500.

The Segal Co.

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

Staff	
Total	680
Involved in 401(k) plan services	75

Clients	
Total	110
Average participants/plan	1,000
Minimum participants/plan	1
Maximum participants/plan	100,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting

Continued on next page

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Continued from previous page
offices in Phoenix; Los Angeles; San Francisco; Denver; Hartford Conn.; Washington; West Palm Beach, Fla.; Atlanta; Chicago; New Orleans; Boston; Minneapolis; New York; Cleveland; Houston; Seattle, Edmonton and Toronto, Canada.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Richard M. Frenzel, executive vp; Dale B. Grant, vice chairman.

Contact: Francis Picarelli, director-defined contribution services, 212-251-5452.

SIEBA Ltd.

111 Grant Ave., P.O. Box 5000,
Endicott, N.Y. 13760-5000;
800-252-4624 or 607-786-3003;
fax: 607-786-3437

Staff	
Total	38
Involved in 401(k) plan services	7
Clients	
Total	37
Receiving unbundled services	12
Receiving bundled services	25
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	1,000

Services began: 1989.

Software: Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: New York.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Richard G. DoBell, president; Marc Marion, vp; Diana C. DoBell, treasurer.

Contact: George M. Bush.

Small Parker & Blossom Inc.

4200 N. Knoxville, Peoria, Il. 61614;
309-682-4200; fax: 309-682-2418

Staff	
Total	38
Involved in 401(k) plan services	21
Clients	
Total	500
Average participants/plan	200
Minimum participants/plan	3
Maximum participants/plan	3,000

Services began: 1982.

Software: Purchased from outside vendor, accommodates 11 investment funds and six types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, frequency valuations.

Officers: John D. Blossom Jr., president/CEC; Carol R. Sears, vp-quality plan services; Linda Blossom, vp/senior consultant.

Contact: Linda Blossom.

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 1100, Houston,
Texas 77056; 713-622-8930;
fax: 713-622-6705

Staff	
Total	40
Involved in 401(k) plan services	10
Clients	
Total	30
Receiving unbundled services	20
Receiving bundled services	10
Average participants/plan	2,500
Minimum participants/plan	50
Maximum participants/plan	Unlimited

Services began: 1987.

Software: Leased from outside vendor, accommodates 99 investment funds and 99 types of contributions.

Administration: Cash and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Austin, Texas.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: J.E. Ford, managing director; J.E. Stone, director; J.A. Currie, K.L. Haynes, T.F. McCord, C.P. Peters III, C.R. Rennpage, E.B. Sanborn principals.

Swerdlin & Co.

5901 Peachtree Dunwoody Road,
Building B Suite 170, Atlanta,
Ga. 30328; 770-396-6601;
fax: 770-698-9335

Staff	
Total	26
Involved in 401(k) plan services	18
Clients	
Total	515
Receiving unbundled services	515
Average participants/plan	175
Minimum participants/plan	75
Maximum participants/plan	5,000
1995 revenues	
Total	$1,500,000
401(k) plan administration	$700,000

Services began: 1983.

Software: Purchased from outside vendor, accommodates unlimited investment funds and 14 types of contributions, software may be used by clients in-house.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Dorn Swerdlin, Joanne Swerdlin, Tony Brizzolara.

T

Tanker & Associates

1528 Walnut St., Suite 1610,
Philadelphia, Pa. 19102;
215-546-3546; fax: 215-546-9630

Staff	
Total	10
Involved in 401(k) plan services	6
Clients	
Total	160
Receiving unbundled services	155
Receiving bundled services	5
Average participants/plan	45
Minimum participants/plan	1
Maximum participants/plan	Unlimited
1995 revenues	
Total	$590,000
401(k) plan administration	$300,000

Services began: 1993.

Software: Purchased from outside vendor, accommodates 12 investment funds and four types of contributions.

Administration: Cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

Officers: Scott A. Tanker, Joan B. Segal.

Towers Perrin

1500 Market St., Philadelphia,
Pa. 19102; 215-246-6000

Staff	
Total	6,000
Involved in 401(k) plan services	300
Clients	
Total	124
Receiving unbundled services	124
Average participants/plan	5,300
Minimum participants/plan	2,000
Maximum participants/plan	Unlimited
1995 revenues	
Total	$867,900,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 15 investment funds and 15 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative offices in Los Angeles; Vorhees, N.J.; Philadelphia. Consulting offices in 30 locations nationwide.

Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.

Officers: John Lynch, CEO; Alan Dugan, Robert Hogan, John Kneen, Marvin Greene, managing directors.

Contact: Dale Allen, 215-246-7044.

Trust Consultants Inc.

155 Bovet Road, Suite 200,
San Mateo, Calif. 94402;
415-378-8700; fax: 415-341-7382

Staff	
Total	160
Involved in 401(k) plan services	130
Clients	
Total	2,400
Receiving unbundled services	2,400
Average participants/plan	80
Minimum participants/plan	1
Maximum participants/plan	3,500

Services began: 1983.

Parent: Marsh & McClennan Cos. Inc.

Software: Leased from outside vendor, accommodates unlimited investment funds and 12 types of contributions, software may be used by clients in-house.

Administration: Cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative/consulting offices in Glendale, Calif.; Wilmington, Del.; Chicago; Boston; Dallas.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Mark Weimer, president; Jack Ringlein, CFO; Derek Winegard, Chris Burwell, Gloria Erlick, Chris Guarino, vps.

Contact: Derek Winegard, 617-450-6368.

V

Vista Management Co.

1720 S. Gadsden St., Tallahassee,
Fla. 32301; 904-425-6200;
fax: 904-425-6220

Staff	
Total	13
Involved in 401(k) plan services	5
Clients	
Total	6
Receiving unbundled services	6
Average participants/plan	1,090
Minimum participants/plan	30
Maximum participants/plan	10,000
1995 revenues	
Total	$268,607
401(k) plan administration	$268,607

Parent: Fringe Benefits Management Co.

Software: Record keeping provided by third party, accommodates six investment funds and four types of contributions.

Administration: Full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Florida.

Charges: Determined by number of participants, assets under management.

Officers: Mike Sheridan, president; Debra Tougas, CFO; Bill Bischoff, vp/general counsel; Agnes R. McMurray, vp-administration.

Contact: Agnes R. McMurray.

W

Robert S. Weiss & Co.

500 S. Broad St., Meriden,
Conn. 06450; 800-466-3220;
fax: 860-639-7422

Staff	
Total	110
Involved in 401(k) plan services	5
Clients	
Average participants/plan	150
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1991.

Parent: Weiss Financial Corp.

Software: Purchased from outside vendor, accommodates unlimited investment funds and 14 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Charges: Determined by number of participants, complexity of plan, frequency valuations.

Officers: Robert S. Weiss, president; Michael D. Weiss, vp; Mary Ellen Nichols, director.

Contact: Mary Ellen Nichols.

Watson Wyatt Worldwide

601 13th St. N.W., Suite 1000,
Washington, D.C. 20005;
202-508-4600; fax: 202-508-4688

Staff	
Total	4,700
Involved in 401(k) plan services	250
Clients	
Total	1,600
Receiving unbundled services	1,600
Average participants/plan	500
Minimum participants/plan	100
Maximum participants/plan	Unlimited
1995 revenues	
Total	$558,000,000
401(k) plan administration	$30,000,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 20 investment funds and 15 types of contributions.

Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in 35 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

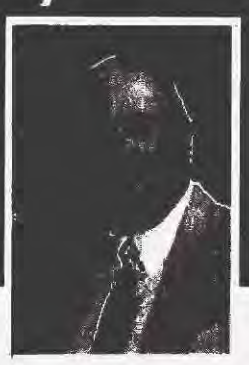
Officers: A.W. Smith Jr., president/CEO; Paul Daoust, executive vp/COO.

Contact: Louis Valentino, 212-251-5535. BI

The 25th annual agent/broker directory will be published in the July 22 issue of *Business Insurance*. To qualify, agents and brokers must deal directly with corporate and institutional policyholders, and have at least $500,000 in gross revenues generated by commercial retail brokerage insurance business. If you would like to be listed, please call Assistant Directory Editor Richard Trout at 312-649-5483 to receive a questionnaire. The deadline for returning questionnaires is May 31.

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Revive

Continued from page 1

states has laws that allow some type of advance directive.

Among the ways patients can convey their wishes are living wills, which observers complain are sometimes too vaguely written, and "durable powers of attorney," which give relatives or others the right to act on the patients' behalf.

In many cases, hospitals and surviving family members wind up litigating over who will pay medical bills once the patient is saved.

Other family lawsuits include charges of battery, pain and suffering of both the patient and family members, negligence and demands for punitive damages (see related story). Coverage, if any, for these damages would likely fall under hospitals' professional liability policies.

"I think in some sense we're walking on the moon. We're leaving footprints that have never been made before in an area that's untrodden," said Mr. Fishlin.

Others, however, doubt these lawsuits will either become numerous or represent a significant legal trend.

'It would be hard to argue that doctors should be faulted for saving a person's life,' says Andrew C. Meyer.

"I think it would be very difficult to argue to a jury that doctors should be faulted for saving a person's life under any circumstances," said health care attorney Andrew C. Meyer, of Lubin & Meyer in Boston.

Furthermore, "Civil litigation is totally based on compensation for losses sustained and, if a person is living, it's hard to argue that in fact it's a loss sustained," said Mr. Meyer.

"My guess is that hospitals will not frequently face this," said John Kelner, a Miami-based attorney who represents hospitals. "It will be the errant lawsuit where a mistake is made resulting in a sustained life of misery. Those should be few and far between."

Between 1976 and 1990, one study has found, there were several thousand "end of life" decision-making cases across the country, said Alan Meisel, a professor at the University of Pittsburgh law school. Of the 75 that reached the appellate level, only six to 12 involved claims for damages, he said.

"The risk of liability could increase," he said. But, suing a hospital for saving a life is "not going to be the easiest sell before a jury. Maybe as more and more jurors confront these kinds of things in their own lives, their families, they will begin to see the other side of it, but even then you've got this very, very serious problem of proving damages."

Damages may be clear if someone is in a persistent vegetative state for many years with expensive nursing care. But where a person dies relatively soon afterward, the damage is not likely to be high and big jury awards may be overturned or the cases settled on appeal, said Mr. Meisel.

Many hospital risk managers say they are on top of the situation and taking steps to minimize their exposure.

If you make sure you follow the advance directives and educate your staff, "you shouldn't have that problem," said Carl Haeberlin, risk management coordinator at the Lake Regional Medical Center in Lakeland, Fla.

"It is not a concern at all from my standpoint because we are complying with the law," said Erik Rasmussen, general counsel at the MultiCare Health System in Tacoma, Wash.

"This has not been a major issue for us. I think we've probably done a pretty good job of educating our clinical staff," though it is "certainly one of many areas of concern that I think any risk manager would be appropriately sensitive to," said Mark Hubbard, director of risk management and vp at the Loma Linda University Medical Center in Loma Linda, Calif.

Other risk managers, though,

See **Revive** *on next page*

Ohio case pits patient wishes against providers' judgment

Ruling on resuscitation could cause confusion, hospital attorney says

By JUDY GREENWALD

COLUMBUS, Ohio—If the plaintiff in a "do not resuscitate" dispute now before the Ohio Supreme Court ultimately prevails, it could cause considerable confusion not only in the health care arena but also for juries, warns a defense lawyer in the case.

Earlier this month, the Ohio Supreme Court heard arguments as to whether to allow a lawsuit brought by the estate of Edward H. Winter against St. Francis-St. George Hospital Inc. in Cincinnati on charges of negligence and battery.

In 1988, Mr. Winter's wife suffered brain damage when she was resuscitated following a heart attack, and he had made it clear to his daughters he did not wish to be resuscitated if the issue arose for him, said his attorney, William C. Knapp of Decenso, Weber & Knapp in Cincinnati.



In March 1989, Mr. Winter, 82, who was suffering from a heart condition and bowel cancer, was admitted to the hospital. His doctor put a "do not resuscitate" order in his files.

But when Mr. Winter suffered what would normally have been a fatal heart attack three days later, he was resuscitated. The next morning he had a massive stroke, which left him paralyzed on the right side, unable to speak, and incontinent. He was in that condition for 23 months, and all his savings were spent on medical care. "He just qualified for Medicaid when he finally died," said Mr. Knapp.

The suit against the hospital has a long history, including two trial judges' previous rulings that Mr. Winter's estate was not entitled to damages.

The hospital's attorney, Deborah R. Lydon of Cincinnati-based Dinsmore & Shohl, would not comment on the details of the case. But, she said, if plaintiffs are successful, it will make it confusing for patients to try to predict what their health care providers will do in a life-threatening situation. Right now, health care providers in an unclear situation "err on the side of life." If courts rule for plaintiffs in this case, the issue will become "even more difficult and confusing."

In addition, "it will make it more confusing for juries in deciding issues, because there will be no clear-cut guidelines necessarily saying how these types of cases will be evaluated in the future," Ms. Lydon said.

Several other cases around the country involve patients who allegedly were resuscitated against their wishes, including one that led to a $16.6 million verdict against a hospital in Flint, Mich. in February.

According to Owosso, Mich.-based attorney Clark Shanahan, his client Brenda Young was a 34-year-old divorced mother, who from age 20 had been subject to progressively worse brain seizures brought on by a brain hemorrhage that caused an impairment of mental acuity and physical health.

After a September 1991 seizure, a doctor warned Ms. Young that her condition would only get worse, and she arranged for her mother to be given a durable power of attorney to act on her behalf.

In February 1992, Ms. Young was rushed to Genesys Regional Medical Center in Flint, Mich., in a comatose state. Over a period of 2½ months, hospital personnel applied numerous treatments, including mechanical ventilation, blood transfusions and dialysis, assuring her mother that these were not life-sustaining measures but merely intended to keep her comfortable, said Mr. Shanahan.

"Tragically, the patient lived but was restored and stabilized in a semi-vegetative state," said Mr. Shanahan. "But no convalescent hospital would take her because of her condition. She would scream and act out sometimes as many as 20 hours out of 24." As a result, her mother was forced to take her into her own home, he said.

During the trial, Mr. Shanahan argued it was Ms. Young's right to refuse treatment "and a right that was violated by the hospital personnel ignoring the patient advocate's repeated statements that her daughter didn't want any life support if she was going to be unable to take care of herself financially in the future."

In court papers, the hospital argued there was not a valid durable power of attorney.

The jury verdict is expected to be appealed, said Mr. Shanahan. An attorney for Genesys could not be reached for comment.

Other comparable cases include:

• In a case filed in February, Walter Adams—who was in his 60s and had a history of cardiac problems—had an advance directive that he not be resuscitated in the event of an irreversible condition, as well as a health care proxy providing that decisions on life-sustaining treatment be made by his wife, Clara. On May 15, 1995, he was admitted to Northwest Medical Center in Springdale, Ark., where six days later he suffered a heart attack and, against his instructions, was resuscitated but remained in pain and incoherent until his death nine days later, said his attorney, Charles Kester, of the Rogers, Ark.-based Lingle Law firm.

Among the charges brought against the hospital, the attending doctor and nursing personnel, are battery of both Mr. Adams and his wife, Clara, who was physically removed from the hospital room; and the intentional infliction of emotional distress upon both. Compensation for medical bills is also being sought. The amount sought is unspecified.

Court papers filed by the hospital say any medical treatment provided "was in compliance with recognized medical practice" and Mr. Adams' doctor's orders. Papers filed by the doctor who resuscitated Mr. Adams also deny her actions were "in any way inappropriate or unjustified."

Health care providers in an unclear situation currently 'err on the side of life,' says attorney Deborah R. Lydon.

• In a case brought against John Muir Medical Center in Walnut Creek, Calif., Linda Schneider, 47, and her husband, Lee, are suing the hospital for inserting feeding tubes into Ms. Schneider and giving her antibiotics against her wishes while she was in a coma in 1994. Ms. Schneider suffers from Melas Syndrome, a rare, fatal, neurological genetic disease that has symptoms similar to Creutzfeldt-Jakob or "mad cow" disease, said her attorney, Montie Day, an Alameda, Calif.-based attorney.

Ms. Schneider had a durable power of attorney that gave her husband decision-making authority, said Mr. Day, but the hospital did not honor it. The suit against the hospital seeks unspecified compensation for medical expenses, the Schneiders' emotional distress, pain and suffering and punitive damages.

Ms. Schneider, whose life expectancy is estimated to be another two to five years, has suffered brain damage as a result of disease, and now has the mentality of a 4 year old, Mr. Day said. The hospital had no comment.

• The sister of Ellen Haymes, who suffered brain damage after she tried to commit suicide by shooting herself in the head in 1993, is suing Brooklyn-based Brookdale Hospital Medical Center on her own and her sister's behalf, for not following the terms of a living will and putting Ms. Haymes on artificial life support, said her attorney, New York-based Lewis H. Fishlin. Ms. Haymes, who is blind and cannot walk, is now in a nursing home. Brookdale is being sued for more than $25 million on variety causes, including medical expenses and emotional injury. A hospital spokesman could not be reached.

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Business Insurance®

Cats

Continued from page 2

ing insurers' needs in the event of a catastrophe that did greater property damage than the estimated $16.5 billion caused by Hurricane Andrew in 1992.

"Domestic hurricane exposures run up to $100 billion for a storm that crosses the Florida Panhandle westward, picks up force in the Gulf, moves northeastward back to the Atlantic and heads up the East Coast," said Tal P. Piccione, chairman and chief executive of U.S. Re Corp. in New York. A quake on the New Madrid fault could also cause up to $100 billion in damage.

"Under present conditions, the conventional insurance market is being asked to shoulder a significant level of catastrophe exposure—one that if a megaloss took place would cause significant disruptions in the market, if not outright failures," said Mr. Piccione.

Insurance companies say that such losses can't happen, said Alan M. Levin, senior vp-insurance rating for Standard & Poor's Corp. in New York. "Yet the fact is that all of the experts say that it could, and the statistics say that it could."

"Insurance companies are in the business of protecting against unpredictable, unforeseen events, not sure things. In the property/casualty business, this is a business of protecting against contingent events. We believe that insurance companies should be taking this contingent event more seriously," said Mr. Levin.

The ISO study suggests that insurers are more vulnerable to catastrophe losses than had been thought, said Sean Mooney, senior vp and economist at the Insurance Information Institute in New York.

"Most insurers, apart from the large insurers, appear to me to be comfortable with their level of reinsurance and protection against insolvency. I think this suggests that they shouldn't be that comfortable," said Mr. Mooney. "If the insolvency threats are that high, then some companies should definitely be walking away from California earthquake and Florida hurricane."

Without more pressure from a public that he thinks does not realize the dangers to the insurance system, Mr. Mooney said, the insurance industry may not figure out how to attract government or private capital.

"The obvious pressure on the critical point is the public does not want insurance companies to go insolvent, and so far, the companies have kind of recognized this insolvency risk," he said. "But they're prepared to say 'we'll take the risk and try to work it out,' because they don't want to disrupt insurance markets or overall local economies by walking away."

ISO used a computer model to simulate the impact of hypothetical disasters on 80 insurance company groups that represent 30.3% of the nation's total property/casualty premium volume. The survey noted that " 'the industry' does not provide insurance, individual insurers do." The study found that the individual insurers studied—the names of which aren't given—face a relatively small chance of being driven into insolvency by catastrophes in any given year.

The survey found that:

- After reinsurance, 73 of the 80 insurer groups managed their exposures well enough that their chance of becoming insolvent because of catastrophes in a given year is less than 1%.
- Most of those insurers were in an even better position, with 60 of the 73 having chances of less than 0.1% of becoming insolvent as a result of catastrophes in a given year.
- None of the remaining seven had a chance of as much as 5% of being driven into insolvency by catastrophes in any given year.

Michael Fusco, executive vp & chief operating officer of ISO, said that the survey was the first of its kind to view the impact of catastrophes on individual insurers rather than on the industry as whole.

Mr. Fusco said that while so many insurers manage their exposures well was a pleasant surprise, the devastating impact of a mega-catastrophe on solvency was exactly the opposite. He said that while such findings might seem "intuitive," having such good estimates made them more meaningful.

The survey also found that catastrophe reinsurance "is not a significant factor in guarding against insolvency for larger insurers." ISO found that the average ratio of catastrophe limits to surplus was 14% for the 20 insurers with the largest surplus—above $650 million—or an average of $209.6 million in catastrophe reinsurance. The 20 with the smallest surplus, less than $50 million, reported having an average $22.1 million in catastrophe limits, or 110.5% of the average surplus for this group.

The survey added, "even if an insurer could get sufficient reinsurance to cover all possible losses, the insurer would have difficulty passing along the cost of its conservative risk management strategy to its insureds in the competitive market."

In another catastrophe-related development, the Property Claim Services division of the American Insurance Services Group Inc., announced that it was raising the threshold for declaring an event a "catastrophe" to $25 million in insured property damage from $5 million, effective Jan. 1, 1997.

"There are good reasons for raising the threshold. The most basic explanation is that, because the definition is tied to a monetary value, it simply needs to be adjusted periodically to keep pace with inflation. A $5 million event in today's world is not an exceptionally significant event," said Gary Kerney, assistant vp of Rahway, N.J.-based PCS.

Mr. Kerney noted that when PCS raised the definition to $5 million in 1982 from the original $1 million set in 1949, the average catastrophe-related claim was $1,970, meaning that the smallest catastrophe generated about 2,500 claims. Sine 1982, and excluding claims from extremely large catastrophes such as Hurricanes Andrew and Iniki and the Northridge Earthquake, the average claim has increased to $3,000, meaning that the smallest catastrophe generates only about 1,500 claims.

Mr. Kerney said the new threshold will save insurance companies money because the change will reduce the expense associated with notifying adjusters and in coding claims from these relatively small events.

PCS assigns catastrophes "catastrophe numbers" so insurers track the event and the claims associated with it.

Mr. Kerney said PCS plans to review the threshold periodically and make such changes as necessary. "Our intention is to keep the PCS catastrophe number up-to-date with the times so it fulfills its purpose—identifying those relatively few, exceptionally significant events that require extraordinary response from the insurance industry."

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Single copies of "Managing Catastrophe Risk" cost $40 and can be ordered from: Industry Relations-Customer Service, Insurance Services Office, Inc., 7 World Trade Center-14th floor, New York, N.Y. 10048-1199; 1-800-888-4476.

Revive

Continued from previous page

say it is a more serious concern.

Peggy Nakamura, who is director of risk management at the Adventist Health System/West in Roseville, Calif., and president-elect of the American Society for Healthcare Risk Management, said it is a issue of "major concern, given the latest Patient Self-Determination Act regulations and also some state specific activities that have gone on."

Aside from federal and state requirements, hospitals "genuinely want to assist people in carrying out their wishes," said Philip A. Schaedler, director of risk management for the Presbyterian Health Systems Inc. in Charlotte, N.C.

"The logistics of that, though, are terribly difficult. People are admitted to hospitals in less than a conscious state, or they have forgotten to notify their primary physician or some other responsible party that they have these documents in place and that they have given these advance directives. . .and so there's no way these things become known to the hospital until after it's too late," Mr. Schaedler said.

"It concerns me that there could be a breakdown in communications," said John B. Smither III, director-risk management at Alliant Health System Inc. in Louisville, Ky.

While the hospital system has tried to improve communications with doctors and others, "there's always a chance somebody might not be aware of the patient's status and find them in an unresponsive state and attempt to resuscitate,' he said. That has not happened at Alliant.

"It's something we're concerned about," said Harlan Hammond, assistant vp, risk management services, at Intermountain Health Care Inc. in Salt Lake City, which operates 24 hospitals, primarily in Utah.

Just recently, a patient with an advance directive was receiving radiology treatment at one of those hospitals when he had a medical crisis. His records were not on hand and doctors revived him, said Mr. Hammond. The hospital is now considering specially colored identification bracelets for patients with DNR orders.

Hospitals also need to make sure that those actually caring for patients are made aware of DNR orders, he said. Further complicating matters for risk managers is the fact that, in a crisis, even family members who know of the orders may seek medical help for loved ones.

"That's probably the core basis of why this is such a big issue," said Mr. Hammond. "Health care providers don't go into the business to help people die. In the panic of the moment, and when they're really faced with the reality of letting that loved one go, they have to be able to override those instincts. There's a hierarchy of consent in these issues that is addressed by the advance directives."

Difficulties can also arise in ambulatory care settings, said Adventist's Ms. Nakamura. When you have a full continuum of care in integrated delivery care settings—including emergency medical technicians responding to situations in long-term care facilities or at home—the question is "how clear and easy is it to understand all the forms we have, and how does that translate when you get the patients to the emergency department," she said.

Emergency medical technicians, for example, "don't have time to go through a pile of paperwork. . .and not all states permit medical alert bracelets that could provide some of this information," said Ms. Nakamura.

Another problem is that even if there are living wills or other patient directives, they may be outdated, or not applicable to a particular situation.

"Most of us draft our advance directives not knowing what circumstances will call those into play," said Morris Linton, senior counsel at Intermountain Health Care. "Some people have diabetes or are diagnosed with cancer and so they have a fairly good idea of when death is impending of what will be the cause of death," he said.

But those who complete their advance directives when they are still healthy do not have this knowledge. "A lot of people say if they couldn't hold on to a job or hold their grandchildren, they wouldn't want to be live, but when they're incapacitated they realize they have abilities or strengths or appreciations that they didn't have before, and their views are modified a lot."

Ambiguity in the orders can also cause problems.

"The dilemma is when you don't have a clear understanding in a written form from the patient or, sometimes, that you might not have all the dynamics worked out in a difficult family situation, so there's conflict," said Ms. Nakamura.

When there is any ambiguity, hospitals try to save the patient, noted Deborah Formiconi, loss control director at Sutter Health California Health Care System in Sacramento. "I would rather have a wrongful life claim than a wrongful death claim."

Hospitals must be prepared, said Faye Rozovsky, director of risk management and legal affairs for AIG Consultants Inc. health care division in Philadelphia.

Health entities need policies and procedures to follow when they encounter living wills, durable powers of attorney or health care proxies—from their own or other jurisdictions.

Risk managers must also educate health care professionals "to respond appropriately," and the third part of this process is documentation, "to leave the appropriate paper trail that the right response has been taken in a given instance," said Ms. Rozovsky.

"One of the things a lot of hospitals are doing is working with their medical staff to make advance directive forms available in the private offices of their practice physicians, as well as supporting the efforts of their ethics committees or consultants in this area," said Paul Grieve, a former hospital risk manager who is now vp at Fort Wayne, Ind.-based malpractice insurer Medical Protective Co. Risk managers can take an active role in this effort, he said.

Another good risk management tool, he said, is a "terminal care" order sheet in which doctors can write clear orders. This helps facilitate communication between the attending physician and those in charge of carrying out his orders, said Mr. Grieve.

To avoid liability, said Intermountain's Mr. Linton, hospitals should make sure patients fully understand the advance directives. And they should try to resolve any disputes in a way that honors the autonomy of the patient and the desire and wishes of the family and the providers.

"We have a lot of education to do as providers and as community leaders," and patients have to share responsibility in this effort as well, said Mr. Linton. BI

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INTERNATIONAL

German companies on alert

Fire prevention needs improvement, underwriters say

By DON LEWIS KIRK

In light of one of Germany's largest insured fire losses at the Dusseldorf Airport last month, property insurers are taking German companies to task for poor fire safety standards.

Klaus-Dieter Laessker, head of Cologne-based Nordstern Allgemeine Versicherungs-A.G. expects insured losses from the airport fire to range between 320 million DM and 1 billion DM ($208.6 million and $651.9 million) (*BI*, April 15).

The Cologne-based property and casualty insurer says losses will jump if the airport needs to be rebuilt. Highly toxic dioxin contamination—produced from burning plastic—may force the building's demolition. Nordstern carries 10% of the insured loss.

The specter of similar disasters rising elsewhere has brought to light serious deficits in fire safety in German industry, Mr. Laessker said.

In fact, commercial underwriter Haftpflichtverbandes der Deutschen Industrie VVaG, or HDI, claims poor fire safety standards, which aided the spread of the fire in Dusseldorf, are commonplace.

"Risk management is often half-hearted or not done at all," said HDI board member Guenter Wager, who told industrial clients at a trade fair in Hanover recently that the state of fire protection in Germany is pitiful.

"In many cases, fire losses are large only because companies lack fire alarm systems or around the clock guard services," he said.

In other cases, buildings don't have fire walls that hinder the spread of flames, Mr. Wager said.

As an example, Mr. Wager pointed to a 65 million DM ($42.4 million) fire in a south German metal factory last year, which escalated because the company didn't have a fire alarm.

"A controllable electrical cable fire turned into a near total loss for the company," he said. "The cable smoldered for hours without being detected. The fire occurred outside operating hours. There were no smoke detectors, no surveillance. The fire was reported by a passing taxi driver."

The company had outsourced its surveillance to a watchman service that checked once every four hours.

> ***'In many cases, fire losses are large only because companies lack fire alarm systems or around the clock guard services.'***
>
> *Guenter Wager*

"The fire burned for more than 1½ hours before it was detected," Mr. Wager said.

The fire destroyed two high precision machine tools and caused extensive smoke damage. The absence of a fire wall between the manufacturing area and a warehouse permitted the fire to destroy a storage area.

The property loss of 35 million DM ($22.8 million) was accompanied by a business interruption loss of 30 million DM ($19.6 million).

Such scenarios are possible everywhere, according to a study of the Bonn-based German property and casualty insurance association—Verband der Schadenversicherer, or VdS. According to its survey, only 10% of the 120,000 industrial facilities in Germany have automatic sprinkler systems. Most sprinklers are installed to protect computers, archives and warehouses.

The lack of interest by industry in fire safety equipment and fire protection technology is appalling, according to the German Assn. of Fire Protection Systems, or the BVFA. Last year industry sales of fire protection equipment dropped 25%.

Several days after the recent Dusseldorf Airport fire, BVFA Chairman Herbert Schaefers called Germany a "developing country" with fire protection standards below that of Malaysia, where twice the number of sprinkler systems are installed.

In Germany, sprinkler systems are required by law in department stores, theaters and other recreation centers, but not at airports or office buildings.

Even companies with sprinkler systems can be living with defects. The VdS reported that every fourth inspection uncovers grave faults with extinguishers.

The results are often severe loss of life and property. Mr. Wager reported of a December fire in a Cologne motor factory with a property loss of 138 million DM ($90 million) plus a business interruption loss of 60 million DM ($39.1 million). "The fire occurred outside working hours. There was no fire alarm and no surveillance. Again the fire was reported by a passerby."

Insurers continue to fault German companies for their lack of sensible risk management. Man-

See **Fire safety** *on next page*

Swedish insurer spurns takeover

But Trygg Hansa's bid for WASA may signal consolidation, some say

By MARIA KIELMAS

STOCKHOLM, Sweden—Although Trygg Hansa A.B.'s attempted hostile takeover of Swedish insurance group WASA has failed, it may signal the onset of consolidation in the Swedish market.

Stockholm-based WASA rejected Trygg Hansa's bid and has embarked on a corporate restructuring—its second overhaul in three years.

Talks between the two sides are at an end, spokesmen from both companies confirm. However, stock market analysts in Sweden say the Trygg Hansa offer may have been the first step in an upcoming consolidation of the Swedish insurance market, which is becoming increasingly competitive. Analysts speculate that Trygg Hansa can afford to sit and wait until WASA requires cash injection—and pounce again.

Meanwhile, Trygg Hansa's reported sharply higher first-quarter results due to a buoyant stock market and tax breaks for losses in its Home Holdings Inc. unit, among other things.

Mutual insurers in Sweden, such as WASA Life and WASA Non-Life, are likely takeover targets because of their high costs and low profitability, but the process of consolidation will be slow, says Michael Lofman, an insurance analyst at Swedebank in Stockholm. "But eventually there will be a consolidation because there are large profits to be made. Profitability will increasingly come into focus," he said.

Trygg Hansa and WASA had been holding talks since the beginning of 1996, though they never had formal contractual negotiations, Trygg Hansa said in a statement. When one of the WASA divisions, WASA Life, made moves to buy affiliate WASA Non-Life, Trygg Hansa stepped in with a formal offer for the group.

WASA has since embarked on a restructuring that involves joint ownership between the life and non-life divisions, compared with a previous arrangement in which they simply had a joint cooperation agreement.

The WASA Life and WASA Non-Life companies had been part of the same group prior to 1993, when the company was first restructured into two separate mutual companies with the cooperation agreement between them.

The two companies have merged now "to get more synergy," said WASA vp Per-Arne Rudbert.

WASA Life acquired 90.1% of WASA Non-Life, and Eureko WASA international cooperation partners, an alliance of European insurers, acquired the remaining 9.9%. WASA Non-Life is

See **Trygg** *on page 43*

KWELM companies set next payment

By EDWIN UNSWORTH

LONDON—Administrators of the KWELM companies, five insurer subsidiaries of the failed London United Investments P.L.C., will make a $220 million payment to creditors this summer.

This payment will bring to $920 million the total set aside so far in three payments for the 100,000 creditors, which are mainly U.S. casualty policyholders (*BI*, May 15, 1995). The latest sum is about 3% of the total policyholder claims against each company. So far the five companies have paid an average of 10% of their claims.

Chris Hughes, a partner in Coopers & Lybrand in London, which is acting as administrator of the KWELM companies, said the percentage increase reflects further asset realizations totaling $263 million during 1995, and a reduction of 8% in estimated ultimate liabilities to approximately $9.7 billion. The payment allocation was announced in the scheme administrators' second annual report.

The KWELM companies are: Kingscroft Insurance Co. Ltd., Walbrook Insurance Co. Ltd., El Paso Insurance Co. Ltd., Lime Street Insurance Co. Ltd., and Mutual Reinsurance Co. Ltd. They carried on business mainly through H.S. Weavers (Underwriting) Agencies Ltd. and CR Driver & Co. Ltd., both of which are now in liquidation. The five KWELM companies ceased underwriting and paying claims between January 1988 and May 1992, but it was not un-

See **KWELM** *on page 43*

M&G Re may go on block

Top U.K. reinsurer's parent, Prudential, mulling over options

By EDWIN UNSWORTH

LONDON—Prudential Corp. P.L.C. may be considering a flotation or outright sale of its Mercantile & General Reinsurance Co. P.L.C. unit as it reviews its operations.

A spokeswoman for Prudential, which is unrelated to The Prudential Insurance Co. of America, declined to comment on speculation in the U.K. press last week that London-based M&G Re, which is Britain's largest reinsurer, may be floated or sold.

"There is an ongoing strategic review of all our operations," she said, declining to elaborate.

M&G Re differs from most major reinsurers in that about three quarters of its business is in life reinsurance, with the remainder in property/casualty lines. It has expanded its global operations in recent years, and in 1995 opened offices in Paris and Cologne while strengthening operations in Asia. Today it has customers in more than 100 countries and 29 offices around the world. The United States is an important market, accounting for about 65% of its life business and almost a third of its general property/casualty business.

One London stock analyst speculated that Prudential may sell or float M&G Re to raise funds to acquire a U.K. building society, which is similar to a U.S. savings and loan institution. Although M&G Re is profitable, it is not a core asset of Prudential, and could be the most likely candidate to sell to make such a purchase. Building societies are increasingly encroaching on Prudential's territory in U.K. financial services, the analyst explained.

In the early 1990s, M&G Re posted operating losses on its general reinsurance business, though these were partly offset by profits from long-term life reinsurance. M&G Re started showing strongly improved overall results in 1993, and in 1995 posted its third successive year of improved results, with a pretax profit to £196 million ($304.4 million), up 13% from £174 million ($272.3 million) in 1994.

M&G Re currently has net assets of almost £900 million ($1.36 billion) and some £600 million ($909 million) of Prudential shareholders' capital. Analysts say that if it is sold with the latter it could be worth up to £1.5 billion ($2.27 billion).

There has been previous speculation of an M&G Re sale to allow Prudential to concentrate on its mainly retail life insurance and fund management operations.

Given the importance of its U.S. markets, analysts believe that M&G Re could be of interest to U.S. investors. Analysts also think that buyers might be attracted by M&G Re's position in the Far East, where the company is one of the largest non-Japanese reinsurers.

However, Trevor May, insurance an-

> ***M&G Re is profitable, but it is not a core asset of Prudential, and could be the most likely candidate to sell, an analyst says.***

alyst at Salomon Brothers Inc. in London, said potential buyers might be put off by the long-tail nature of M&G Re's business.

This would affect both the price of the reinsurance company both for an outright sale and for a stock flotation, he said. BI

INTERNATIONAL

Fire safety

Continued from previous page

fred Illner, an Allianz A.G. board member, estimates that only 16% of German companies have a professional risk management system.

HDI's Mr. Wager sees problems at a more basic level. "Risks are growing," he said. "Manufacturers need practical, economic facilities and a smooth production flow. But the methods of construction they use are often a hazard."

Standard construction methods in Germany make use of unprotected steel, tin walls, flammable insulation and bitumen—a light building material that melts under extreme heat—roofs. While beneficial to insulation, such materials are a serious fire danger, Mr. Wager said. "Even a sprinkler system can be ineffective. Even worse, the steel structure can hinder firemen from getting into the building."

In addition, most German companies have combined manufacturing and storage areas averaging between 6,000 and 12,000 square feet.

The absence of fire walls between manufacturing and storage areas "means not only a rapid spread of fire, but also damage from corrosive smoke."

Companies can no longer afford risk management shortcomings, said Mr. Wager. "It's not just property damage and loss of production, it's public sensitivity to environmental impairment and government insecurity about toxic levels. It's a situation that greatly extends exposures." Risk management is a growing factor in calculating German insurance premiums. Only recently, commercial insurance leaders Allianz Holding A.G. and Gerling Konzern A.G. announced new rating systems that would benefit companies with better risk management (*BI*, April 8).

"Underwriters like HDI have a policy of risk selection that honors risk management and technology improvements," said Mr. Wager.

Such measures could have hindered what appears to be Germany's largest single fire loss in history—the Dusseldorf Airport fire.

An expert commission has determined materials used in airport construction were below standard. Only non-flammable materials should have been used and that was not the case, according to a recent state government report.

The irony is that governments themselves are often at fault in such developments, as evidenced by recent attempts by the German federal government to change building codes.

Housing Minister Klaus Toepfer appointed an expert commission to find ways of loosening Germany's fire protection regulations for buildings. Of particular embarrassment is a recommendation to eliminate mechanical smoke ventilation systems from public building requirement because they are too expensive. Such a system draws off smoke in a case of fire and would have saved lives at the Dusseldorf fire. BI

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LIME STREET INSURANCE COMPANY LIMITED
(formerly Louisville Insurance Company Limited)
and
MUTUAL REINSURANCE COMPANY LIMITED
('the KWELM companies')

Notice is hereby given that the second ANNUAL MEETING of the Scheme Creditors of the KWELM companies convened pursuant to clause 8.1 of the Scheme of Arrangement ('the Arrangement') will be held at 2:00 pm (Central Time) on Wednesday, June 26, 1996 at the Bismarck Hotel, 171 West Randolph Street, Chicago, Illinois 60601, USA. The Scheme Administrators' report on the conduct of the affairs of the KWELM companies for the year to December 31, 1995, shall be laid before the meeting.

Scheme Creditors may attend in person (or, if a corporation, by a duly authorized representative) or they may appoint another person, whether a Scheme Creditor or not, as their representative to attend in their place.

Forms of representation for use at the said meeting, copies of the Scheme Administrators' report and the Arrangement document incorporating the terms of the Arrangement are available on request to the Scheme Administrators at the address set out below.

Dated this day May 14, 1996
CJ Hughes and IDB Bond
Scheme Administrators
of the KWELM companies

Address for correspondence:
Plumtree Court
London EC4A 4HT
United Kingdom
Telephone + 44 171 583 5000
Fax + 44 171 212 6708

Note:
A London meeting of the Scheme Creditors of the KWELM companies will be held at 2:00 pm on Wednesday, July 3, 1996, at the Coopers & Lybrand Training Centre, 2-3 Bloomsbury Square, London WC1A 2RL, United Kingdom, to enable those unable to travel to Chicago to attend.

INTERNATIONAL

Consolidation continues at Lloyd's

LONDON—Consolidation within Lloyd's of London continues apace with two separate mergers last week involving both syndicates and agencies.

Murray Lawrence & Partners Ltd., one of the largest managing agencies at Lloyd's, plans to organize its seven syndicates under an "umbrella" arrangement that will pool their capacity. The umbrella will have underwriting capacity of more than £500 million ($757.3 million at current exchange rate) when the change is made at year-end to be effective in the 1997 underwriting year.

While this is down from the combined capacity of the syndicates this year of £632 million ($981.5 million at appropriate exchange rate), Paul Archard, managing director of Murray Lawrence, said he expects that the more efficient use of capacity and other cost savings will boost profits by at least 14%.

Separately, two Lloyd's underwriting agencies merged last week to create what will be the largest agency representing names in the Lloyd's market.

The merger combines Sedgwick Lloyd's Underwriting Agencies Ltd. and Oakwood Underwriting Agencies Ltd.

The new agency, to be called Sedgwick Oakwood, will manage the affairs of almost 1,300 names. This represents 10% of the Lloyd's market membership, as well as 10% of names' total underwriting capacity.

Oakwood Chairman Michael Payne, who will become chairman of the new group, said the enlarged agency "will have all the resources necessary to provide our names with the best advice in the marketplace."

—By Edwin Unsworth

Germany expands long-term care benefits

BONN, Germany—The German Bundestag has broadened health care benefits for long-term care patients.

German lawmakers voted earlier this month to extend benefits to include inpatient treatment, including long-term care. Currently, benefits apply only to outpatient treatment.

Last year, German lawmakers introduced social insurance to cover cost of long-term care and replace state welfare benefits. The so-called Pflegeversicherung is financed solely through employer/employee contributions.

Starting July 1, employer/employee contributions to long-term care insurance will increase to a combined total of 1.7% of wages from 1%.

With the new change, about 340,000 long-term care patients in homes for the elderly will join the more than 1.2 million people who already receive payments of up to 2,800 DM ($1,936) a month. Patients requiring intensive care receive 3,300 DM ($2,282) a month.

Overall, employers expect the increased contributions will cost them a total of 2.5 billion DM ($1.63 billion), despite government efforts to compensate them. Last year, one national German holiday was eliminated by the government, giving employers an extra day of productivity without having to pay extra wages.

Employers—supported by the results of a study from a government commission—say further compensation is needed to reduce an already excessive social insurance burden.

—By Don Lewis Kirk

Trygg

Continued from page 41

being restructured into a limited liability company and is now a subsidiary of WASA Life.

The purchase price amounts to 1.04 billion kroner ($153.6 million), which will be distributed to WASA Non-Life's 420,000 policyholder owners.

Trygg Hansa countered with two offers, one each to non-life and life policyholders. Trygg Hansa offered to acquire WASA Non-Life for 1.5 billion kroner ($221.6 million), on the condition that a due diligence of WASA Non-Life operations did not discover any hidden liabilities.

The Trygg Hansa offer to WASA Life policyholders was to implement a restructuring similar to one conducted recently at Trygg Hansa, which would merge WASA Life operations with existing Trygg Hansa ones.

The value of the offer to both sets of policyholders would be in excess of 3 billion kroner ($443.1 million), Trygg Hansa said. The offer also estimated that a merger between it and WASA would result in potential improvement in earnings of over 300 million kroner ($44.3 million) annually.

WASA's Mr. Rudbert said that WASA rejected the Trygg Hansa offer for two reasons. "Firstly, the offer was conditioned in such a way that it was impossible to accept. They wanted to do due diligence first and define a price later," he said.

Mr. Rudbert said the second reason was that Trygg Hansa only made a financial offer to non-life policyholders and conditional on their rejection of the WASA Life offer.

"It is impossible to accept such an offer, the break-up of the group will be costly for the party doing the breaking up. . .These costs put the Trygg Hansa offer down to one-third (of its face value). There is no positive effect for life policyholders," he said.

Mr. Rudbert went on to say that his company had met with other interested companies besides Trygg Hansa, but that the WASA companies were not for sale.

Stock market analysts believe that Trygg Hansa identified a relatively inexpensive opportunity to expand by acquiring a company in trouble. WASA reportedly operates under very high expenses, while Trygg Hansa is booming on the back of a more buoyant stock market and tax breaks following its losses in The Home Insurance Co. and Gota Bank, which was wholly owned by Trygg Hansa when it went bankrupt in 1993. "Trygg Hansa won't be paying tax for many years," said Mr. Lofman. Trygg had losses of 4.034 billion kroner ($555 million) on its stake in Home Holdings and approximately 6 billion kroner ($825.6 million) in Gota Bank.

Trygg Hansa did not outline any effects on its first-quarter 1996 results from Home Holdings since the U.S. insurer is no longer consolidated in the Trygg Hansa A.B. accounts, according to Home Holding Managing Director, Jan Bruneheim.

"That was the whole object of the exercise," he said referring to the deal last year in which Zurich Insurance Co. acquired much of Home Holding's business (*BI*, May 22, 1995).

Trygg Hansa still owns 85% of Home Holdings stock, but the company is managed by Risk Enterprise Management, a division of Zurich Insurance that Trygg does not control.

Trygg Hansa reported that its operating income for the first quarter of 1996 was 741 million kroner ($109.4 million), up 85.7% from 399 million kroner ($54.9 million) in the same period last year.

Gross premiums fell to 1.53 billion kroner ($225.9 million), 5.6% less than 1.62 billion kroner ($222.9 million) last year, mainly due to the discontinuation of accepted reinsurance business. BI

KWELM

Continued from page 41

il more than two years ago that a cheme of arrangement providing or periodic payments to creditors vas approved (*BI*, July 18, 1994).

Calculating estimated claims as been complicated by the ong-tail nature of much of the usiness underwritten by the KWELM companies. Such risks ange from asbestos and environental-related claims to breast nplants and infected blood prodcts. Actuarial estimates indicate nat 25% to 35% of ultimate liailities will have been met once his summer's payment is made.

The report stressed that "all monies properly owing to the KWELM companies will be rigorously pursued" from reinsurers but also noted that "the level and timing of distributions and, as a result, the level of ultimate payments will be a question of judgment for many years to come."

The KWELM companies ceded business to more than 700 reinsurers. The report states that today the financial health of these range from "robust" to simply "bust," including 100 reinsurance companies that are insolvent in one form or another.

In 1995, the administrators collected $168 million from reinsurers, bringing the total of reinsurance collections from 114 reinsurers to $530 million.

Legal action has been taken against some reinsurers. However, the administrators now are awaiting an important ruling from the U.K. House of Lords on whether a reinsurer must pay an insolvent cedant's underlying claims before seeking to recoup retrocessions (*BI*, July 17, 1995).

Mr. Hughes said the administrators "will reassess and adjust our collection strategy as appropriate in the light of the eventual decision" by the House of Lords.

Annual meetings for KWELM creditors will be held in Chicago on June 26 as well as in London on July 3. BI

Services Guide

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Arbitration

Continued from page 2
won or lost a case.

But, the majority of arbitrators, many of whom are not attorneys, argue that written decisions only would defeat the purpose of arbitration by increasing the likelihood that courts would overturn their decisions. Court reversals of arbitrators' rulings are rare today.

In its Unigard decision, the 9th Circuit panel affirmed a district court's ruling that upheld the award, noting that federal law precludes courts from overturning arbitration awards unless the arbitrators exceeded their powers or executed them so poorly that a mutual, definite and final award was not made.

The 9th Circuit stated that nothing barred the arbitration board from making a rough estimate to resolve the dispute or from taking into account equitable considerations for both sides.

Indeed, the reinsurance treaty implicitly authorized the board to impose an equitable remedy by allowing the board to base its decision on "the custom and usage of the insurance and reinsurance business," the court stated. Evidence showed that custom allows arbitrators in reinsurance disputes to impose equitable resolutions, the court said.

Attorneys for Unigard and CIGNA Re would not comment.

But reinsurer attorney David J. Grais, who was not involved in the case, said the decision underscores that the arbitration process must be modernized.

Mr. Grais, a partner with Grais & Phillips in New York, would like arbitrators who hear reinsurance disputes to be held to stricter standards by their umbrella organizations, like the Reinsurance Assn. of America and A.I.D.A. Reinsurance & Insurance Arbitration Society, an insurance arbitrator certification organization.

New York-based ARIAS is drafting some recommended procedural rules for arbitrators, but Chairman T. Richard Kennedy would not elaborate on them at this stage in the process.

The RAA would not comment for this story.

Mr. Grais would like arbitrators to issue written, reasoned decisions. The problem with the unwritten arbitrator's decision in the Unigard case is that "you don't get any idea on how you should conduct yourself in the future," Mr. Grais said. "This says that no one is right or wrong. It just splits the difference."

Court rulings that uphold arbitrators' broad powers are "encouraging this lack of reasoning," he said.

Because of the reinsurance industry's growth and the tremendous amount of money at stake in disputes, Mr. Grais also would like arbitrators to rely more on the language of contracts and on judicial decisions rather than on industry custom.

Customs are not written down, so how can courts that review arbitrators' decisions know whether the arbitrators accurately relied on custom? he asked. Mr. Grais added that he did not think the 50/50 split the Unigard arbitrator imposed reflected a custom in reinsurance dispute resolutions.

Mr. Kennedy of ARIAS also supports the concept of written decisions.

"I think the process of writing a reasoned decision improves the discipline in thinking that you otherwise might not get," said Mr. Kennedy, a partner with New York insurer law firm Werner & Kennedy.

"I think if you have a reasoned award, it seems less likely a court would overrule it," he said.

Mr. Kennedy noted that U.K. arbitrators issue written decisions. Though he knows of no studies comparing how many arbitration decisions are overturned by U.S. and U.K. courts, he said he believes the numbers are comparable. That suggests U.S. arbitrators have little to fear if they issue written decisions, he said.

He disagrees, though, with Mr. Grais on a few points.

Mr. Kennedy said written decisions would benefit only the parties involved in the dispute. But, they also would help "prevent some issues from being arbitrated over and over again," he said.

And, arbitration decisions based on industry customs and practice still could lead to fair resolutions of disputes, he said. An arbitrator can take that route if it is stipulated in the contract and no other contract provisions will help settle the dispute.

"It's impossible to draft a contract that will cover every conceivable dispute that will come up," he said.

But, Ronald Jacks, who has extensive experience as an arbitrator and arbitration umpire, pointed out that the parties involved in a dispute control whether arbitrators arrive at decisions through findings of fact and conclusions of law, base their decisions on industry customs or issue written decisions.

Mr. Jacks, an insurer and reinsurer attorney and senior partner with Mayer, Brown & Platt in Chicago, opposes requiring arbitrators to issue written decisions. "The realities are that most arbitrators, who are not lawyers, feel uncomfortable with the process of drawing formal findings of fact and conclusions of law. It's foreign to them."

Mr. Jacks said many arbitrators believe such written opinions would invite more appeals. He said that comparing the fate of arbitrators' decisions in U.S. and U.K. courts can be misleading because solicitors or barristers often help U.K. arbitrators draft their decisions.

Still, as long as an arbitrator does not exceed his power, a court cannot overrule the arbitrator's decision merely because it does not like the reasoning behind the decision, Mr. Kennedy said.

Another concern arbitrators have about issuing written decisions is that the time it takes drives up the cost of the process, Mr. Kennedy said.

That is a factor, but the parties in the case are entitled to a reasoned decision after investing much time and money in the dispute, he asserted.

The parties in a dispute, though, often do not want a written opinion floating around that could haunt them later if they are compelled to take an opposite stand in a different dispute, Mr. Jacks said.

"That's not to say the parties aren't entitled to some rationale" for the arbitrators' decisions, he said. In "a fair number of cases," an arbitration board umpire will explain the decision "without going into excessive detail" in an off-the-record setting with the parties.

But, it is done with the understanding that neither party could use the information in a subsequent appeal of the arbitrator's decision, he said.

"The bottom line is if the parties want specificity, they ought to put it in the contract" or seek it from the arbitration board when it holds its preliminary meeting with the parties, Mr. Jacks said.

"Unlike litigation, arbitration is an attempt to construct a business solution to a business problem" by evaluating what the parties intended, what actually happened and what can be done to put both parties into a position they would have found themselves if the terms of the contract had been executed without dispute, he said.

But, Mr. Grais asserted that isn't always the outcome in arbitrated cases, which is why some rule changes are necessary.

For example, in another Unigard case, the company refused to provide its retrocessionaire, Michigan Mutual Insurance Co., information about a coverage dispute Unigard had settled with a ceding insurer.

An arbitrator ruled that Unigard could not tap its Michigan Mutual coverage to recover any current or subsequent claims by that cedant. And, Michigan Mutual did not have to reimburse Unigard for any retrocessional coverage premium Unigard paid.

The 9th Circuit found some of the arbitrator's rulings in that case surprising but upheld them last year.

Mr. Grais said the court "went to the very edge, if not beyond, for remedies provided by the contract" and allowed Michigan Mutual to fare better than it would have if its retrocessional contract with Unigard had been rescinded.

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Unigard Security Insurance Co. vs. CIGNA Reinsurance Co., 9th U.S. Circuit Court of Appeals; No. 94-35739.

Pension

Continued from page 1
latest bill include:

• Changing prior-year testing rules. Under this optional procedure, employers running the 401(k) non-discrimination test would be able to compare deferrals made by low-paid employees during the previous year to contributions made by high-paid employees during the current year.

Internal Revenue Service rules now require comparisons of current-year contributions for both groups, so employers have to monitor them constantly. If low-paid employees put in less than expected, employers in midyear may have to cut back on contributions by highly paid employees or return excess contributions to those employees.

By using prior-year contributions of low-paid employees, employers would know at the start of the year how much highly paid employees could contribute without causing the plan to violate non-discrimination rules.

• Simplifying the general definition of "highly compensated" employees for non-discrimination testing purposes to those now earning more than $80,000 a year or owning at least 5% of a company. That threshold would be adjusted annually for inflation.

By contrast, current law contains numerous definitions of highly compensated employees, including one that covers employees earning more than $66,000. The effect of this change would be to enable more employees—those earning $66,000 to $80,000—to make the maximum contribution to a 401(k) plan because they would be considered non-highly compensated for non-discrimination testing purposes.

• Allowing tax-exempt employers to establish 401(k) plans, a right they lost under 1986 tax reform legislation.

• Creating safe harbors for 401(k) plans. Employers that match 100% of employees' contributions on the first 3% of compensation as well as match 50% of between 3% and 5% of employees' compensation would not have to conduct the non-discrimination tests.

Few matches now are actually that generous. Companies typically match 50% of employees' deferrals, up to 6% of compensation.

Other provisions in the tax bill would slightly increase employer costs and raise taxes on employees taking lump-sum pension distributions. Under those provisions:

• Multiemployer pension plans would have to use the same vesting schedules—typically five-year cliff vesting for defined benefit plans and seven-year graded schedules for defined contribution plans—that single-employer pension plans now use. Currently, multiemployer plans can use 10-year vesting.

• Eliminate five-year forward averaging on lump-sum distributions, which would effectively increase the tax bit on lump-sum distributions.

• Raise to 10% from 5% the excise tax penalty on prohibited transactions under the Employee Retirement Income Security Act.

The measure, though, would retroactively renew Section 127—the now-expired section of the Internal Revenue Code that had allowed employers to reimburse employees—on a tax-free basis, up to an annual $5,250 limit—for their educational expenses. Section 127 expired on Dec. 31, 1994.

The Ways and Means Committee bill would continue Section 127 through Dec. 31, 1997.

The legislation also would require the IRS to establish expedited procedures to enable employees to recover taxes on employer-provided educational assistance benefits provided in 1995 and 1996. BI

Konica promotes Warwick to executive vp

Comings & Goings: Buyers

Donald J. Warwick, 46, has been promoted to executive vp-human resources and staff development at Konica Business Machines U.S.A.

Mr. Warwick is responsible for employee benefits, staffing, compensation, employee policy and other programs at the Windsor, Conn.-based company. He also assumes responsibility for Konica's corporate education department.

In this newly created position, Mr. Warwick reports to Terry Nakazawa, president of Konica.

Mr. Warwick joined the company in 1987 and prior to his recent promotion held the job of senior vp-human resources.

He earned a bachelor's degree in industrial and labor relations from Cornell University in Ithaca, N.Y.

* * *

David Jewell has been named director-corporate risk management and safety at General Binding Corp., a Northbrook, Ill.-based manufacturer distributor of office products and supplies.

Mr. Jewell, 39, is responsible in the newly created position for General Binding's worldwide insurance and safety programs.

He reports to Perry Zukowski, assistant treasurer-risk management at General Binding's parent, Lane Industries Inc. in Northbrook.

Before joining General Binding, Mr. Jewell spent seven years as risk manager at Cotter & Co. in Chicago.

He earned a bachelor's degree in business administration from Illinois State University in Normal.

Mr. Jewell holds the Associate in Risk Management and Certified Safety Professional designations. He is treasurer of the Northeastern Illinois Chapter of the Risk & Insurance Management Society Inc.

* * *

Andrew E. Schneeloch, 33, has been named director of risk management for CVS Inc., a drugstore chain based in Rye, N.Y.

CVS is a new company formed as part of the restructuring of Rye-based retailer Melville Corp. Mr. Schneeloch, who was risk manager at Melville before assuming his new post, is responsible for the areas of risk management, loss control, insurance and claims at CVS.

He reports to Phillip Galbo, vp and treasurer at CVS.

Mr. Schneeloch holds a bachelor of science degree in management and labor relations from Rider College in Lawrenceville, N.J. He is a member of the Westchester County Chapter of the Risk & Insurance Management Society Inc.

* * *

Marvin J. Kopp, 51, has been appointed senior vp of human resources at Hardee's Food Systems Inc. in Rocky Mount, N.C.

Mr. Kopp's duties include developing loss prevention and employee benefit programs, as well as staffing, recruiting, training, compensation, organizational development, succession planning and administrative services.

He replaces Deborah Hollis, who has joined Shoney's Inc. as executive vp of human resources in Nashville, Tenn.

He reports to Steve McManus, Hardee's president and CEO.

Mr. Kopp takes the post after serving as vp-human resources at Java City Bakery Cafe in Sacramento, Calif.

He earned a master of science degree in management from California American University in Escondido, Calif., and a bachelor of arts in education and English from St. Martin's College in Olympia, Wash.

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We'd like to report on staff changes in your company's risk management, safety and employee benefit departments. Contact Michael Bradford, Associate Editor, Business Insurance, Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; 214-361-2295; fax: 214-696-1936. Please send a photograph, too.

Summary of major property/casualty insurers' first-quarter 1996 results

Ranked by change in net income. All amounts in thousands of dollars.

		Corporate				Property/casualty operations							
Rank 1996		Consolidated revenues 1996	Net income 1996	Percent increase (decline) 1995-1996	Combined[1] ratio 1996	Combined[1] ratio 1995	Net premiums written 1996	Percent increase (decrease) 1995-1996	Pretax underwriting income (loss) 1996	Percent increase (decline) 1995-1996	Pretax investment income 1996	Percent increase (decrease) 1995-1996	Policyholders' surplus 1996	Percent increase (decrease) 1995-1996
1	Argonaut Insurance Co.	77,562	31,458	124.2	106.1	124.3	43,325	20.3	(2,117)	(176.8)	22,701	(2.1)	623,356	11.0
2	CNA Financial Corp.	4,320,000	329,300	115.5	106.7[2]	107.2[2]	2,670,000[2]	4.7	(255,100)[2]	(7.5)	468,000[2]	(2.2)	N/A	N/A
3	SAFECO Corp.	982,990	110,703	69.8	99.6	107.1	552,269	4.3	2,095	105.6	71,139	(1.8)	1,930,219	22.8
4	Fremont General Corp.	154,053	17,405	46.5	98.9	99.2	129,620	2.8	581	81.0	28,035	54.0	326,098	20.0
5	General Re/Cologne Re Group	1,942,400	236,800	29.3	100.3	99.3	1,210,200	20.2	(3,000)	(146.2)	266,900	41.2	4,813,700	21.5
6	Old Republic Int'l	430,923	50,050	28.1	100.2	101.0	206,155[2]	(4.0)	(6,219)[2]	34.2	47,893[2]	2.5	1,359,935	7.1
7	Hartford Steam Boiler	134,900	17,000	21.4	91.0	91.1	106,800	8.4	9,200	17.9	8,000	17.6	341,100	13.9
8	Berkshire Hathaway Group	1,074,900	128,600	20.3	97.6	104.1	1,213,300	125.0	22,300	337.2	153,000	16.0	N/A	N/A
9	American International Group	6,645,216	671,218	17.3	97.5[2]	98.2[2]	3,125,840	8.6	73,559	11.7	409,221	7.8	N/A	N/A
10	The St. Paul Cos. Inc.	1,408,691	128,821	16.5	106.3	102.4	934,611	2.0	(42,045)	(172.1)	188,903	5.9	2,628,398	30.9
11	USF&G Corp.	855,800	56,800	16.4	106.3	108.3	650,800	8.9	(40,100)	15.0	108,700	(2.4)	1,366,300	(12.5)
12	Reliance Ins. Co. and subs.	723,786	22,512	5.0	101.9	101.4	475,483	3.0	(10,101)	(93.0)	63,359	1.0	N/A	N/A
13	Lincoln National Corp.	1,640,500	140,000	3.9	108.4	104.0	405,700	(4.8)	(31,300)	(167.5)	60,800	—	1,503,900	13.2
14	Chubb Corp.	1,684,900	151,400	3.2	101.3	96.3	1,127,800	14.9	(17,900)	(160.1)	157,500	6.4	2,333,400	16.3
15	Travelers/Aetna P/C Corp.	1,178,300	94,800	1.9	107.2[2]	107.1[2]	981,200[2]	2.1	(98,200)	(7.3)	197,900	10.4	2,568,700	20.3
16	CIGNA Corp.	4,645,000	238,000	(18.0)	104.9	108.7	835,000	1.0	(40,000)	45.0	99,000	10.0	1,990,000	11.2
17	Sentry Insurance Cos.[2]	390,323	18,976	(19.8)	106.1	106.0	313,215	5.5	(25,337)	(63.5)	49,875	4.0	1,177,147	16.2
18	ITT Hartford Group Inc.	3,278,000	96,000	(31.4)	108.2	101.5	1,844,000	1.7	(159,000)	(253.3)	209,000	6.6	3,544,000	12.3
19	Ohio Casualty Corp.	359,906	3,468	(76.3)	117.1[2]	109.8[2]	306,827[2]	(5.1)	(51,951)[2]	(63.0)	44,196[2]	(4.9)	914,626	28.4
20	TIG Holdings	456,000	(31,000)	(272.2)	111.3[2]	107.8[2]	404,000	(3.6)	(42,000)	(75.0)	76,000	11.8	941,000	(1.2)
—	Kemper National Ins. Cos.	960,559	N/A	N/A	109.7[2]	108.5[2]	906,080[2]	(7.2)	(111,131)[2]	(36.4)	108,554[2]	18.6	1,938,991	5.4
—	Nationwide Mutual Ins. Co.[2]	N/A	N/A	N/A	111.8	108.1	2,007,490	3.2	(243,052)	(55.3)	223,085	6.7	N/A	N/A
—	Commercial Union Ins. (U.S.)[2]	N/A	N/A	N/A	115.3[3]	107.3[3]	468,400	3.9	(77,200)	(76.3)	60,800	3.4	1,059,300	10.0
—	Liberty Mutual Ins. Co.[2]	N/A	N/A	N/A	117.2	111.4	1,365,432	(0.8)	(235,927)	(40.1)	256,456	1.2	4,767,412	30.2
	Cumulative	33,344,709	2,512,311	14.2	105.5	104.4	22,283,547	8.1	(1,389,945)	(39.5)	3,379,017	7.3	36,147,582	16.3

[1]After dividends [2]Statutory [3]Before dividends N/A-Company did not provide data

Insurers

Continued from page 2

petition is a perceived need to show top line growth in order to satisfy investors," Mr. Smith said. "At the same time, companies are trying to show that they are doing this in a disciplined way, but it's hard to imagine a thousand companies being competitive, and all being disciplined at the same time."

With premiums growing more slowly than the economy, and continuing price discounting, reserve data suggest that insurers have less and less room to hide bad news, said Mr. Smith. "When you add to that the elevated cat exposures that companies have, then you have a good recipe for ongoing earnings disappointments."

Gloria Vogel, managing director and senior insurance analyst with Ladenburg, Thalmann & Co. Inc. in New York, agreed. "I've got to believe we're going to see some deterioration here. I don't see how much longer the industry can keep on reporting these good numbers," she said.

"Granted, companies are a lot more focused on generating better business. But even having said that, the fact remains that pricing, I think, is inadequate, and I think companies are borrowing very much from the future," said Ms. Vogel.

However, "while the property/casualty environment is generally soft in the U.S., there's become an increasing ability among winners to win market share over their peers with good, profitable premiums at favorable rates," said Steven A. Gavios, managing director at Bear, Stearns & Co. Inc. in New York.

Specialty companies, as well as others which have shown the can generate good underwriting results, are growing faster than the overall industry, said Weston Hicks, an analyst at Sanford Bernstein & Co. in New York.

But it is becoming more difficult even for these companies, said Mr. Smith. Companies like Chubb Corp. are "showing a little less premium volume growth than they had been showing," and are making up for it by increasing retentions in some lines of business and buying less reinsurance.

However, "it may be one thing for a Chubb or an AIG to do that, but other companies that have historically been less skilled probably will have some difficulties" with that approach, Mr. Smith said.

Among other survey findings for the first quarter:

- Net premiums written for the 24 insurers surveyed increased 8.1% to $22.28 billion from $20.62 billion a year earlier. That compares with a 4.2% increase for all of 1995 to $89.19 billion.
- Underwriting losses increased by 39.5% to $1.38 billion from $992 billion. This compares with a 20.1% increase for 1995 to $6.14 billion.
- Investment income increased 7.3% to $3.38 billion from $3.15 billion. Insurers reported a 5.2% increase in 1995 to $14.43 billion.
- The combined ratio worsened to 105.5% from 104.4% for the comparable period a year ago. This is still better, however, than 1995's 107.3%.
- Policyholder surplus for the 19 insurers reporting this data increased 16.3% to $36.15 billion from $31.09 billion. At year-end 1995, insurers reporting this data posted a 22.7% gain in policyholder surplus.

Results this quarter do not reflect the U.S. subsidiaries of the Royal Insurance Holdings P.L.C., which did not report its results pending its merger with the Sun Alliance Group P.L.C.

In addition, Travelers/Aetna Property Casualty Corp. acquired the property/casualty operations of Aetna Life & Casualty Co. on April 2 and this is not reflected in first-quarter results.

Catastrophes were the major event during the quarter. Estimated first-quarter catastrophe losses total $2.56 billion, said Gary Kerney, assistant vp at the Property Claim Services division of the American Insurance Services Group in Rahway, N.J. This was more than double the $1.1 billion in losses reported for 1995's first quarter.

"It now appears that the unusual cat occurrences of the past are almost a regular event now," with the winter storms, including the Blizzard of '96, having a negative impact on most property/casualty companies around the United States, said John L. Ward, chief executive officer of the Cincinnati-based Ward Financial Group.

It's one thing for AIG or Chubb to retain more losses and buy less reinsurance, says Michael Smith. But other historically less skilled companies may have problems.

"It was the third-worst quarter in history in terms of dollars of insured losses. It also had the highest frequency of cat occurrences of any quarter on record, and from my analysis of individual insurers' individual company results, it had a fairly significant impact on the first-quarter period, ranging anywhere from a several percentage points on the combined ratio to as high as seven or eight points," he said.

"The topic of catastrophes really dominated every company's analysis in the first quarter," with companies explaining either why they had a bad quarter because of cats, or why they were "able to dodge the catastrophes of other companies," said Mr. Ward.

Primary insurance companies' results were hurt by catastrophe losses more than reinsurance company results, said Mr. Smith. "Earnings in the primary market came up a little bit short because of catastrophe losses, while in the reinsurance market in general earnings came in better than expected," he said.

The two are related "simply because the first quarter was pretty tough because of catastrophe losses, but what characterized those losses was that you were looking at a large number of small events that aggregated up to a big number," he said.

None of those events, however, "was big enough to seriously attach reinsurance coverage, so the primary market had to deal with the catastrophes pretty much by itself," said Mr. Smith.

Despite the pressures on profitability, analysts expect no imminent dramatic changes.

"The outlook at this point is, excluding unusual weather-related losses, little change," said Michael Lewis, first vp with Dean Witter Reynolds in New York.

"We're continuing to see the industry trying to make up for tougher rate competition with ongoing expense reductions and also seeing the industry basically stick to the lines of coverage it feels that it has somewhat of an expertise in.

"In other words, you see companies concentrating on the lines of coverage producing better results for them, and reducing the capital allocated to lines with poorer producing results," he said.

"Managing the top line continues to be tough, and so I think that's why we're seeing additional emphasis being given to operating expense efficiencies and to. . .underwriting," said John Kriz, managing director at Moody's Investors Service Inc. in New York.

"Risk managers today are focused more than ever on value-added products and services. Those insurers that are able to provide tailored risk management coverages are able to win increased levels of business at favorable prices," said Mr. Gavios of Bear, Stearns.

The soft market also likely means continued consolidation.

"With each year that goes on it's becoming increasingly clear that there's not going to be any major change in the pricing environment, and so companies that have demonstrated their ability to underwrite well in this kind of pricing environment and generate good returns are awash in capital, and the question is, how do you redeploy this capital?" said Sanford Bernstein's Mr. Hicks.

"I'm seeing plenty of signs out there that companies are beginning to recognize that they need to use their capital a little more efficiently, and that can mean either buying in stock, or looking for acquisitions, but not waiting for the cycle to turn," he said.

There will probably be a pick up in the pace of consolidation going forward, agreed Mr. Lewis. "You're looking at a mature industry with slow economic growth and a tough economic environment. Consolidation offers at least one vehicle for enhanced results if you can basically acquire companies at the right price and extract significant cost savings and integration of benefits."

There will continue to be winners and losers when it comes to consolidations, said Hartford's Ms. Blades. Insurance companies that generate top line growth, increase market share, create balance sheet value and figure out ways to generate higher returns will be the ones that "come out on top," she said. BI

ValuJet

Continued from page 1

The hull value of the 27-year-old DC-9 is $4 million, sources said. ValuJet's fleet consists entirely of older DC-9s bought from other airlines. The jet that crashed was previously owned by Delta Air Lines Inc.

Marsh & McLennan Inc. and London affiliate C.T. Bowring & Co. (Insurance) Ltd. placed the coverage.

Several families of survivors of crash victims had already sued ValuJet last week.

A suit by the wife of 34-year-old passenger Jarvis Shotwell, an Atlanta construction worker, was filed in Atlanta by attorney Larry Rogers Sr. of Chicago law firm Power, Rogers and Smith and accused ValuJet of negligence in maintaining and operating the aircraft. The suit sought compensatory damages for Mr. Shotwell's wife, Marilyn, and their two children.

Miami attorney Steven Marks said he had a suit in Dade County, Fla., Circuit Court, on behalf of the family of a crash victim. The suit, in addition to naming the airline, also accuses Miami-based Aerothrust Corp., a leading aircraft maintenance firm, of negligence.

A spokesman for Aerothrust said it believes the accusations are frivolous because Aerothrust inspected and maintained only the Pratt & Whitney JT89 engines on the ValuJet plane that crashed and no one has suggested that faulty engines were responsible for the Florida crash.

The crash prompted immediate debate over the safety of cut-rate airlines, as well as controversy over the Federal Aviation Administration's ability to adequately inspect passenger airlines. ValuJet had a higher rate of minor accidents since 1990 than almost all other discount airlines, according to FAA studies done before the accident, though FAA Administrator David Hinson maintained last week that the airline was safe to fly.

Investigators searching for the remains of the ValuJet plane in Florida found a flight manifest in the debris indicating that 50 to 60 "oxygen generators"—chemical canisters normally installed in the backs of airline seats to supply oxygen to passengers or crew in an emergency—may have overheated and exploded, starting a fire in the cargo hold. Officials said ValuJet was not authorized to carry the devices as cargo if they were charged and that such generators had triggered fires in other jets in the past.

Continued on next page

Managing airline risk—until takeoff

Surprisingly, one of the airline executives least likely to have direct influence over events following a crash is the risk manager.

Airlines, reasoning that aviation and insurance know-how often reside separately, typically place risk managers' duties squarely on the ground.

"As soon as a plane leaves the ground, it's not my responsibility anymore," said Adam W. Potter, managing director of risk management and ground safety at Houston-based Continental Airlines Inc. since 1995.

Actually, Mr. Potter added, he is responsible if an employee is injured in the air and files a workers compensation claim. He views claims in aviation terms: In 1994, the airline spent the equivalent of a new Boeing 747 on workers comp. In 1993, it spent the equivalent of a new 737. And this year, he wants to spend the equivalent of a 10-year-old jet.

Risk management at Continental recently has centered on a return-to-work program. It's a decidedly soft touch designed to gently end dependence on workers comp checks. "Our slogan is we want to love you back to work," said Mr. Potter.

Plane maintenance and inspection are handled by a separate division.

At Atlanta-based Delta Air Lines Inc., Risk Manager Floy Oliver Daugherty also stays occupied with matters other than the nuts and bolts of aircraft safety.

"We (airline risk managers) don't tend to be as interested in the actual incident as public relations people," said Ms. Oliver, who has been in her job seven years.

As at Continental, a separate division is charged with making sure the jets follow federal rules.

Still, she said, "Safety is infused in every piece of our operations." she analyzes insurance policies, self-insurance programs and contracts. A former underwriter and broker, she also helps negotiate hull and liability policies, and she obtains coverages like general liability, automobile and property insurance. "I'm always thinking in terms of 'What if?' " she said. "What if we do this deal? What if we repair this aircraft? Are we covered if we do this project?"

—By Robert Kazel

Class

Continued from page 1

litigation.

Lastly, the court said class members, which included people exposed to asbestos but who have no injuries at this time, could not be adequately represented by appointed class counsel, which accepted $200 million for settling existing claims against CCR members.

Legal experts throughout the country were not surprised by the 3rd Circuit's ruling. They said that while courts may appreciate seeing mass personal injury tort claims cleared from their docket with one swipe, rules governing class actions and the integrity of the judicial system simply do not allow courts to approve restrictive settlements that don't equally benefit all claimants.

"We never thought this was a particularly close call," said Fred Baron of Baron & Budd in Dallas, who is representing the lead appellant in the case. "There's no legal precedent for what they've done here. They wanted the courts to be deaf, dumb and blind to the rules of class actions and, fortunately, this appeals court wasn't."

The court's rejection of the proposal was also predicted by many lawyers at the time it was announced in 1993. They said then that there were far too many differences between class members and their causes of future injury to justify a class including all future claimants.

Many lawyers in 1993 also condemned the pact's opt-out provision, which basically required anyone ever exposed to asbestos to opt out or be bound by the settlement. Lawyers warned that most people who would want to opt out would likely be unaware of the settlement.

The court agreed with that assessment. In writing for the 3rd Circuit, Judge Edward Becker wrote that many potential claimants "do not even know they've been exposed within the terms of the class action and, if so, they are suffering no injuries and have little reason to pay attention" to settlement notices.

Larry Fitzpatrick, president of the CCR in Princeton, N.J., said last week that it will file for a rehearing of the case before the full 3rd Circuit. If that is rejected, the CCR will petition the U.S. Supreme Court to review their case.

"No stone will go unturned in order to get this thing back on its feet. We'll make every effort to hold onto this settlement. We really see it as an abberational reading of the rules governing class actions. So much of the panel's view was based on their reading that it had to be open to litigation to gain class action status. That will be at the heart of our appeal," said Mr. Fitzpatrick.

Legal experts predict that attention now will focus on the 5th U.S. Circuit Court of Appeals to see whether it will approve a $1.54 billion asbestos personal injury settlement offer that Fibreboard Corp. made last year to future claimants and anyone with pending claims against the company.

That settlement was approved last summer by a U.S. District Court judge (*BI*, Aug. 7, 1995). Appellant arguments have been completed and the 5th Circuit is expected to issue its ruling on the settlement sometime this summer.

At least one legal expert said that in light of the 3rd Circuit's ruling, the future of the Fibreboard settlement is tenuous.

"The *Georgine* ruling was largely based on there being inadequate representation for all future claimants. Fibreboard's is a non opt-out, limited fund involving a solvent company. It's very questionable whether that will be upheld," said John Coffee, a law professor at Columbia University who provided expert testimony before the 3rd Circuit against approval of the CCR settlement proposal.

Corporations and attorneys now can expect, given these recent rulings, that courts will only approve settlements in which claimants are undeniably similar in terms of injuries and other factors, several lawyers say.

"Class actions were always intended to apply to injuries occurring simultaneously, not sequentially. It seems like we took a wrong turn with Agent Orange in 1984 and we've taken three more since. And, four wrong turns gets you right back where you started," said Victor Schwartz, a mass tort expert with Crowell & Moring in Washington.

Mr. Schwartz said companies and lawyers getting involved in creating class actions for settlement purposes "should use Rule 23 wisely. If you want to skirt around it and develop a class like this, you have to get Congress to change (Rule 23)."

The asbestos case isn't the only large mass tort case to stumble recently.

Last week, a large group of the approximately 8,000 hemophiliacs who contracted the AIDS virus from using tainted blood-clotting products rejected a $640 million settlement offer from four major producers of those clotting products (*BI*, April 22). That settlement may or may not be entirely off the rails if defendant companies Baxter International Inc., Rhone-Poulenc Rorer Inc., Bayer A.G. and Green Cross Corp. of Japan change their stance on opt outs. The companies had sought to limit the number of allowable "opt-outs" to 5% of all potential claimants.

A Baxter spokeswoman said that while the $640 million is a firm offer, the companies were discussing with claimants' lawyers allowing more people to opt out and pursue individual claims.

The settlement offer was made after the 7th U.S. Circuit Court of Appeals last year refused to subject the blood products makers to a single class-action trial to determine whether they were negligent (*BI*, March 27, 1995).

Although the proposed asbestos and hemophiliac settlements are quite different in nature, their similar fate shows that large-scale class-action settlements may be more susceptible to being scuttled.

"There's no doubt that the reins are being tightened on class actions. There's a heightened level of scrutiny and anyone who doesn't know it isn't listening," said David Shrager of Shrager, McDaid, Loftus, Flum & Spivey in Philadelphia, one of the lead attorneys for hemophiliacs.

"But our case, on the facts, is about as good a case as one can have for class-action certification. This is a bona fide fight between similar claimants and defendants. And I don't think it's safe to say that if you can't get a litigation class, like we couldn't, you can't get a settlement class," said Mr. Shrager.

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Georgine vs. Amchem Products Inc., 3rd U.S. Circuit Court of Appeals, No. 94-1925. May 10, 1996.

Insurers not surprised by collapse of deal

Class-action settlement may offer lower legal costs, but courts take a dim view

By MICHAEL SCHACHNER

Insurers that agreed to back the recently dismissed asbestos personal injury class-action settlement may have wanted to see that agreement survive, but were not surprised that it was tossed out by the 3rd U.S. Circuit Court of Appeals.

Large liability insurers in recent years have been willing to back class-action settlements because they're widely considered to be the most efficient way for defendant companies and their insurers to handle mass tort claims and reduce transaction costs.

But insurance industry claims experts said pre-arranged and restrictive class-action settlements—as this one was—that pay class counsel millions of dollars but offer plaintiffs far less than they might get on their own in court, aren't going to be well received by federal courts.

"Using the class action as a settlement vehicle has become a problem," said Floyd Knowlton, a vp with ITT Hartford Group Inc. in Hartford, Conn. "The big advantage of such an arrangement is that it cuts down transactions costs and gives us certainty for the future."

In recent years, CNA Insurance Cos. and Chubb Corp. committed up to $2 billion for Fibreboard Corp. to settle its asbestos-related liabilities.

Insurers have also agreed to back four makers of blood-clotting medication that was tainted with the AIDS virus. Those companies are now trying to settle with hemophiliacs infected with HIV for $640 million. If an agreement is reached, a settlement class-action will be filed. And, insurance was crucial in structuring the initial $4.2 billion breast implant settlement offer, which has since stumbled.

But recently, federal courts, and the 3rd Circuit in particular, have rejected settlement class actions because they don't meet the criteria that class actions do when the parties intend to litigate.

On May 10, the 3rd Circuit threw out a $1.3 billion, insurer-backed settlement offer made in 1993 by the 20 members of the Center for Claims Resolution, an asbestos claims settling facility that succeeded the Asbestos Claims Facility created by the 1985 Wellington Agreement.

Among the reasons the court cited, the most glaring is that they found the criteria for certification of the class was far more liberal than what would have been applied to a litigation class.

Mr. Knowlton of ITT Hartford said the legislatures, not courts, should probably decide whether class actions can be used for settlement purposes. Currently, the Advisory Committee on Federal Rules of Civil Procedure is proposing that classes be allowed to be formed for settlement purposes.

"The problem as I see it, is that these parties are settling before even filing the class action. If the class action is totally manufactured, one can understand a court's reluctance to accept it," said Mike McGinley, vp-claims with Royal Insurance Co. in Charlotte, N.C.

"In the short-term, class actions may be under immense scrutiny and it may cost us more if we have to settle cases individually or in smaller classes. But in the long-run, we may get clearer guidelines on what's acceptable and then we won't have to wait around for three years and then do it all over, like we are with this one," Mr. McGinley said.

Jim Otto, an insurer attorney with Cummins & White in Los Angeles, said class actions are still a viable vehicle if done properly. But with mass toxic torts, like asbestos, they can create problems.

"Where there are unborn and unidentified claimants, class-action settlements are in jeopardy. When exposure is what defines a class, you can't tell when someone will become sick," he said.

Insurers may also be quicker to back asbestos settlements because asbestos is unique.

"There have been lots of verdicts and there's no doubt about injuries. It's a developed area with few insurance problems," explained Mr. Otto.

But the best way to give class-action settlements a chance of getting certified is for Congress to change the rules governing class-actions, said Bud London, an insurer attorney with London & Fisher in New York.

"Legislative rules simply do not permit certifying this class which tells us that settlements of mass torts are just too new for existing legislation. This is why we need a comprehensive national products liability awards law," he said. BI

Continued from previous page

Mr. Rogers, the Chicago attorney, said his client may seek punitive damages against ValuJet if the unauthorized oxygen generators are determined to have caused the crash. "Given ValuJet's actions, punitive damages may be a significant issue in the case," he said. Punitive damages, however, are virtually unheard of in aviation accident cases (see related story).

ValuJet Flight 592, en route from Miami to Atlanta, crashed into the Everglades shortly after takeoff and was submerged in the dense marsh, which is home to alligators and poisonous snakes. No one survived. Local police divers searched the water for signs of victims and plane wreckage, but investigators from the National Transportation Safety Board had no conclusive evidence on the cause of the accident by Friday.

Neither the ValuJet crash nor another major crash of a DC-9, the January 1995 loss of an American Airlines jet in Cali, Colombia, (*BI*, Jan. 16, 1995), is likely to reverse the trend toward a soft aviation market noted this year by underwriters. "As much as I would like to think the losses will influence an upturn in rates, I don't really think they will," said Barry Wilkes, an aviation underwriter in London with Assicurazioni Generali S.p.A.

Hull rates are unlikely to be influenced because neither plane had a very high value, while the liability awards resulting from the two crashes has yet to be assessed, he said.

"I think we're still going to be subject to pressure for lower rates," said Mr. Wilkes, who is also chairman of the Aviation Insurance Offices' Assn., which represents the international aviation insurers operating in London. The main problem for underwriters is continued overcapacity in the aviation market, he added.

Recently the AIOA forecast that aviation rates would fall this year because of a marked decrease in claims in 1995. The estimated cost of major aircraft full and partial losses last year was $434 million, the lowest in seven years and well below 1994's record $820 million.

Mr. Wilkes expects that relatives of the Cali crash victims, who were largely Colombian citizens residing in the United States, will try to find grounds to sue American Airlines in the United States, where liability awards are normally much higher than elsewhere. They can do this if they can establish that the airline was negligent in some way, he said. Otherwise, liability awards involving international air travel would be subject under the Warsaw Convention to a $75,000 per passenger maximum.

Liability awards are currently receiving the attention of airlines, insurers and governments worldwide. At an October 1995 meeting of the International Air Transport Assn., 12 airlines signed a draft for a new Intercarrier Agreement that would eliminate Warsaw Convention passenger liability limitations on international flights (*BI*, Nov. 20, 1995). The limitations would be replaced by a system making awards dependent on the norms of the country of the passenger's passport or place of residence.

Since then, the number of airlines endorsing the agreement has risen to 28—none of which is a U.S. airline. IATA officials said they hope the Intercarrier Agreement will come into effect on Nov. 1, 1996.

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Edwin Unsworth and Dave Lenckus contributed to this report.

Human factors set liability

By ROBERT KAZEL

MIAMI—ValuJet's liability from the crash of its plane near Miami will depend less on the company's maintenance and inspections of its planes than on whom the plane was carrying: the identities of the deceased passengers, their former occupations and the needs of their families.

Attorneys specializing in air disasters, both for plaintiffs and defendants, said last week that suits against the airline would allege traditional losses associated with mass accidents, such as loss of income and loss of society, but that any attempts to collect punitive damages from the airline were very likely to fail.

Plaintiffs in the ValuJet crash suits could win punitive damages only by demonstrating "gross, willful, wanton conduct," said Tim Lines, a partner in the Washington law firm of Condon & Forsyth. Although many plaintiffs do seek punitive damages as a matter of course, none ever has collected such damages from an air carrier, he said.

Many plaintiffs attorneys in air crashes don't pursue punitive damages because they believe it is pointless and will unnecessarily drag out settlement negotiations, further traumatizing relatives, or result in an unwanted trial.

Steven Marks, an attorney representing several families of ValuJet crash victims, said that because airlines are uninsured for punitive damages they could kill an airline like ValuJet.

"The figures are so high it would put the airline out of business anyway, and you'd never really collect. You can't resolve a case with punitive damages," he said.

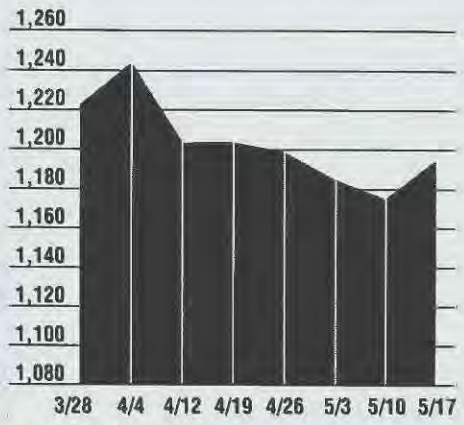
The amount of money that can be collected by the families of the crash victims will vary widely. Economic damages may include loss of support; loss of services, such as a spouse's housework; loss of inheritance; and funeral expenses. Non-economic damages may include loss of society—an intangible that includes loss of comfort, care and guidance—and compensation for survivors' grief and pre-impact suffering of the deceased.

Cash settlements for deaths in airline accidents range from more than $1 million to $5 million or higher, depending on the wages of the person killed, said Paul Hedlund, a partner with Los Angeles-based law firm Baum, Hedlund, Aristei, Guilford & Downey.

Those awards could be pushed higher depending on what investigators learn about ValuJet's responsibility for the crash, said an attorney who is former chief litigator for the Federal Aviation Administration and a lawyer for plaintiffs in aviation cases.

"Was that plane properly maintained and inspected?" asked Mike Pangia, partner with Washington-based law firm Gilman & Pangia."That's a big question." But, he added, "I don't think the age of the airplane itself is a factor. As long as it's maintained properly and given periodic overhauls, I think an old airplane is just as safe and sometimes safer."

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of May 17

Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern September 1996		**California Annual**	
40/60	4/5.8	40/60	1.5/2.5
50/70	4/4.5	80/100	.8/1.5
80/100	2.5/3	100/120	—/1.1
Midwest June 1995		**Texas June 1996**	
10/20	.4/1	5/15	.6/2

Total volume: 90 Total open interest: 2,394

For information on PCS cat options, call 312-435-3674.
Source: Chicago Board of Trade

British Issues

May 16 Companies	Price pence	P/E	Div. pence	Yield %	1 week high—low
Commi Union	630	12.0	35.3	5.6	630—618
Genl Accident	677	10.2	38.8	5.7	677—635
Gdn Royal Exch	273	10.1	11.3	4.1	273—270
Independent	492	9.2	14.1	2.9	494—492
Royal	438	8.2	20.0	4.6	438—432
Sun Alliance	414	9.4	21.6	5.2	414—407
Brokers					
Bradstock	72	12.0	7.1	9.9	72—71
Fenchurch	132	8.9	10.6	8.0	132—125
CE Heath	100	22.2*	6.3*	6.3	100—100
JIB Group	116	11.5	9.4	8.1	116—116
Lloyd Thmpson	180	11.0	11.3	6.3	180—179
Lowndes Lmbrt	150	8.1*	11.0*	7.3	150—146
Nelson Hurst	203	12.5	9.8	4.8	203—198
Sedgwick Grp	147	11.5	8.1	5.5	149—146
Steel Brl Jones	46	6.0	5.6	12.2	46—46
Willis Corroon	151	13.6	8.3	5.5	151—148

Source: Philip Olsen, London * Estimated. Others actual.

BI Industry Stock Report MAY 13, 1996, THROUGH MAY 17, 1996

BROKERS		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
Acordia Inc.	NYS	32	-0.78	7.56	32.50	23.50	9	0.8	2.50	19	14.00	2.29
Alexander & Alexander	NYS	20.25	2.53	6.58	26.44	17.88	167	0.1	0.49	26	19.17	1.06
E.W. Blanch Holdings Inc.	NYS	21.875	-2.23	-6.42	25.50	16.50	163	0.4	1.83	17	4.93	4.44
Gallagher Arthur J. & Co.	NYS	32.375	-1.89	-13.09	39.50	32.13	166	1.16	3.58	12	6.48	5.00
Hilb, Rogal & Hamilton	NYS	13.75	0.92	2.80	14.38	11.50	69	0.6	4.36	16	1.21	11.36
Kaye Group Inc.	NDQ	6.5	-4.59	-18.75	10.50	6.50	2	0.1	1.54	9	NA	NA
Marsh & McLennan	NYS	93.25	0.27	5.07	101.63	76.63	838	3.2	3.43	16	19.95	4.67
Poe & Brown	NDQ	24.375	0.00	-2.01	25.50	22.75	96	0.48	1.97	14	5.15	4.73
BROKERS	AVERAGE		-0.7	-2.3					2.8	18		
INSURERS/REINSURERS												
ACE Ltd.	NYS	44.875	1.41	12.89	50.38	24.38	700	0	0.00	-	22.45	2.00
Acceptance Insurance Cos.	NYS	16.875	6.30	13.45	17.50	13.13	139	0	0.00	44	10.76	1.57
AEGON N.V.	NYS	49.375	-0.75	12.22	50.38	30.13	108	1.23	2.49	15	17.28	2.86
Aetna Life & Casualty	NYS	71.625	2.69	3.43	78.75	58.38	3898	2.76	3.85	19	48.85	1.47
AFLAC Inc.	NYS	31.125	0.81	7.33	33.13	24.38	1473	0.4	1.29	13	17.58	1.77
Allied Group Inc.	NDQ	39.125	3.64	8.68	44.25	27.25	176	0.88	2.25	8	21.81	1.79
Allmerica Prop. & Casualty	NYS	26.25	3.45	-2.78	27.25	20.38	36	0.16	0.61	10	19.87	1.32
Allstate Corp.	NYS	40	1.59	-2.74	46.00	28.88	6801	0.85	2.13	10	18.75	2.13
American Financial Group	NYS	29.75	1.7	-2.86	34.50	24.50	462	1	3.36	7	24.94	1.19
American General	NYS	34.5	0.36	-1.08	39.13	31.00	2014	1.3	3.77	13	17.03	2.03
American Heritage Life Ins.	NYS	21	-3.45	-8.20	24.25	17.75	36	0.76	3.62	11	12.51	1.68
American Indemnity/Fin'l	NDQ	12.5	0.00	25.00	13.38	9.00	13	0.3	2.40	-5	15.92	0.79
American International	NYS	91	-1.22	-1.62	103.38	71.00	3487	0.34	0.37	16	34.66	2.63
American Re Corp.	NYS	43.875	2.63	7.34	45.00	34.00	284	0.32	0.73	-28	16.77	2.62
Aon Corp.	NYS	52.375	-0.95	5.01	56.00	35.63	737	1.44	2.75	15	18.39	2.86
Argonaut Group	NDQ	33.25	7.26	2.31	35.00	28.88	157	1.48	4.45	11	29.91	1.11
AVEMCO Corp.	NYS	15.625	0.81	-2.34	18.00	14.63	14	0.48	3.07	18	6.28	2.49
Baldwin & Lyons Inc.	NDQ	16.25	4.84	0.00	18.00	14.25	14	0.32	1.97	8	13.90	1.17
Berkley W.R. Corp.	NDQ	43	-2.82	-20.00	55.50	35.00	529	0.52	1.21	14	34.46	1.25
Berkshire Hathaway Inc.	NYS	33550	0.00	4.52	38000.00	22125.00	0	0	0.00	55	10089.11	3.33
Capital RE Corporation	NYS	37.375	2.05	21.54	38.00	24.00	147	0.24	0.64	12	27.82	1.34
Capsure Holdings Corp.	NYS	17.125	-3.52	-2.84	18.38	13.00	126	0	0.00	13	14.61	1.17
Chartwell Re	NDQ	20.75	-1.19	NA	24.75	10.00	226	0	0.00	11	11.13	1.86
Chubb Corp.	NYS	46.875	1.08	-3.10	52.25	28.50	2268	1.08	2.30	12	48.92	0.96
CIGNA Corp.	NYS	113	1.23	9.44	125.50	72.63	1786	3.2	2.83	58	80.46	1.40
CNA Financial Corp.	NYS	98.875	0.51	-12.89	123.25	82.00	134	0	0.00	7	71.13	1.39
EMC Insurance Group Inc.	NDQ	13.5	0.00	-1.82	15.25	10.28	6	0.56	4.15	9	11.13	1.21
Everest Reinsurance	NYS	24	3.78	2.67	25.13	18.50	444	0.12	0.50	126	NA	NA
EXEL Ltd.	NYS	70	1.27	14.99	73.13	45.75	874	0	0.00	-	31.47	2.22
Fremont General Corp.	NYS	24	1.59	-2.04	26.25	15.88	226	0.6	2.50	9	19.04	1.26
Frontier Insurance Group	NYS	33.875	1.12	5.86	34.75	23.50	113	0.48	1.42	13	14.65	2.31
Gainsco Inc.	ASE	11.125	4.71	-2.20	12.38	8.31	188	0.05	0.45	13	3.98	2.80
General RE Corp.	NYS	140	-1.32	-9.68	158.25	129.50	2083	2.04	1.46	13	59.35	2.36
Guaranty National Corp.	NYS	17.125	0.00	11.38	19.00	13.38	472	0.5	2.92	30	11.60	1.48
Harleysville Group	NDQ	26.75	0.00	-17.37	33.00	23.75	73	0.76	2.84	11	20.72	1.29
Hartford Steam Boiler	NYS	48	-1.03	-4.00	52.50	42.63	155	2.28	4.75	15	14.68	3.27
HCC Insurance Holdings	NYS	24.25	-12.22	31.08	25.50	8.88	251	0	0.00	28	15.86	1.53
ITT Hartford Group	NYS	50.5	6.60	4.39	53.75	44.50	1500	1.6	3.17	12	45.46	1.11
Lincoln National	NYS	47.75	0.00	-11.16	57.00	39.75	815	1.84	3.85	10	28.90	1.65
Markel Corp.	NDQ	84	1.20	11.26	91.00	53.25	26	0	0.00	13	25.71	3.27
Meadowbrook Insur. Group	NYS	30.375	6.11	-9.33	33.88	24.00	35	0.08	0.26	-	NA	NA
Mid Ocean Ltd.	NDQ	37.75	2.37	1.68	43.00	27.88	351	0	0.00	-	22.18	1.70
Mutual Risk Mgmt. Ltd.	NYS	39.5	-0.32	-13.66	46.50	30.00	80	0.4	1.01	17	9.72	4.06
NAC Re Corp.	NYS	32.375	0.39	-10.07	39.00	28.50	275	0.2	0.62	8	18.23	1.78
National Re Corp.	NYS	33.5	-2.55	-11.84	38.13	30.00	222	0.2	0.60	11	17.05	1.96
Navigators Group	NDQ	19.5	5.41	10.64	20.25	12.75	13	0	0.00	11	10.21	1.91
Nobel Insurance Ltd.	NDQ	11.5	1.66	1.10	12.75	9.38	8	0.2	1.74	10	6.84	1.68
Ohio Casualty Corp.	NDQ	33.75	-0.74	-12.90	40.00	29.25	193	1.6	4.74	14	23.64	1.43
Old Republic Int'l	NYS	21.875	1.16	-7.57	24.38	16.63	1614	0.35	1.60	9	25.79	0.85
Orion Capital Corp.	NYS	47	5.03	8.36	47.75	38.00	116	1	2.13	10	26.00	1.81
Partner Re Ltd.	NDQ	31.125	1.22	13.18	31.75	22.25	683	0	0.00	-	20.37	1.53
Penn-America Group Inc.	NDQ	13.125	-0.94	-7.89	15.50	8.25	177	0.16	1.22	10	6.40	2.05
Philadelphia Cons. Holding	NDQ	20.375	-0.61	25.38	22.50	13.75	85	0	0.00	13	11.58	1.76
PXRE Corp.	NDQ	24.5	-1.01	-7.55	29.75	21.00	125	0.72	2.94	5	21.27	1.15
Reliance Group Holdings	NYS	8	-4.48	-7.25	9.25	6.00	1046	0.32	4.00	10	3.42	2.34
Reliastar Financial Corp.	NYS	43.75	-1.13	-1.41	51.63	35.75	423	1.12	2.56	10	24.53	1.78
RenaissanceRe Holdings Ltd.	NDQ	28.125	1.35	-7.41	33.13	20.72	131	0	0.00	-	NA	NA
Risk Capital Holdings	NDQ	19.875	0.63	-14.97	23.38	19.63	48	0	0.00	-	NA	NA
RLI Corp.	NYS	23.5	0.53	-6.00	25.88	19.88	28	0.56	2.38	24	20.51	1.15
St. Paul Companies	NYS	52.125	-0.24	-6.29	60.50	46.13	835	1.76	3.38	8	32.46	1.61
SAFECO Corp.	NDQ	34	0.37	-1.45	39.75	28.13	1808	1.16	3.41	10	44.95	0.76
Seibels Bruce Group	NDQ	2.6875	-10.42	79.17	4.25	0.44	233	0	0.00	38	0.04	67.19
Selective Ins. Group	NDQ	31.875	-1.16	-10.21	38.75	28.50	160	1.12	3.51	9	23.23	1.37
Sphere Drake Holdings	NYS	9.875	-3.66	-29.46	19.13	9.75	53	0	0.00	-	13.86	0.71
TIG Holdings	NYS	29.125	0.43	2.19	34.25	22.25	761	0.2	0.69	27	16.62	1.75
Titan Holdings, Inc.	NYS	16.25	4.84	13.04	16.63	10.25	180	0.29	1.78	12	9.04	1.80
Tokio Marine & Fire	NDQ	64.125	0.98	-2.84	69.25	50.88	22	0.32	0.50	22	57.72	1.11
Torchmark Corp.	NYS	42.5	-1.45	-6.08	49.88	36.75	522	1.16	2.73	20	17.37	2.45
Transatlantic Holdings	NYS	64.5	1.38	-12.10	75.25	62.38	128	0.48	0.74	11	33.30	1.94
Transnational Re Corp.	NDQ	23.5	-0.53	-4.08	27.25	19.63	624	0.2	0.85	6	22.23	1.06
Travelers Aetna Property	NYS	27.125	0.46	NA	28.13	26.00	1486	0.3	1.11	301	24.77	1.10
Travelers Corp.	NYS	61.75	4.22	-1.40	70.50	40.88	4611	0.9	1.46	10	24.77	2.49
Trenwick Group Inc.	NDQ	46.25	-2.63	-17.78	57.50	41.75	229	1.24	2.68	10	29.23	1.58
United Fire & Casualty	NDQ	33.75	8.87	20.54	37.25	18.25	17	0	0.00	13	28.96	1.17
Unitrin	NDQ	47.5	0.93	-1.04	51.75	44.50	340	2.2	4.63	13	37.51	1.27
UNUM Corp.	NYS	58.625	0.64	6.59	63.00	39.88	1060	1.1	1.88	15	26.45	2.22
US Facilities Corp.	NDQ	17.25	0.00	-19.30	23.38	14.38	436	0.24	1.39	7	14.20	1.21
USF&G Corp.	NYS	15.75	-1.56	-6.67	19.50	14.25	1487	0.2	1.27	9	10.86	1.45
USLIFE Corp.	NYS	30.125	3.88	0.84	33.25	24.88	221	0.93	3.09	10	38.45	0.78
Washington National	NYS	26.5	-0.47	-4.07	30.50	19.50	142	1.08	4.08	10	25.13	1.05
Zenith National Ins.	NYS	27	7.46	26.32	27.50	20.00	70	1	3.70	39	16.35	1.65
Zurich Reinsurance Centr.	NYS	31.75	3.67	4.53	32.63	27.88	85	0	0.00	19	21.64	1.47
INSURERS,REINSURERS	AVERAGE		0.7	0.9					1.9	19.0		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	29.5	1.72	3.51	34.25	21.38	716	0	0.00	-33	28.15	1.05
Humana Inc.	NYS	23.75	-1.04	-13.24	28.88	17.00	2493	0	0.00	20	6.56	3.62
Oxford Health Plans	NDQ	45.5	-4.46	23.18	55.25	21.63	5196	0	0.00	55	6.56	6.94
Pacificare Health Sys.	NDQ	76.5	2.34	-12.07	98.75	44.50	489	0	0.00	20	15.02	5.09
Safeguard Health Enter.	NDQ	19.25	6.21	65.59	19.25	10.25	56	0	0.00	33	6.15	3.13
Sierra Health Services	NYS	35	-2.10	10.24	36.00	22.13	146	0	0.00	26	9.22	3.80
United Healthcare Corp.	NYS	55.25	3.51	-15.49	69.00	35.75	5438	0.03	0.05	33	16.17	3.42
U.S. Healthcare	NDQ	53.25	2.40	14.52	54.25	29.50	7476	1.1	2.07	23	5.66	9.41
Wellpoint Health Networks	NYS	26.75	-26.21	-16.73	36.63	26.75	742	0	0.00	15	14.26	1.88
HMOs	AVERAGE		-2.0	6.6					0.2	21		
ALL COMPANIES	AVERAGE		-0.7	1.8					2.1	22		

Top advancing issues: United Fire & Casualty, Zenith National Ins., Argonaut Group. Leading decliners: Wellpoint Health Networks, HCC Insurance Holdings, Seibels Bruce Group. Most active issue: U.S. Healthcare. The BI Index rose 1.7%; the Dow Jones 30 Industrials rose 3.1%; the S&P 500 increased 2.6% and the NYSE Composite gained 2.5%. Book values are updated annually by Nordby International Inc.

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FIRST CAPITAL AGENCY, INC.

185 Great Neck Rd., Great Neck, NY 11021
(516) 466-1313

THE CHOICE

Reliance National

A Reliance Group Holdings Company

77 Water Street, New York, N.Y. 10005
http://RelianceNational.com

For further information write us or call (212) 858-6602

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